

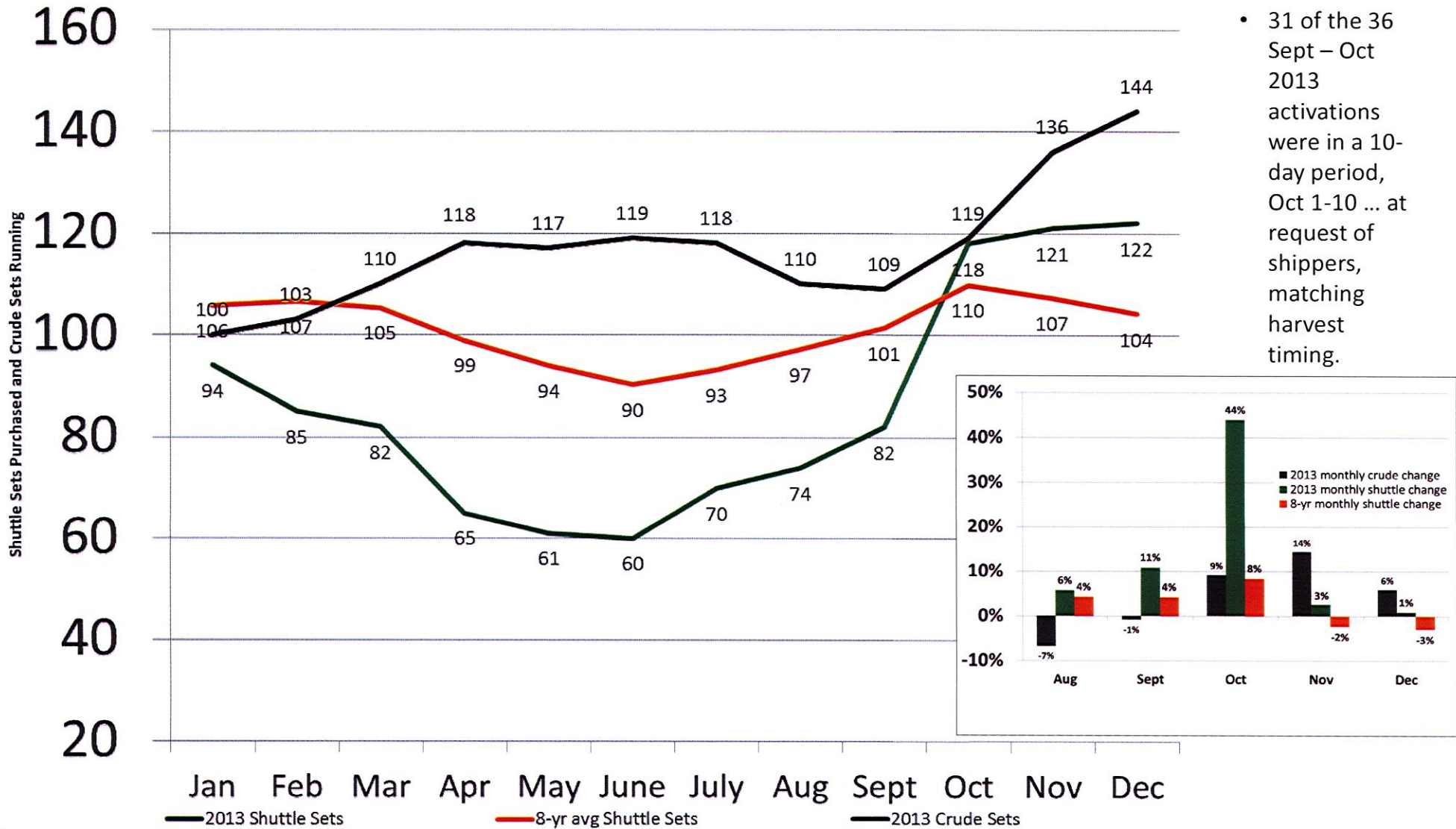
Attachment 2

Part 3 of 9

Minnesota Power's response to DOC discovery related to rail delivery issues.

# Results manageable until Oct. 2013

## Crude and ag traffic surged in October



- 31 of the 36 Sept – Oct 2013 activations were in a 10-day period, Oct 1-10 ... at request of shippers, matching harvest timing.

# Adding capacity under increased traffic

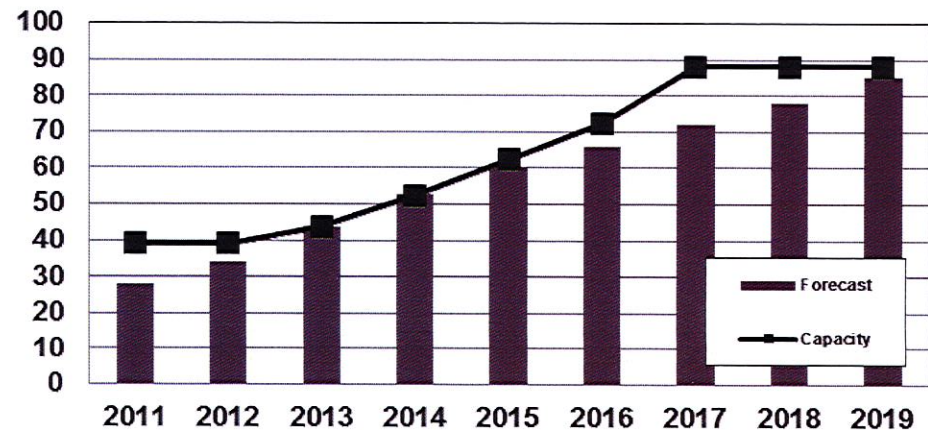
## Capacity not added as quickly as needed

**Significant expansion investments have been made and are planned on the North Transcon, but new capacity has struggled to keep pace with significant volume increases**

### ► Glasgow subdivision:

- > 2012: Construct new siding at Tagus. \$6M.
- > 2013: Construct new sidings at Palermo, Iroquois, and Manitou. And begin grading on 46 miles of double track. Total of \$60M.
- > 2014: Construct double track on 46 miles. Perform grading on additional 45 miles. Total of \$173M.
- > 2015: Construct double track on additional 45 miles. Perform grading on final 23 miles. Total of \$118M.
- > 2016: Construct double track on final 23 miles. Total of \$39 M.
- > 2012 – 2016 total line expansion capital for Glasgow sub: \$396 M.

Line capacity and projected volume (trains per day)  
Glasgow subdivision (Minot - Snowden)



# Extreme cold weather causes service setbacks

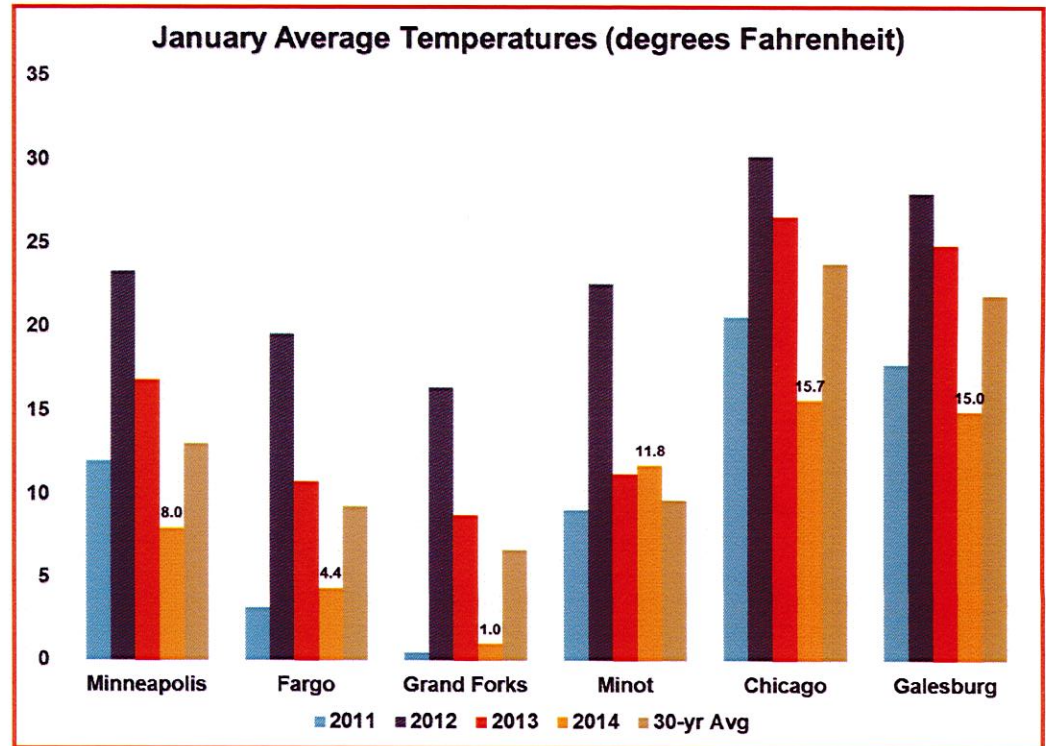
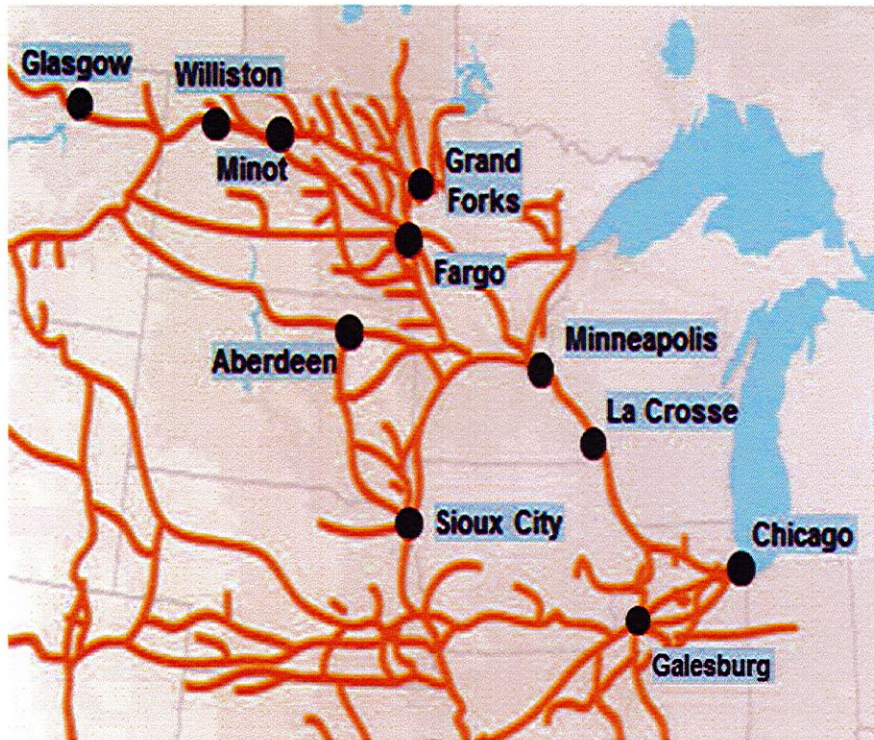
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- Continued tough winter weather combined with traffic surges is hampering service for all freight and Amtrak particularly in Northern Corridor.
- Significant personnel added to remove snow, clean switches, keep railroad running through winter storms
  - 24-hour crews in position to keep rails clear of snow and ice
  - Running shorter trains due to temperature
- Employees instructed to work no more than 20 minutes outdoors followed by 10 minute warm-up
- Chicago complex has not operated well due to weather conditions further impacting all customers

# Historic temperature changes

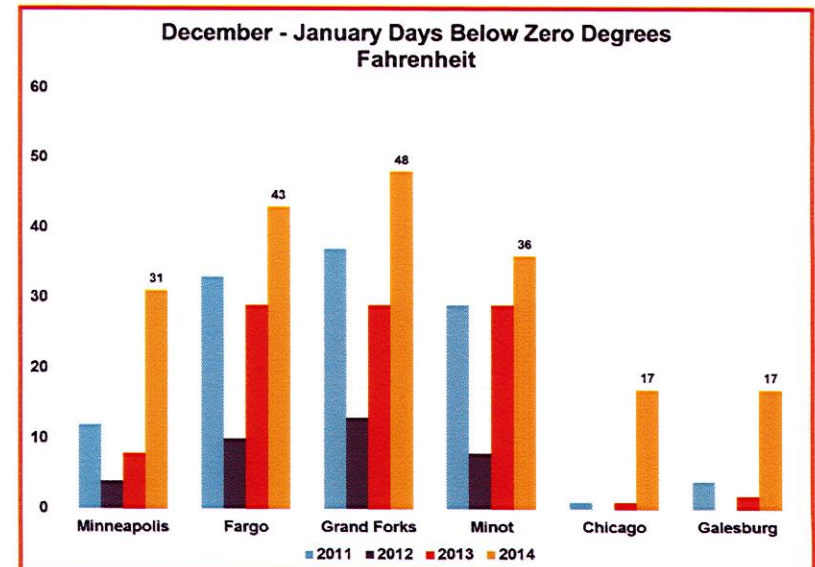
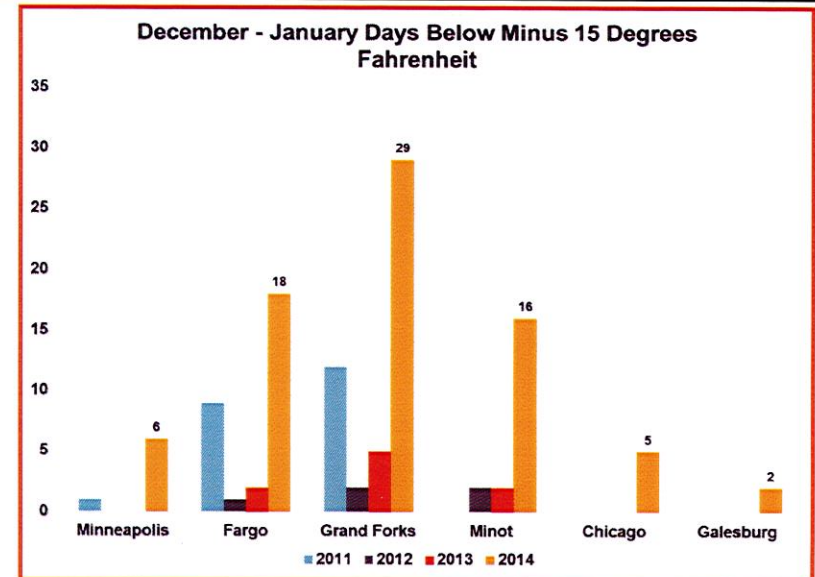
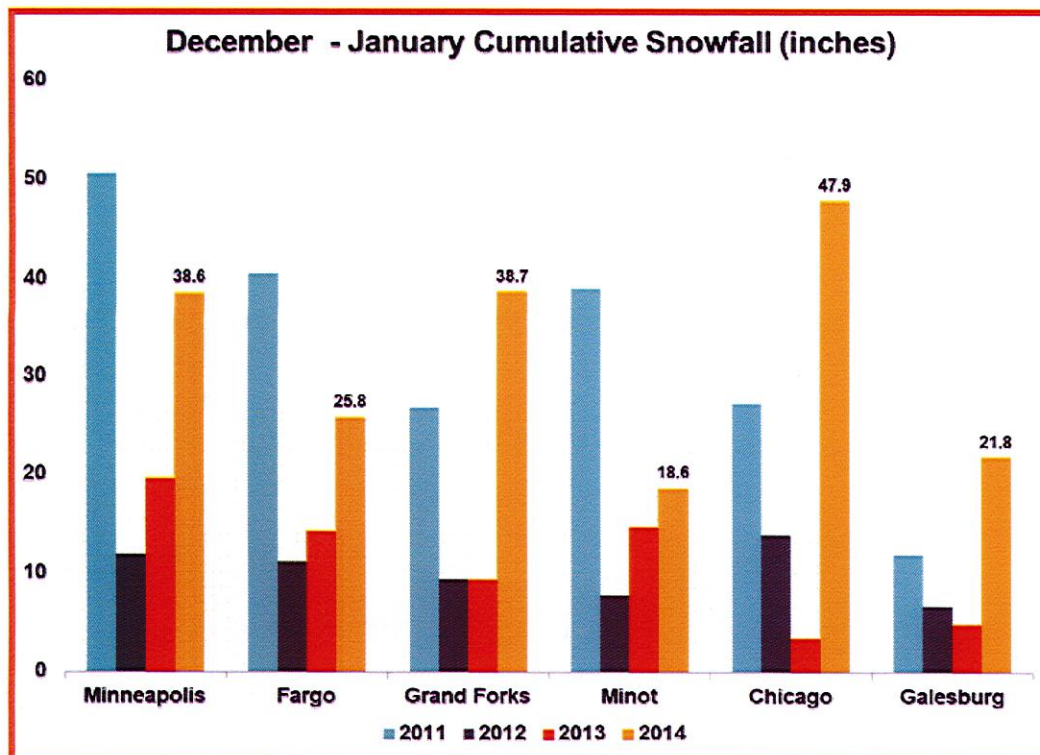
*2014 temperatures across the Northern Transcon are well below historical norms*



- The frequency of extreme conditions has also increased.*

# Northern Transcon weather extremes

- Days below zero and below -15 degrees increased significantly during this winter
- Chicago snowfall up substantially versus prior years

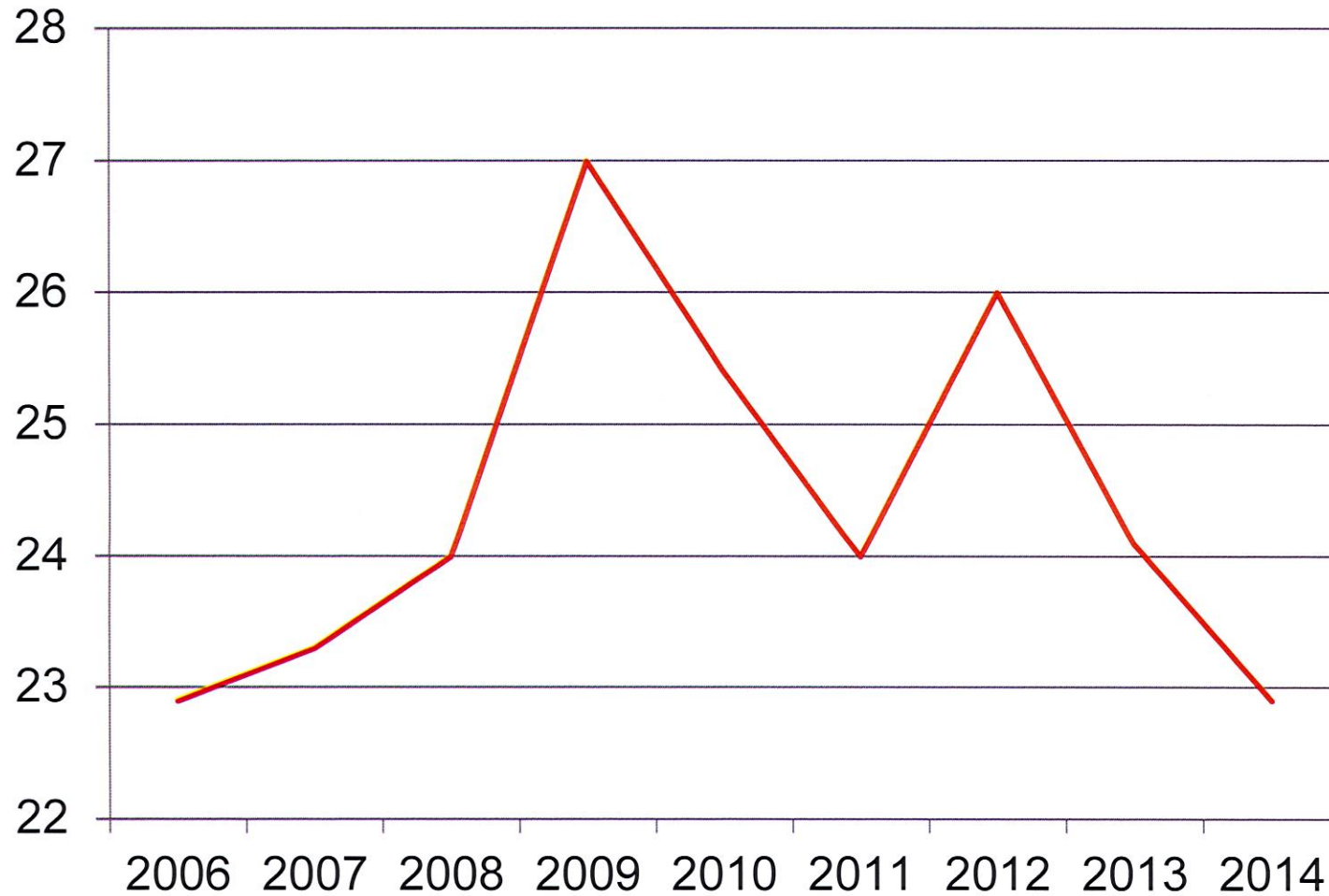


# Indications and Consequences of Congestion

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# BNSF train speeds

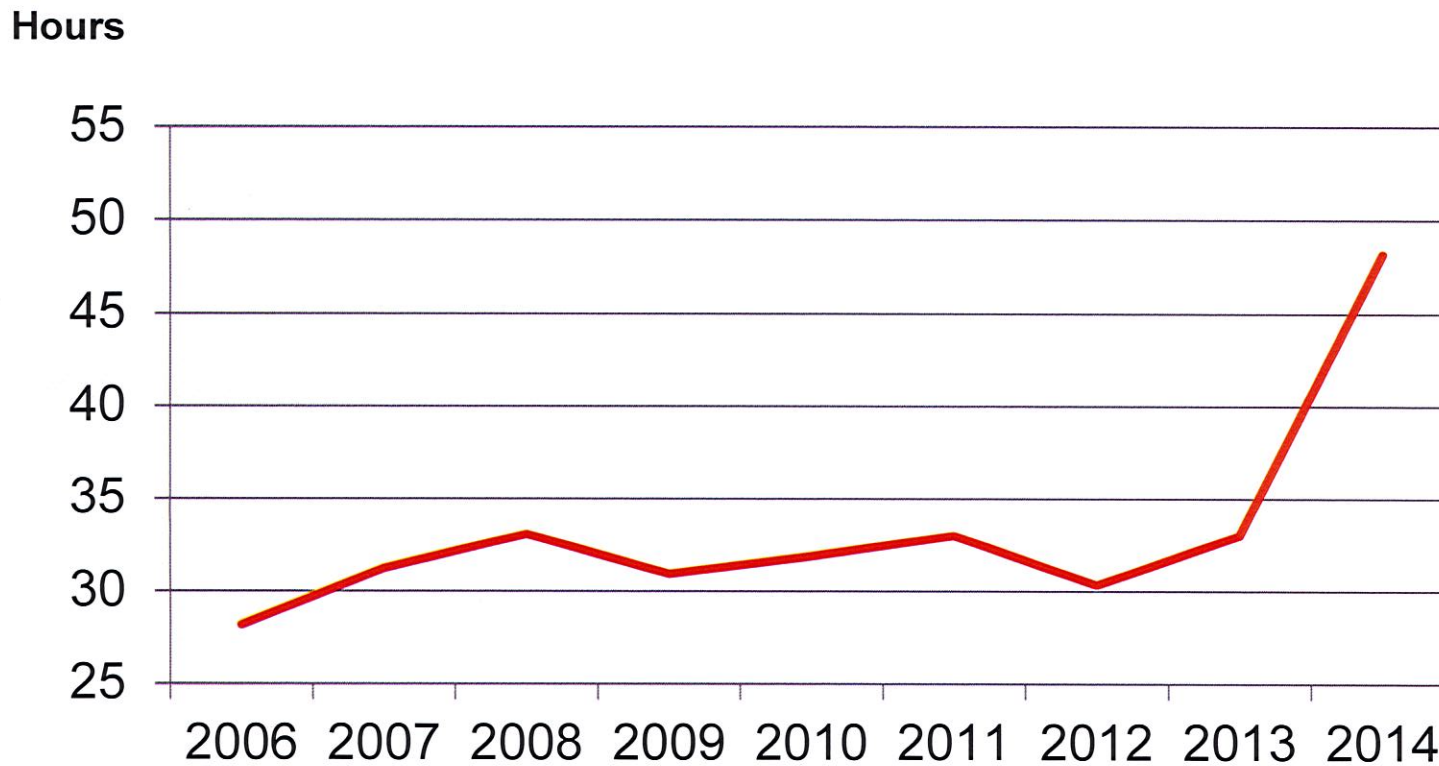
Average Train Speed (MPH)  
(All Trains)





# BNSF terminal dwell

Average terminal dwell time for Northtown, Galesburg, and Argentine



# Amtrak performance-Empire Builder

## Impact primarily on East-end of the Northern Transcon



### January On-Time Performance for Amtrak #8

- Seattle-Spokane 96.3%
- Spokane-Shelby 92.3%
- Shelby-Minot 12.0%
- Minot-Minneapolis 4.2%

### Average Hours Late

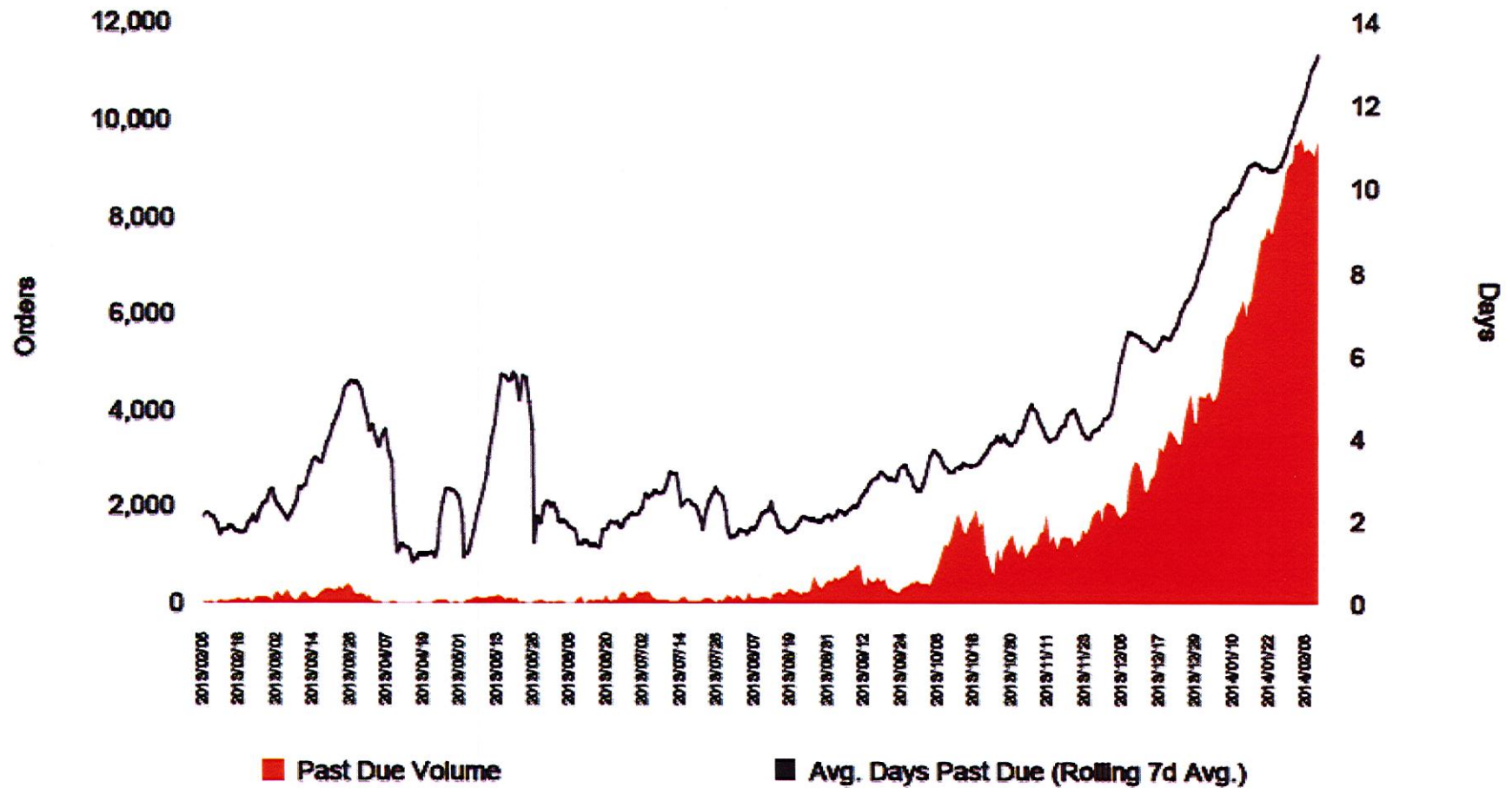
- January #7 WB 4.0 hours  
#8 EB 5.4 hours
- February #7 WB 4.0 hours  
#8 EB 5.6 hours

Multiple January cancellations by Amtrak between Minneapolis and Whitefish due to blizzard conditions.

### Countermeasures

- Directional running between Minot-Fargo with freight flows, Westbound buses from Devils Lake, Rugby, Grand Forks
- Developing new Amtrak schedule
- Rapid responders staffed 24x7 to quickly respond to service interruptions and minimize train delays

# Ag Past Dues have grown significantly in past few months



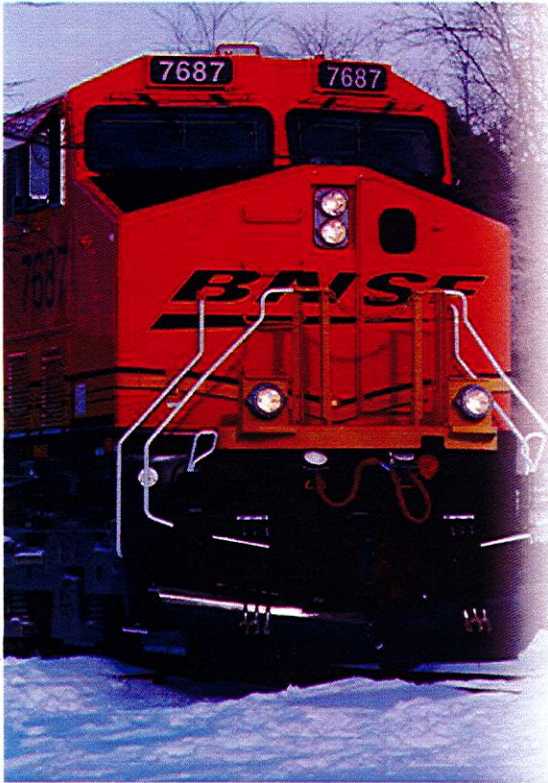
# Short-Term Actions

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# BNSF taking aggressive short-term action

## Over-sourcing the railroad

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### People

- Adding **380 new employees** in the North, Jan.-Apr. Managers brought from across network to help improve fluidity. Adding **996 new TY&E employees** in 2014 resulting in a **21,035 TY&E headcount**, exceeding both attrition and volume growth.

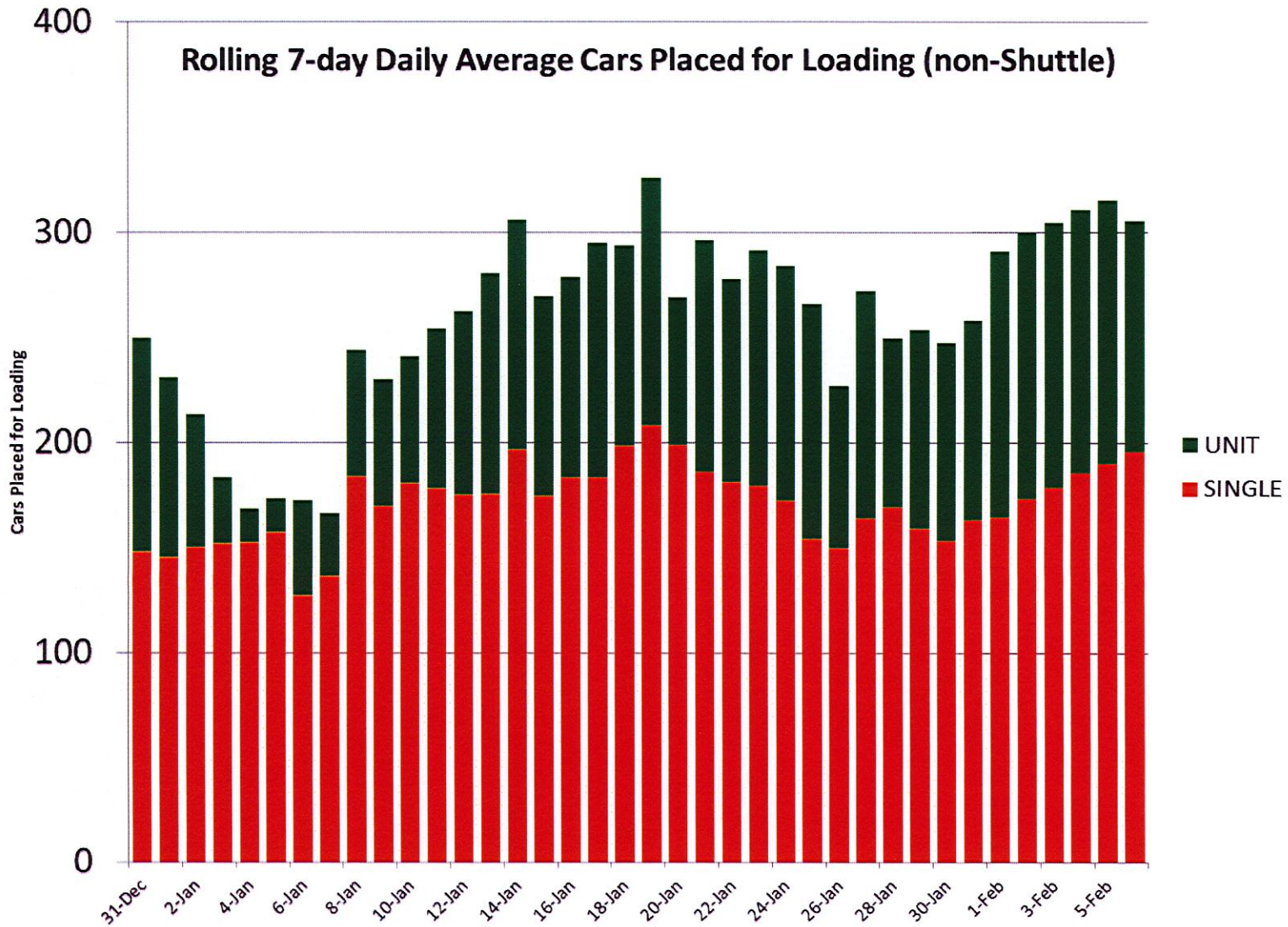
### Locomotives

- Deploying additional locomotives. Added more than **250 locomotives** and will add **125 new locomotives** in next 60 days. Active fleet is up **900 locomotives** with cumulative effect of new, leased and reactivated surge fleet.

### Operational Management

- Staffing & operating **24-hour command centers** at key locations across network to streamline communication, coordinate train flows and weather-recovery efforts.

# Keeping focus on serving single-car shippers

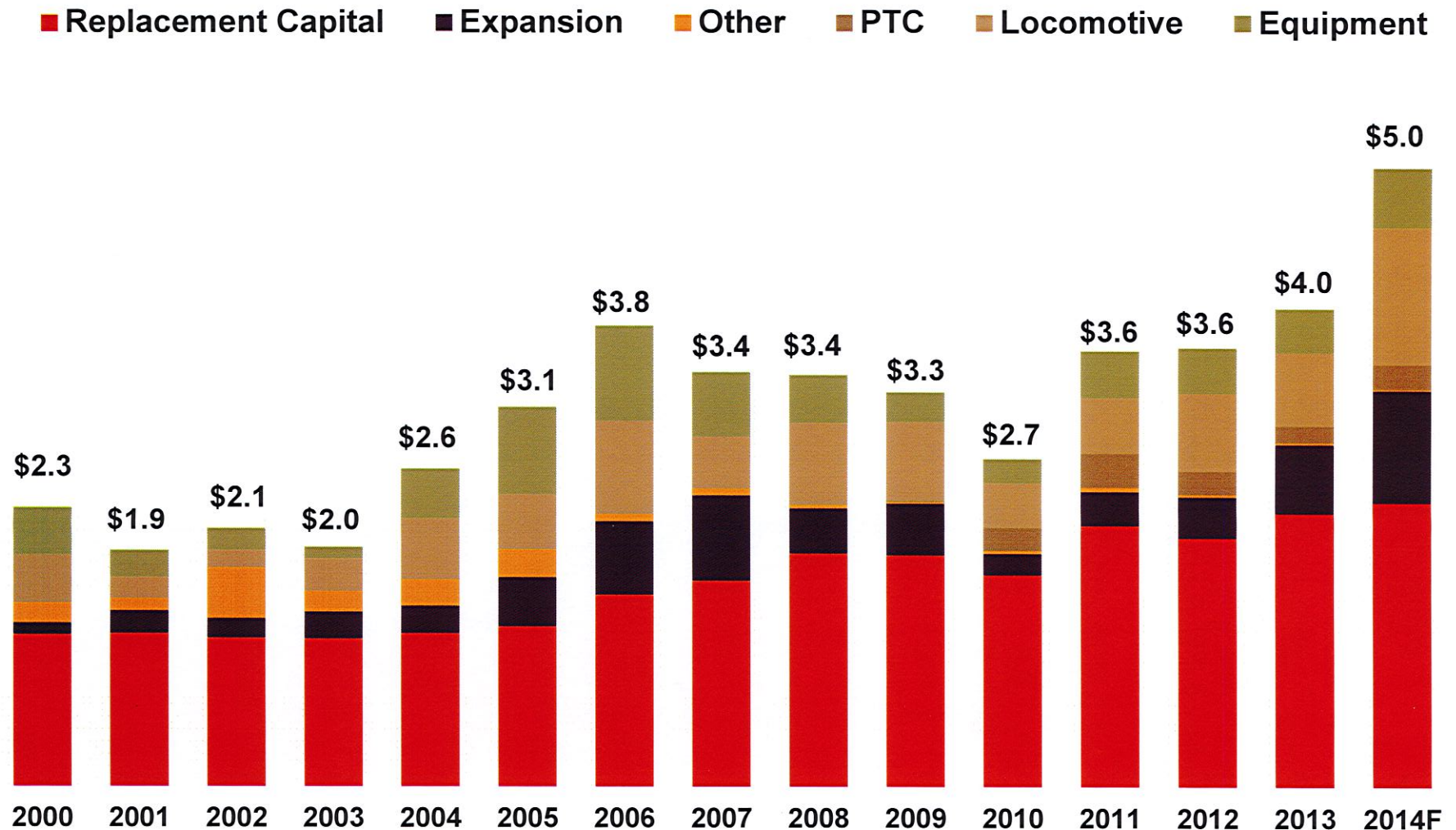


# Long-Term Actions to Add Capacity

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# We have the capital and are deploying it

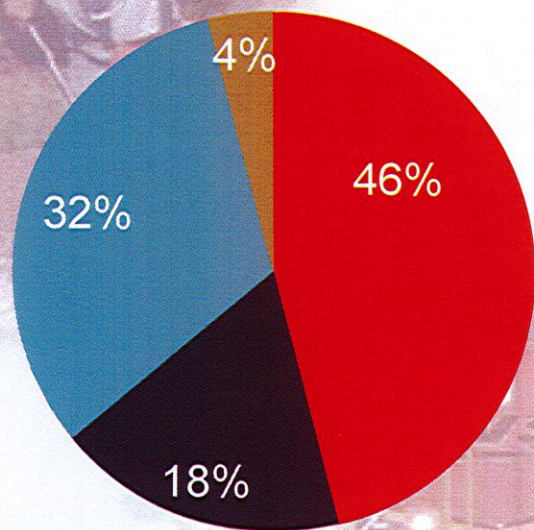
\$ Billions



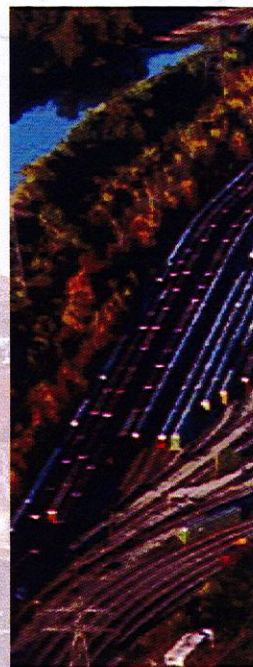


# Record capital investment ensures capability and reliability

## BNSF's 2014 Capital Commitment \$5B



- Core Network and Related Assets
- Expansion and Efficiency
- Locomotive, Freight Car, and Other Equip
- PTC



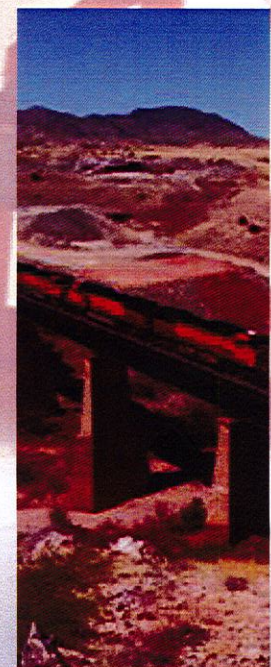
**\$2.3 billion**  
Core Network and  
Related Assets



**\$1.6 billion**  
Loco, Freight Car,  
& Other Equip



**\$900 million**  
Expansion &  
Efficiency



**\$200 million**  
PTC

# BNSF long-term actions to add capacity

## People

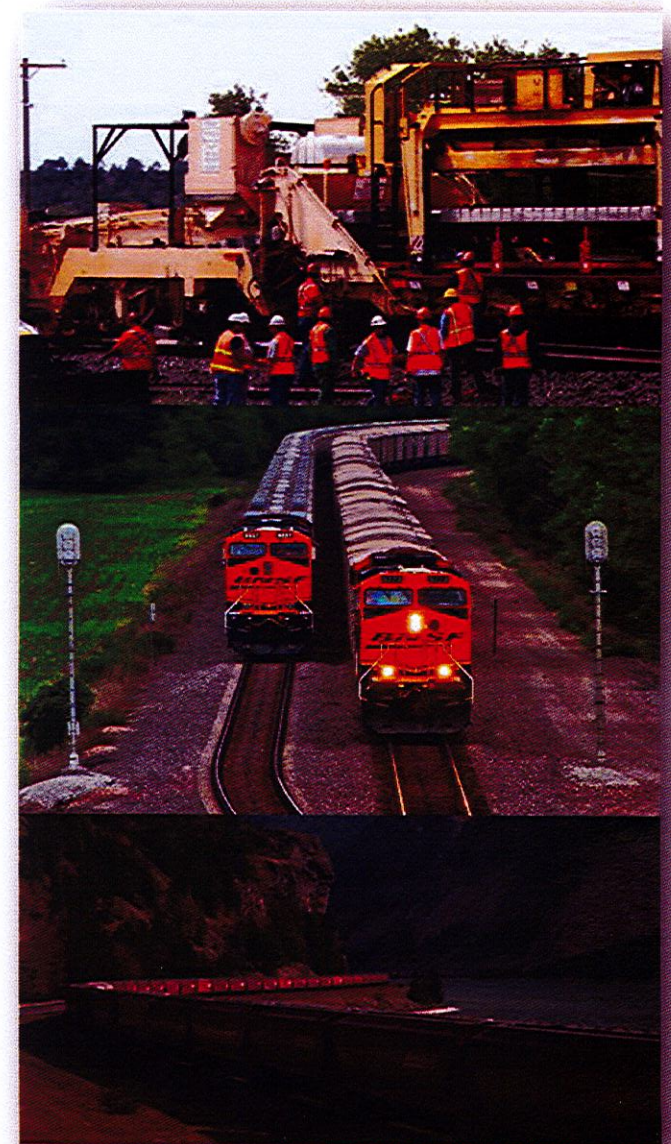
- Plan to hire **5,000** additional employees in 2014, a large portion of which will be dedicated to Northern Corridor.

## Locomotives

- Active fleet is up 900 units with cumulative effect of new, leased and reactivated surge fleet. Purchasing **more than 500 locomotives** to increase overall fleet to ensure necessary power where & when needed going forward.

## Cars

- Adding, replacing, and extending leases on **more than 5,000 cars** to maintain, refresh, and bolster supply. Cars to support new business, covered grain hoppers and various car types support Industrial Products.



# BNSF long-term actions to add capacity

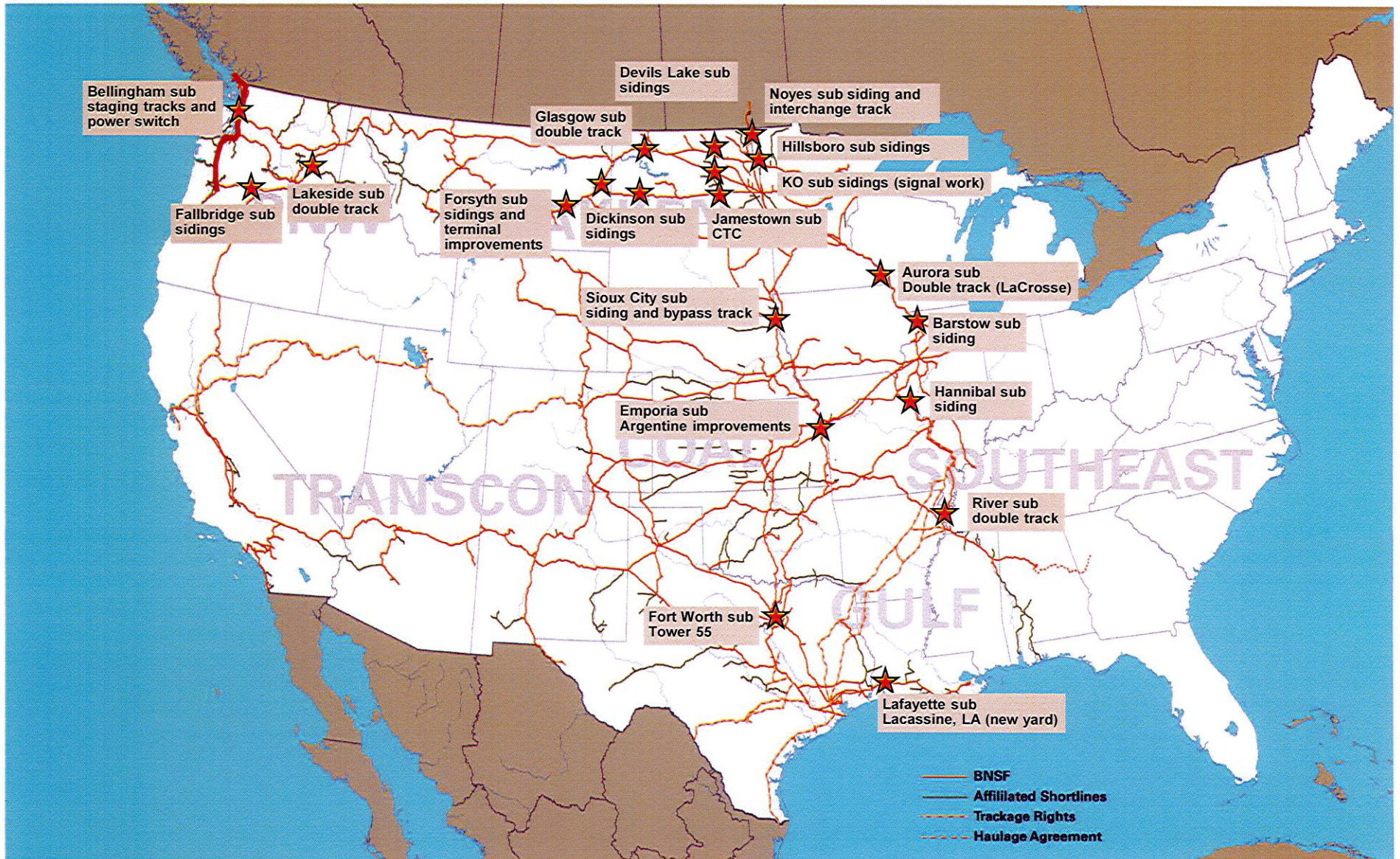
## Track

- Investing **\$600 million** in terminal & line capacity expansion projects, much of which will be spent in Northern Corridor.
- Large investment in replacement and maintenance to ensure we are operating at optimal levels.
- Added siding & terminal track capacity to accommodate rapid growth while also improving our existing infrastructure.
- Will complete **more than 66 miles** of new second main track on busiest segments of corridor in 2014.



# BNSF long-term actions to add capacity

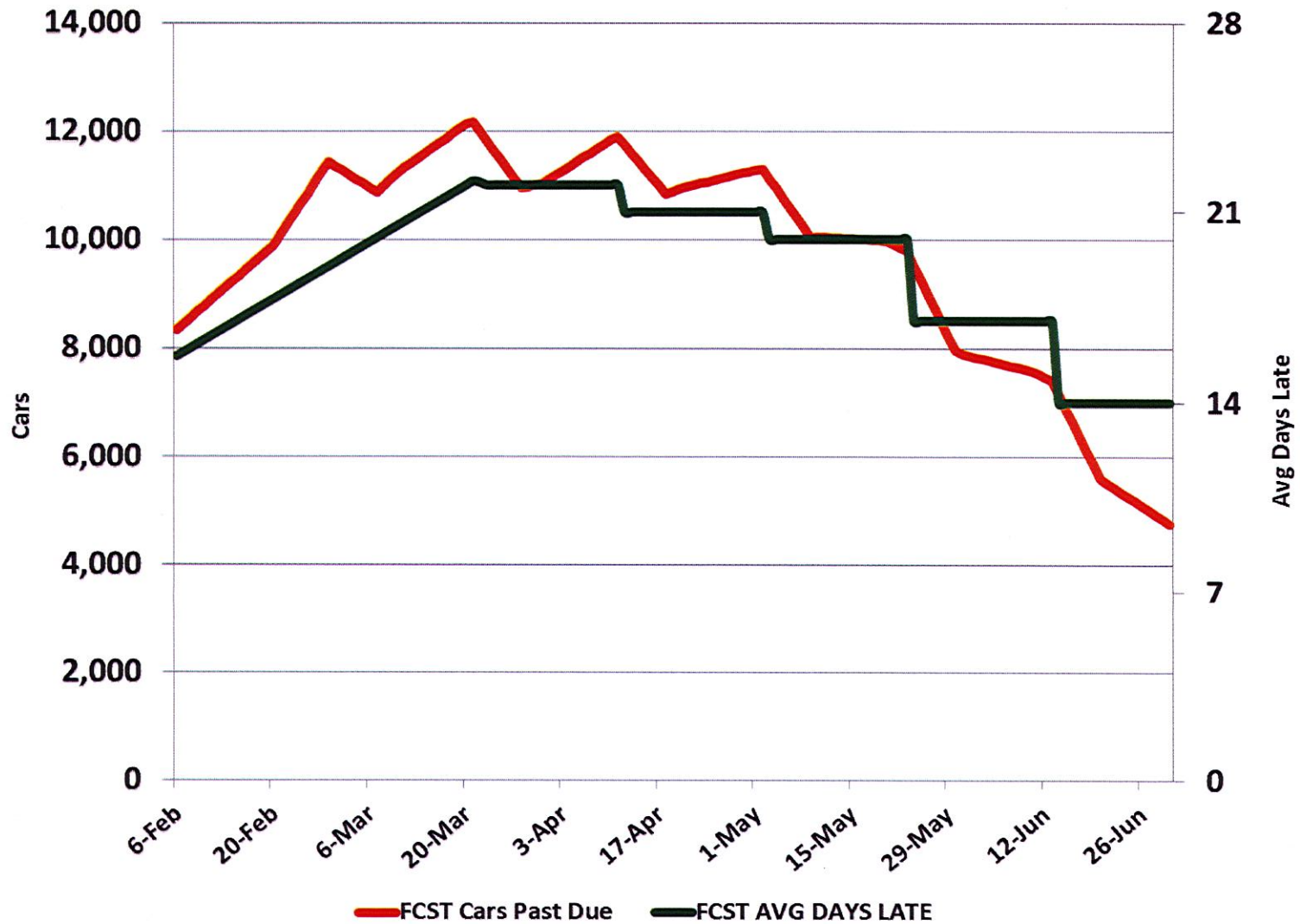
## BNSF 2014 corridor investment outlook



# Recovery Mileposts

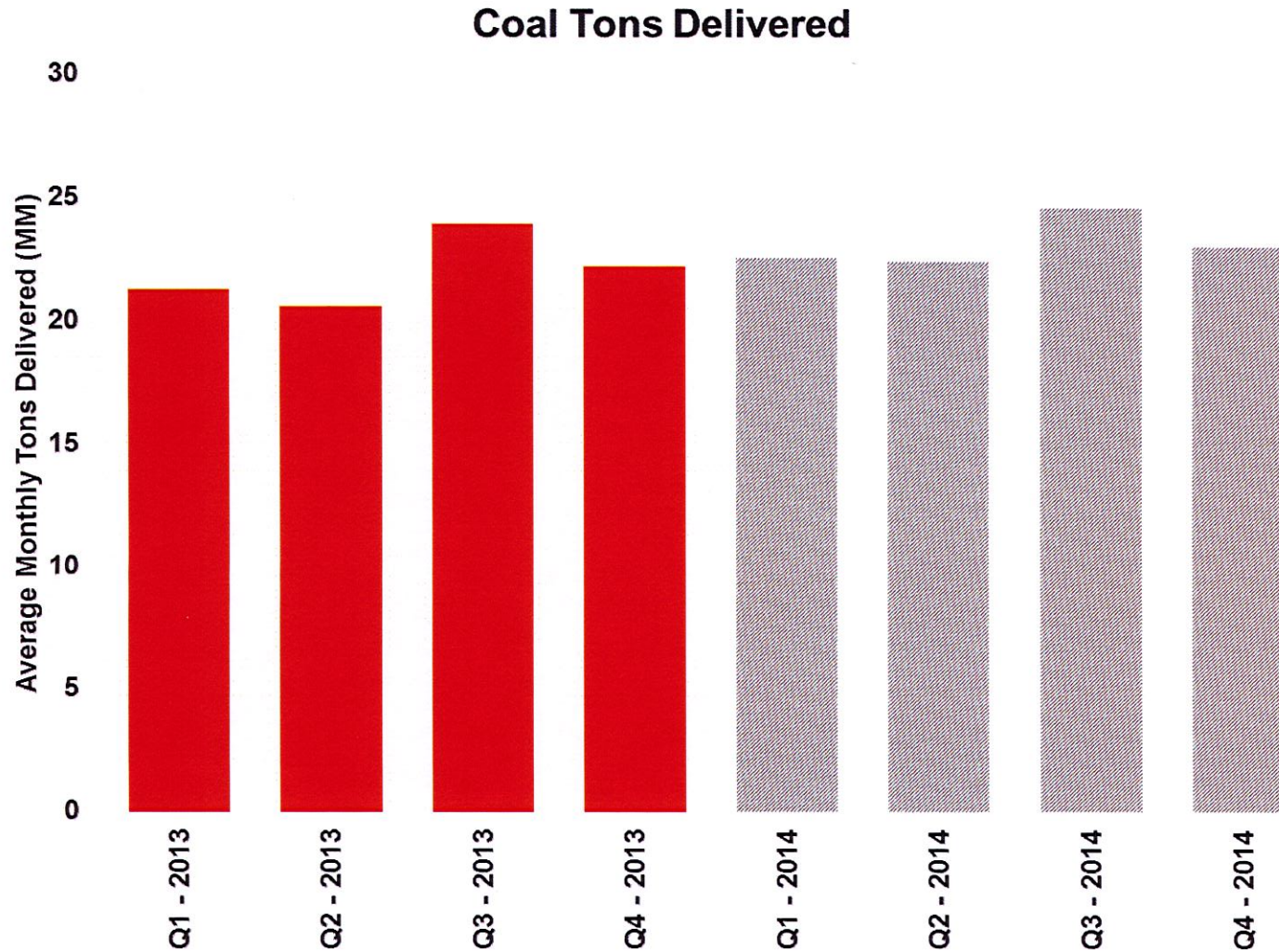
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# Past Due glide path



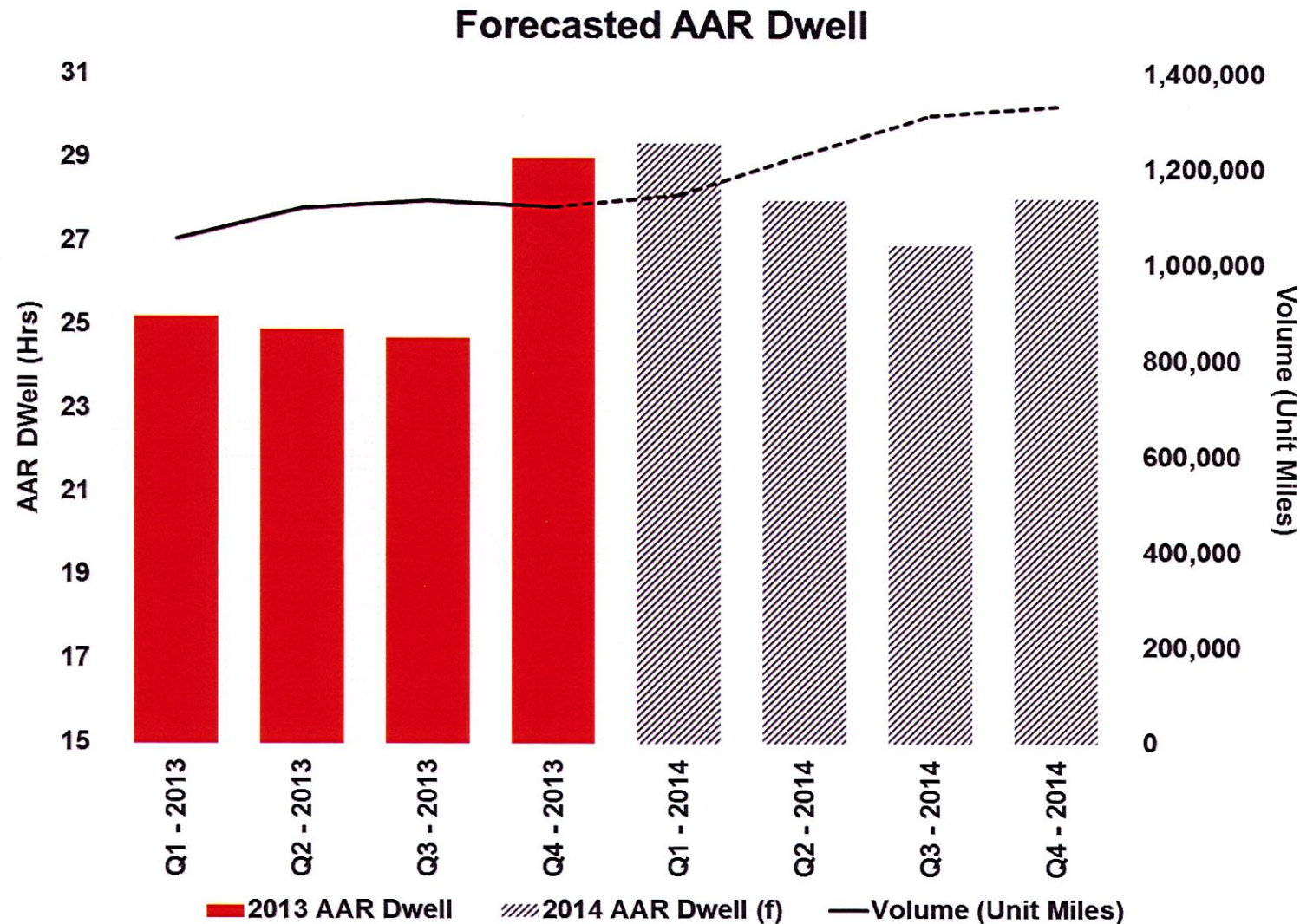
# Coal Sets/Tons Delivered

*Average tons delivered will increase in the 3<sup>rd</sup> quarter*



# AAR terminal dwell

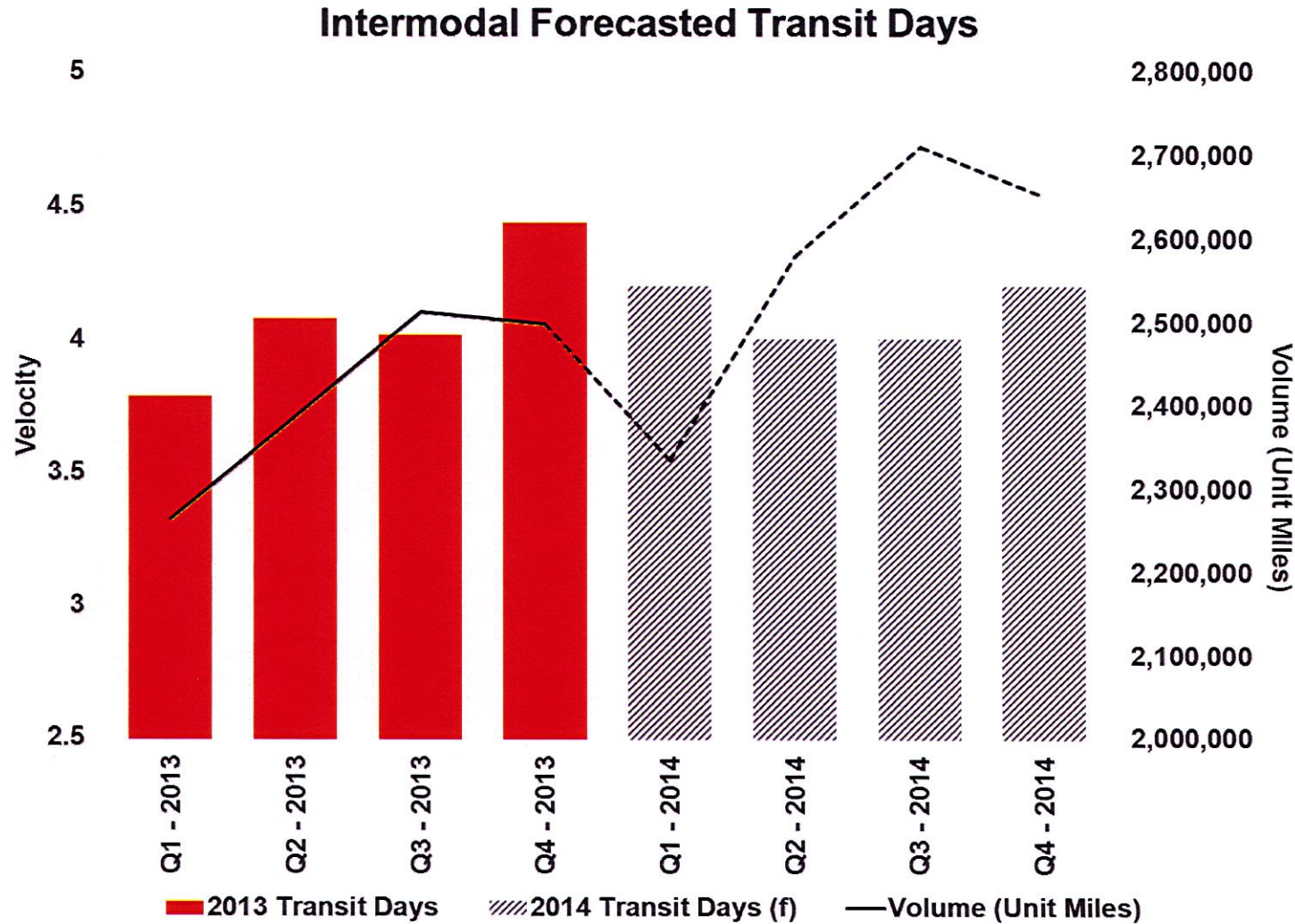
*AAR dwell should improve after Q1, but volumes drive Y/Y comp.*





# Intermodal Transit Days

*Anticipate Intermodal Transit days return to Q3-2013 levels.*



# Recovery outlook by corridor

## Southern Transcon

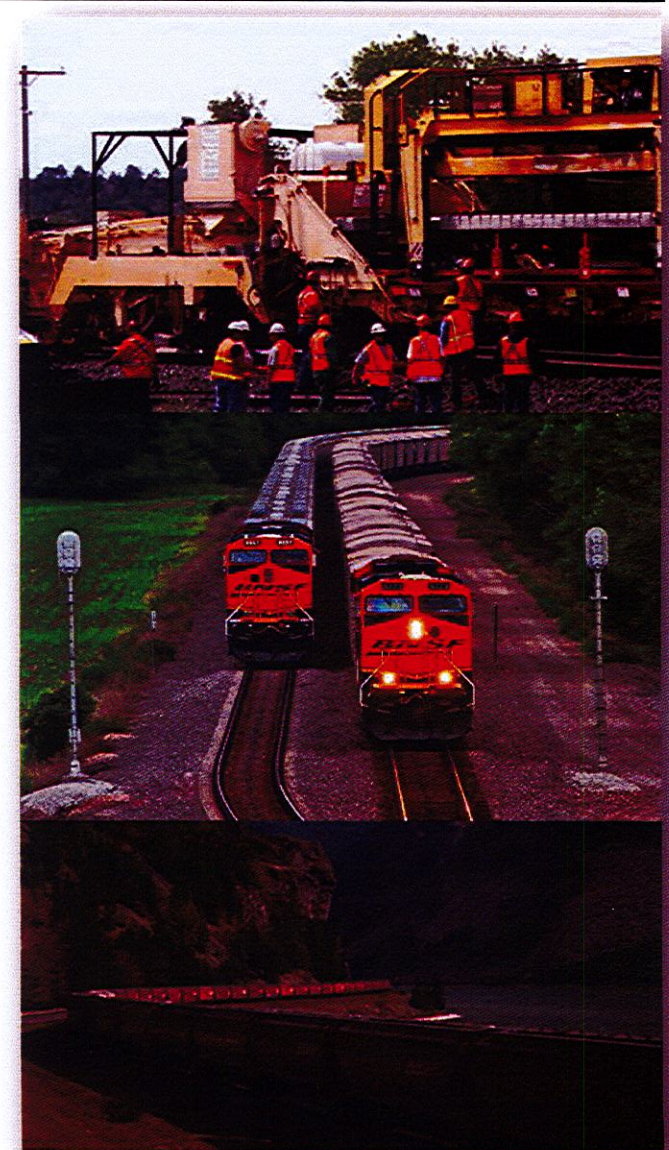
- Will improve once Chicago recovers from weather conditions and normal terminal operations commence.

## Central Corridor

- Gradual improvement through winter, more pronounced in spring as weather improves, short-term demand spikes moderate and additional locomotives come online.

## Northern Transcon

- Will continue to be challenged in 2014. Carload service will improve once weather eases and Chicago interchange normalizes. Incremental improvements as new capacity is added.



The image features a large, stylized BNSF Railway logo centered over a background of a sunset or sunrise. The sky transitions from a deep purple at the top to a bright orange near the horizon. On the left side, a signal tower with two lights is visible against the horizon. The logo consists of the letters "BNSF" in a bold, italicized, sans-serif font, with a registered trademark symbol (®) to the right. Below "BNSF" is a thick white horizontal bar that tapers at both ends. Underneath this bar, the word "RAILWAY" is written in a smaller, italicized, sans-serif font.

**BNSF**®  
RAILWAY

A horizontal bar with a red-to-white gradient is positioned at the bottom of the page. To the right of this bar is a smaller version of the BNSF Railway logo, featuring the letters "BNSF" in a bold, italicized, sans-serif font with a registered trademark symbol (®) to the right, and the word "RAILWAY" in a smaller, italicized, sans-serif font below it.

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