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April 20, 2026

VIA E-FILING

Chief of Case Administration
Office of Chief Counsel
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

Re: STB Docket No. FD 22218, Atchison, Topeka & Santa Fe Railway Co.—Operating Rights—Southern Pacific Transportation Co.

Dear Chief of Case Administration:

Pursuant to the Board's March 4, 2026 Decision, enclosed for e-filing in the above-referenced proceeding is a public version of BNSF's Supplemental Submission, with appropriate redactions that the Board can place in its docket.¹ We are concurrently filing a highly confidential version of this Supplemental Submission to be filed under seal.

Attached here is a Supplemental Verified Statement from BNSF witnesses Michael R. Baranowski and Nathan S. Zebrowski, containing the additional data and information requested by the Board in the March 4 Decision regarding line segment revenues, operating expenses, and line segment operating earnings (with and without negative earnings).

Additionally, the Board has requested that the parties identify the outstanding issues requiring Board resolution in this proceeding. Since the parties filed final briefs in this proceeding on April 15, 2025, the parties have not separately resolved any of the issues identified in the record. Based on a review of the record, recognizing the underlying methodological differences in the parties'

¹ Unless otherwise defined in this Supplemental Submission, the acronyms and defined terms used in this filing are the same as those used by the Board in its decision served on May 15, 2023 in this proceeding, or in BNSF's Final Brief, filed on April 15, 2025.

calculations of the Capitalized Earnings (“CE”) approach, BNSF believes that the following key issues still need to be resolved by the Board.²

- **Interest Rental Rate.** The parties disagree on which interest rental rate to use. UP argues that the STB pre-tax cost of capital should be used. (*See* UP Final Brief 4-5). BNSF argues for a 30-year treasury-based rate of 4%, which is consistent with agreements/orders dating back 125 years that set an interest rental rate for the Line that was aligned with prevailing interest rate levels at the time. (*See* BNSF Opening, May 3, 2024, Opening V.S. Baranowski & Zebrowski 30; BNSF Reply, Mar. 14, 2025, Reply V.S. Baranowski & Zebrowski 62). BNSF has also provided much of the Line’s capital investment, making it inappropriate for UP to earn cost of capital returns on BNSF-funded capital. (*See* BNSF Reply 11-14).
- **Earnings Multiplier.** The parties disagree on which earnings multiplier to use. UP argues that a calculated EV/EBIT multiplier is appropriate (*see* UP Reply, Mar. 14, 2025, Reply V.S. Mathur 49-52), while BNSF argues for the inverse of the Board’s pre-tax cost of capital (*see* BNSF Reply 7-11; *see also id.*, Reply V.S. Baranowski & Zebrowski 33-34). Using the inverse of the STB’s pre-tax cost of capital as an earnings multiplier is consistent with Board precedent in past trackage rights compensation cases where purchase price data and/or a purchase accounting study were unavailable. (*See* BNSF Final Brief 18-19; *see also* Reply V.S. Baranowski & Zebrowski 51).
- **Treatment of Earnings from Double-Stack Traffic.** The parties disagree on how earnings from double-stack traffic should be treated. UP argues that earnings from double-stack traffic should be included (*see* UP Final Brief 9-10), while BNSF argues that specific language in the Joint Settlement Agreement requires exclusion of all such earnings (*see* BNSF Final Brief 16-17; *see also* Reply V.S. Baranowski & Zebrowski 27-28). BNSF solely funded the tunnel clearance that allowed for double-stack intermodal traffic followed by UP’s express agreement that BNSF never be assessed additional interest rental for having done so. (*See* BNSF Final Brief 16-17).
- **Treatment of BNSF Earnings.** The parties disagree on whether an adjustment should be applied to BNSF’s earnings assigned to the interest rental base to address circularity. UP argues that no adjustment is necessary (*see* UP Opening, May 3, 2024, Opening V.S. Mathur 74-75; *see also* Reply V.S. Mathur 51-52), while BNSF argues that a 50% adjustment to BNSF’s earnings is consistent with SSW precedent, which recognizes that only a portion of a carrier’s earnings are attributable to roadway

² BNSF’s positions regarding these and other issues are fully set forth in its prior submissions in this proceeding. This list of outstanding issues is not intended to replace BNSF’s argument and evidence.

property (*see* Reply V.S. Baranowski & Zebrowski 28-30). BNSF's proposed adjustment removes the circularity inherent in attributing the entirety of the BNSF's earnings over the UP-owned trackage rights segment to a CE-based valuation of the Line. (*See* BNSF Reply 4-7).

- **BNSF Usage Share.** The parties disagree on how BNSF's interest rental usage share should be determined. UP argues for BNSF's usage share to be determined using BNSF's actual car mile share (*see* UP Reply 15-16), while BNSF argues for a 50/50 usage share (*see* BNSF Reply 14-16). UP's proposal ignores the fact that BNSF already makes usage-based payments on actual maintenance and operating expenses. Moreover, a 50/50 usage share is consistent with agreements/orders on joint use of the Line dating back 125 years, all of which treated the parties as having equal interests in the Line. (*See* Reply V.S. Baranowski & Zebrowski 66-67).
- **Revenue Calculations.** The parties still disagree on certain issues regarding revenue calculations:
 - o **Treatment of "Above-the-Wheel" and "Below-the-Wheel" Costs.** BNSF differentiates between "above-the-wheel" and "below-the-wheel" fixed costs when attributing revenues to the Line while UP does not. BNSF's approach is correct and consistent with Board precedent that supports distinguishing between "above-the-wheel" costs and "below-the-wheel" costs when calculating on-segment and off-segment fixed costs as part of its ATC methodology. (*See* Opening V.S. Baranowski & Zebrowski 15-17; Reply V.S. Baranowski & Zebrowski 20-22).
 - o **Treatments of Shipments with Revenues Below On-Segment Variable Costs.** UP allocates revenues proportional to average variable costs when allocated revenues fall below on-segment variable costs (*see* UP Final Brief 25), while BNSF does not apply this adjustment. UP's adjustment is unsound because it attempts to apply a "modified ATC" adjustment, originally designed to ensure a hypothetical stand-alone railroad entrant covers its variable costs, to a context where no such stand-alone entrant exists (*see* Reply V.S. Baranowski & Zebrowski 24-25).
 - o **URCS Variable Cost Calculation Method.** When developing URCS variable costs used in the ATC revenue allocations, BNSF calculates URCS costs for each UP and BNSF shipment traversing the Line individually whereas UP aggregates shipments and uses a regression approach applied to different aggregated shipment groups. BNSF argues that UP's shortcut method of grouping shipments by major URCS inputs and using average tons is inappropriate and unnecessary when URCS costs can be calculated individually (as demonstrated by BNSF's expert witnesses

Baranowski & Zebrowski). (*See* Reply V.S. Baranowski & Zebrowski 25-27).

- **Operating Expense Calculations.** The parties still disagree on certain issues regarding operating expense calculations:
 - o BNSF develops operating expenses attributable to the Line by calculating fully allocated URCS costs less ROI for each shipment individually. UP argues BNSF's approach errs because fully allocated URCS costs reflect system averages that overstate fixed costs due to the high density of the Line (*see* UP Final Brief 23-26). BNSF counters by explaining that UP ignored that train operations and line maintenance in mountainous territory would yield higher operating expenses on the Line, rendering UP's isolated adjustment targeting density alone inappropriate. (BNSF Reply 5; Reply V.S. Baranowski & Zebrowski 8-20).
 - o Instead of applying URCS to the operating parameters of shipments moving over the Line, UP develops estimates of operating expenses attributable to the Line by applying several ratios between system-wide operating expenses and URCS costs to the URCS variable and fixed costs used in its ATC calculations. (*See* UP Final Brief 25). In addition to perpetuating errors attributable to its URCS shortcuts, BNSF also argues this approach is unnecessary and creates distortions by allocating expense items based in part on non-expense items, in particular the ROI component in URCS. (*See* Reply V.S. Baranowski & Zebrowski 25-27).
- **Treatment of Negative Earnings Shipments.** The parties disagree on how to treat shipments generating negative earnings. UP includes shipments with negative earnings, (*see* UP Final Brief 25), while BNSF treats any shipments generating negative earnings as generating zero earnings (*see* Reply V.S. Baranowski & Zebrowski 24-25). BNSF conservatively does not reduce the calculated earnings over the Line by the amount of negative earnings because those shipments generally are limited and usually arise due to circuitous routings that lead to high costs. (*See* Opening V.S. Baranowski & Zebrowski 19 n.30).
- **Index Used to Index 2019 through 2022 calculated Earnings to 2023 Levels.** The parties disagree on which index to use to inflate their earnings results to 2023 levels. UP argues for the AAR Wage Price and Materials Index (Western District, excluding fuel). (*See* Opening V.S. Mathur 65; *see also* UP Final Brief 21). BNSF argues that the Consumer Price Index ("CPI") should be used. (*See* BNSF Final Brief 19-21; Reply V.S. Baranowski & Zebrowski 68-71). UP's and BNSF's system-wide earnings have closely tracked the CPI over the last decade, making CPI

the appropriate index for adjusting interest rental payments derived from a CE-based approach, as opposed to an AAR cost-based index that does not track earnings levels as well as CPI. (*See* Reply V.S. Baranowski & Zebrowski 51-52).

- **Time Period Used.** The parties disagree on what period to use for their calculations. UP argues that 2021-2022 should be used (*see, e.g.,* Reply V.S. Mathur 3), while BNSF argues that 2019-2022 should be used (*see, e.g.,* Reply V.S. Baranowski & Zebrowski 79-80). A four-year period is appropriate because additional years of capitalized earnings results help to “smooth out” year-to-year volatility and capture the Line’s longer-term performance across different business cycle conditions. (*See, e.g.,* Reply V.S. Baranowski & Zebrowski 7 n.6).
- **Going Forward Adjustment of Interest Rental Payment.** The parties disagree on whether the interest rental payment should be indexed for inflation on a going forward basis. UP argues that going forward indexing is necessary using the AAR Wage Price and Materials Index for the Western District, excluding fuel (“AAR Index”) (*see* Opening V.S. Mathur 65), while BNSF maintains that going forward indexing is inappropriate. BNSF argues that inflation is already covered by BNSF’s continuing capital replacement payments, and would be counted more times were other parts of UP’s proposal adopted, including use of a nominal cost of capital and application of UP’s EV/EBIT multiplier. If these UP proposed inputs are not adopted, BNSF recognizes applying an annual adjustment based on the CPI would be more appropriate than the AAR index UP uses. (*See* BNSF Reply 16-18).

Please contact me with any questions.

Respectfully submitted,

/s/ Peter W. Denton

Peter W. Denton
Attorney for BNSF Railway Company

cc: All parties of record

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 22218

ATCHISON, TOPEKA & SANTA FE RAILWAY COMPANY
—OPERATING RIGHTS—
SOUTHERN PACIFIC TRANSPORTATION CO.

**BNSF RAILWAY COMPANY'S
SUPPLEMENTAL SUBMISSION**

SUPPLEMENTAL VERIFIED STATEMENT OF
MICHAEL R. BARANOWSKI & NATHAN S. ZEBROWSKI

Verified Statement of Michael R. Baranowski and Nathaniel S. Zebrowski

1. Introduction

We are Michael R. Baranowski and Nathaniel S. Zebrowski of FTI Consulting. We previously submitted verified statements accompanying BNSF's opening and reply evidence in this proceeding, filed on May 3, 2024, and March 14, 2025, respectively.¹ We have been asked by counsel for BNSF to review the Board's March 4, 2026 decision,² and to prepare the supplemental information that BNSF has been ordered to submit.

In that decision, the Board directed that both BNSF and UP submit supplemental information relating to line-segment revenues, operating expenses, and earnings under a variety of scenarios laid out by the Board.³ These scenarios include:

- A. All traffic;
- B. Excluding UP and BNSF earnings for intermodal containers moving in double-stack service that are attributable to the Line; and
- C. Reducing BNSF's non-double-stacked-traffic earnings by one-half.

For each of these scenarios, the Board has directed BNSF and UP to submit (1) line-segment operating expenses using both URCS variable costs including the return on investment ("ROI") component and fully allocated URCS costs less ROI, and (2) a set of earnings results that

¹ See Baranowski/Zebrowski Opening VS and Reply VS. The abbreviations and defined terms used here are the same as the Opening and Reply VS, unless otherwise noted in this verified statement.

² See *Atchison, Topeka & Santa Fe Ry.—Operating Rights—S. Pac. Transp. Co.*, Docket No. FD 22218 (STB Decision served Mar. 4, 2026).

³ The Board also directed UP to submit supplemental information relating to its proposed earnings multiplier.

both includes and excludes negative earnings shipments. The Board has also directed the parties to provide a list of outstanding unresolved issues relating to their respective submissions.

In this statement, we provide the line-segment revenues, operating expenses, and earnings that correspond with each scenario described by the Board. We also add two scenarios that were not requested specifically by the Board, but could logically arise. First, although the Board asks for URCS operating expenses with and without ROI, its request does not carry over to earnings. We have provided earnings results with and without ROI. Second, the Board asks for earnings with and without earnings from double-stack service. It separately defines a scenario that applies BNSF circularity adjustment of reducing earnings by one-half to non-double-stack traffic earnings. To ensure that the Board has all relevant data, we provide a separate set of earnings results that apply the circularity adjustment to the earnings from double-stack service.

Table 1 on the following page summarizes BNSF's supplemental information submission.

Table 1
Summary of BNSF's Supplemental Information Submission⁴

Scenario	Supplemental Information Submission
1. Line-Segment Revenues	
A. All Traffic	{{ [REDACTED] }}
B. Excluding UP and BNSF Earnings for Double-Stack Traffic	[REDACTED]
C. Reducing BNSF Non-Double-Stack Traffic Earnings by One-Half	[REDACTED]
2. Line-Segment Operating Expenses (OPEX)	
A. i. All Traffic: URCS Variable Costs Including ROI = OPEX	[REDACTED]
A. ii. All Traffic: Fully Allocated URCS Costs Less ROI = OPEX	[REDACTED]
B. i. Excluding UP and BNSF Earnings for Double-Stack Traffic: URCS Variable Costs Including ROI = OPEX	[REDACTED]
B. ii. Excluding UP and BNSF Earnings for Double-Stack Traffic: Fully Allocated URCS Costs Less ROI = OPEX	[REDACTED]
C. i. Reducing BNSF Non-Double-Stack Traffic Earnings by One-Half: URCS Variable Costs Including ROI = OPEX	[REDACTED]
C. ii. Reducing BNSF Non-Double-Stack Traffic Earnings by One-Half: Fully Allocated URCS Costs Less ROI = OPEX	[REDACTED]
3. Line-Segment Earnings	
<i>Including Negative Earnings Shipments</i>	
A. i. All Traffic: URCS Variable Costs Including ROI = OPEX	[REDACTED]
A. ii. All Traffic: Fully Allocated URCS Costs Less ROI = OPEX	[REDACTED]
B. i. Excluding UP and BNSF Earnings for Double-Stack Traffic: URCS Variable Costs Including ROI = OPEX	[REDACTED]
B. ii. Excluding UP and BNSF Earnings for Double-Stack Traffic: Fully Allocated URCS Costs Less ROI = OPEX	[REDACTED]
C. i. Reducing BNSF Non-Double-Stack Traffic Earnings by One-Half: URCS Variable Costs Including ROI = OPEX	[REDACTED]
C. ii. Reducing BNSF Non-Double-Stack Traffic Earnings by One-Half: Fully Allocated URCS Costs Less ROI = OPEX	[REDACTED]
D. i. Reducing BNSF Traffic Earnings by One-Half (Including Double-Stack): URCS Variable Costs Including ROI = OPEX	[REDACTED]
D. ii. Reducing BNSF Traffic Earnings by One-Half (Including Double-Stack): Fully Allocated URCS Costs Less ROI = OPEX	[REDACTED]
<i>Excluding Negative Earnings Shipments</i>	
A. i. All Traffic: URCS Variable Costs Including ROI = OPEX	[REDACTED]
A. ii. All Traffic: Fully Allocated URCS Costs Less ROI = OPEX	[REDACTED]
B. i. Excluding UP and BNSF Earnings for Double-Stack Traffic: URCS Variable Costs Including ROI = OPEX	[REDACTED]
B. ii. Excluding UP and BNSF Earnings for Double-Stack Traffic: Fully Allocated URCS Costs Less ROI = OPEX	[REDACTED]
C. i. Reducing BNSF Non-Double-Stack Traffic Earnings by One-Half: URCS Variable Costs Including ROI = OPEX	[REDACTED]
C. ii. Reducing BNSF Non-Double-Stack Traffic Earnings by One-Half: Fully Allocated URCS Costs Less ROI = OPEX	[REDACTED]
D. i. Reducing BNSF Traffic Earnings by One-Half (Including Double-Stack): URCS Variable Costs Including ROI = OPEX	[REDACTED]
D. ii. Reducing BNSF Traffic Earnings by One-Half (Including Double-Stack): Fully Allocated URCS Costs Less ROI = OPEX	[REDACTED] }}
4. Earnings Multipliers, Inflation Indices, and Usage Factors for 2019 and 2020	N/A

⁴ The figures in this table, along with all other tables in this statement, represent 2019-2022 averages.

2. Line-Segment Revenues

Pursuant to the STB’s recent decision, Table 2 below provides our calculated line-segment revenues across the three scenarios requested by the Board.

Table 2⁵
Summary of Line-Segment Revenues

Scenario	Line-Segment Revenues
A. All Traffic	{{ [REDACTED] }}
B. Excluding UP and BNSF Earnings for Double-Stack Traffic	[REDACTED]
C. Reducing BNSF Non-Double-Stack Traffic Earnings by One-Half	[REDACTED] }}

3. Line-Segment Operating Expenses

Pursuant to the STB’s recent decision, Tables 3 and 4 below provide our calculated line-segment operating expenses, using both URCS variable costs including ROI and as fully allocated URCS costs less ROI, across the three scenarios requested by the Board.

Table 3⁶
Summary of Line-Segment Operating Expenses (URCS Variable Costs including ROI)

Scenario	Line-Segment Operating Expenses
A. All Traffic	{{ [REDACTED] }}
B. Excluding UP and BNSF Earnings for Double-Stack Traffic	[REDACTED]
C. Reducing BNSF Non-Double-Stack Traffic Earnings by One-Half	[REDACTED] }}

Table 4⁷
Summary of Line-Segment Operating Expenses (Fully Allocated URCS Costs less ROI)

Scenario	Line-Segment Operating Expenses
A. All Traffic	{{ [REDACTED] }}
B. Excluding UP and BNSF Earnings for Double-Stack Traffic	[REDACTED]
C. Reducing BNSF Non-Double-Stack Traffic Earnings by One-Half	[REDACTED] }}

⁵ See workpaper “BNSF Supplemental Information Submission Workpaper” at tab “Tables”.

⁶ See workpaper “BNSF Supplemental Information Submission Workpaper” at tab “Tables”.

⁷ See workpaper “BNSF Supplemental Information Submission Workpaper” at tab “Tables”.

4. Line-Segment Earnings

Pursuant to the STB’s recent decision, Tables 5 and 6 below provide our calculated line-segment earnings, both including and excluding negative earnings shipments, across the three scenarios requested by the Board. As noted previously, we have provided a set of earnings results where operating expenses are calculated as URCS variable costs including ROI, and another set of earnings results where operating expenses are calculated as fully allocated URCS costs less ROI. We also provide a separate set of earnings results that apply the circularity adjustment to the earnings from all BNSF traffic, including double-stack service. Although such scenarios are not explicitly requested by the Board, we did this to mirror the operating expense scenarios requested in an effort to provide the Board with a complete set of information when making its final decision.

Table 5⁸
Summary of Line-Segment Earnings (URCS Variable Costs including ROI as OPEX)

Scenario	Line-Segment Earnings
<i>Including Negative Earnings Shipments</i>	
A. All Traffic	{{ [REDACTED]
B. Excluding UP and BNSF Earnings for Double-Stack Traffic	[REDACTED]
C. Reducing BNSF Non-Double-Stack Traffic Earnings by One-Half	[REDACTED]
D. Reducing BNSF Traffic Earnings by One-Half (Including Double-Stack)	[REDACTED]
<i>Excluding Negative Earnings Shipments</i>	
A. All Traffic	[REDACTED]
B. Excluding UP and BNSF Earnings for Double-Stack Traffic	[REDACTED]
C. Reducing BNSF Non-Double-Stack Traffic Earnings by One-Half	[REDACTED]
D. Reducing BNSF Traffic Earnings by One-Half (Including Double-Stack)	[REDACTED] }}

⁸ See workpaper “BNSF Supplemental Information Submission Workpaper” at tab “Tables”.

Table 6⁹
Summary of Line-Segment Earnings (Fully Allocated URCS Costs less ROI as OPEX)

Scenario	Line-Segment Earnings
<i>Including Negative Earnings Shipments</i>	
A. All Traffic	{{ [REDACTED] }}
B. Excluding UP and BNSF Earnings for Double-Stack Traffic	[REDACTED]
C. Reducing BNSF Non-Double-Stack Traffic Earnings by One-Half	[REDACTED]
D. Reducing BNSF Traffic Earnings by One-Half (Including Double-Stack)	[REDACTED]
<i>Excluding Negative Earnings Shipments</i>	
A. All Traffic	[REDACTED]
B. Excluding UP and BNSF Earnings for Double-Stack Traffic	[REDACTED]
C. Reducing BNSF Non-Double-Stack Traffic Earnings by One-Half	[REDACTED]
D. Reducing BNSF Traffic Earnings by One-Half (Including Double-Stack)	[REDACTED] }}

⁹ See workpaper “BNSF Supplemental Information Submission Workpaper” at tab “Tables”.

VERIFICATION

I, Michael R. Baranowski, declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge. Further, I certify that I am qualified and authorized to file this statement.

Executed on April 20, 2026.

/s/ Michael R. Baranowski

Michael R. Baranowski

VERIFICATION

I, Nathaniel S. Zebrowski, declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge. Further, I certify that I am qualified and authorized to file this statement.

Executed on April 20, 2026.

/s/ Nathaniel S. Zebrowski

Nathaniel S. Zebrowski

CERTIFICATE OF SERVICE

I hereby certify that on this 20th day of April, 2026, I have caused the foregoing BNSF Railway Company's Supplemental Submission to be served electronically or by first-class mail, postage pre-paid, on all parties of record in this proceeding.

/s/ Onika K. Williams

Onika K. Williams
Attorney for BNSF Railway Company