



May 15, 2006

By E-Filing

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: Ex Parte No. 661 – Rail Fuel Surcharges – Public Hearing Presentation

Dear Mr. Williams:

Enclosed for filing in the above proceeding are the color PowerPoint slides presented to the Board by Robert M. Knight, Jr., Executive Vice President-Finance and Chief Financial Officer of Union Pacific Corporation and Union Pacific Railroad, during his presentation on Thursday afternoon, May 11.

Please direct any questions about these materials or Mr. Knight's comments at this proceeding to me at (402) 544-3897 or the e-mail address listed below.

Sincerely,

A handwritten signature in blue ink that reads "Lawrence E. Wzorek".

Lawrence E. Wzorek

Enc.

Lawrence E. Wzorek
Assistant Vice President - Law

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Contains Color Images

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

**STB EX PARTE NO. 661
RAIL FUEL SURCHARGES**

**PUBLIC HEARING
PRESENTATION OF
UNION PACIFIC RAILROAD COMPANY**

PRESENTED BY

ROBERT M. KNIGHT, JR.

**EXECUTIVE VICE PRESIDENT-FINANCE
AND CHIEF FINANCIAL OFFICER**

**UNION PACIFIC CORPORATION
UNION PACIFIC RAILROAD COMPANY**

Date of Public Hearing: May 11, 2006

Date of Submission: May 15, 2006

STB Fuel Surcharge Hearing

May 11, 2006



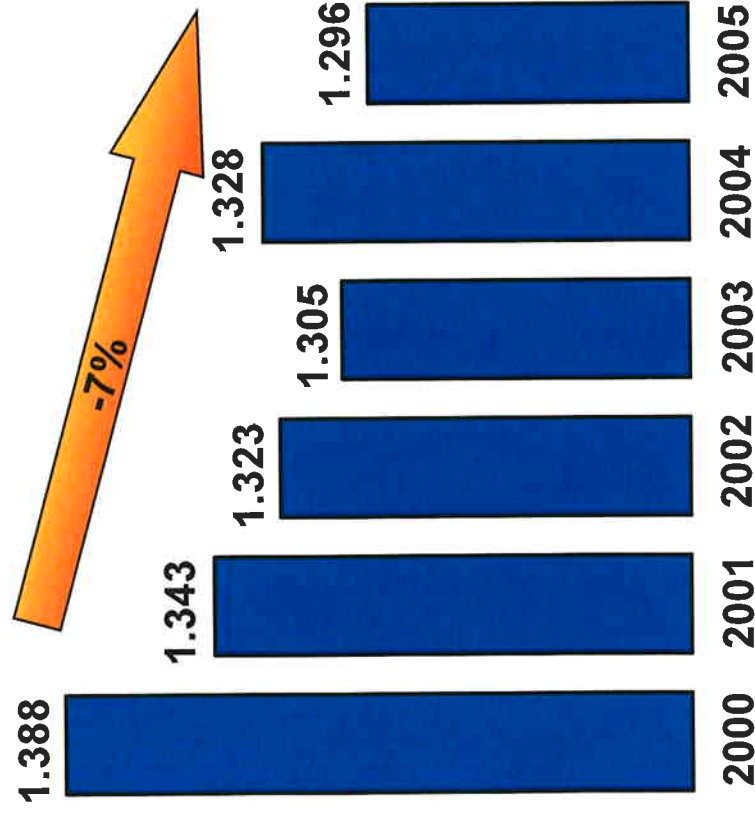
Robert M. Knight, Jr.
Executive Vice President and Chief Financial Officer
Union Pacific Corporation



Focused on Reducing Fuel Consumption

Fuel Consumption Rate

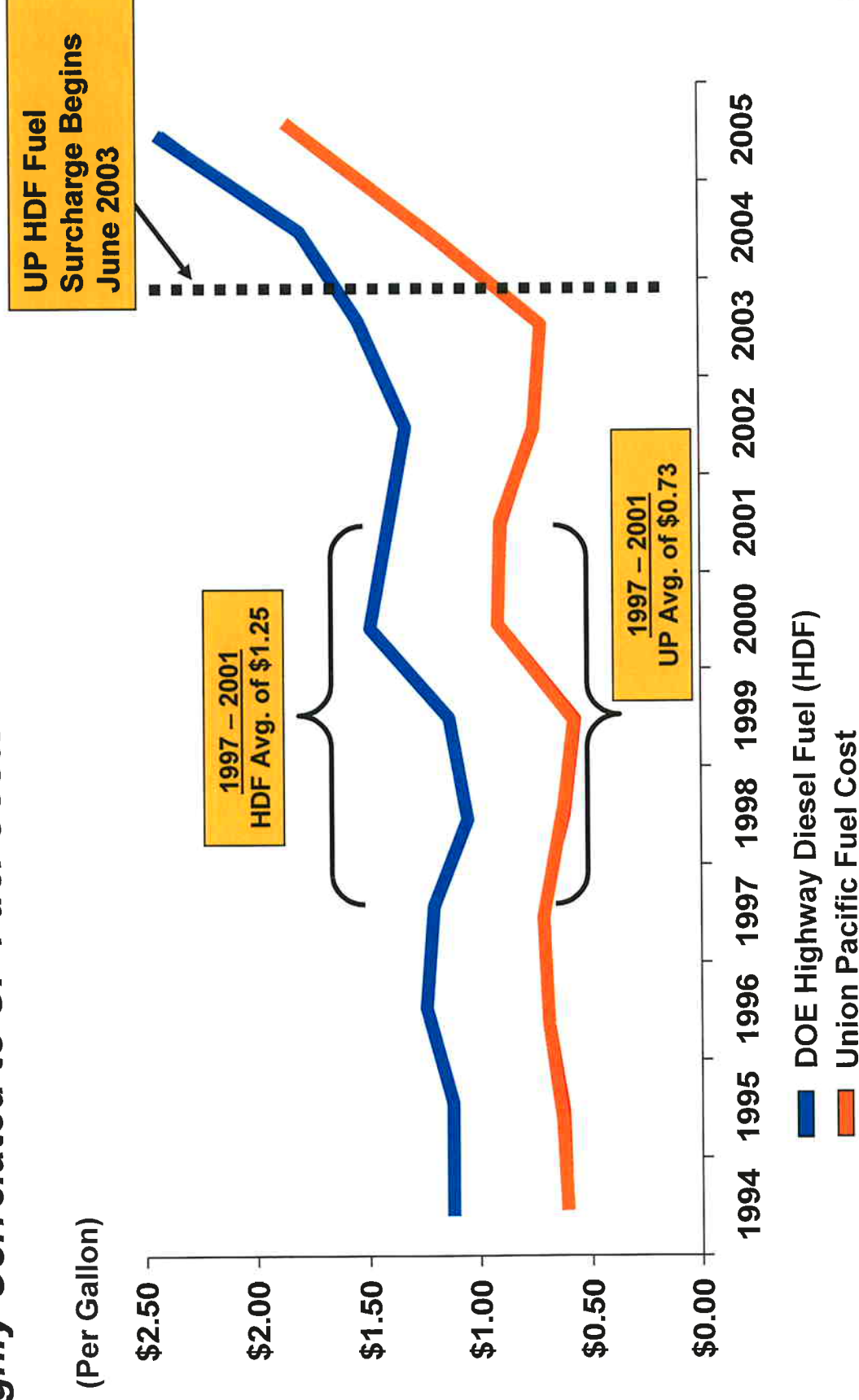
Gallons per Thousand Gross Ton Miles (GTM)



- Since 2000
 - Carloadings up 7%
 - Consumption rate down 7%
- Rails are 3 times more fuel efficient than trucks
- UP moves 1 gross-ton over 770 miles on 1 gallon of diesel fuel

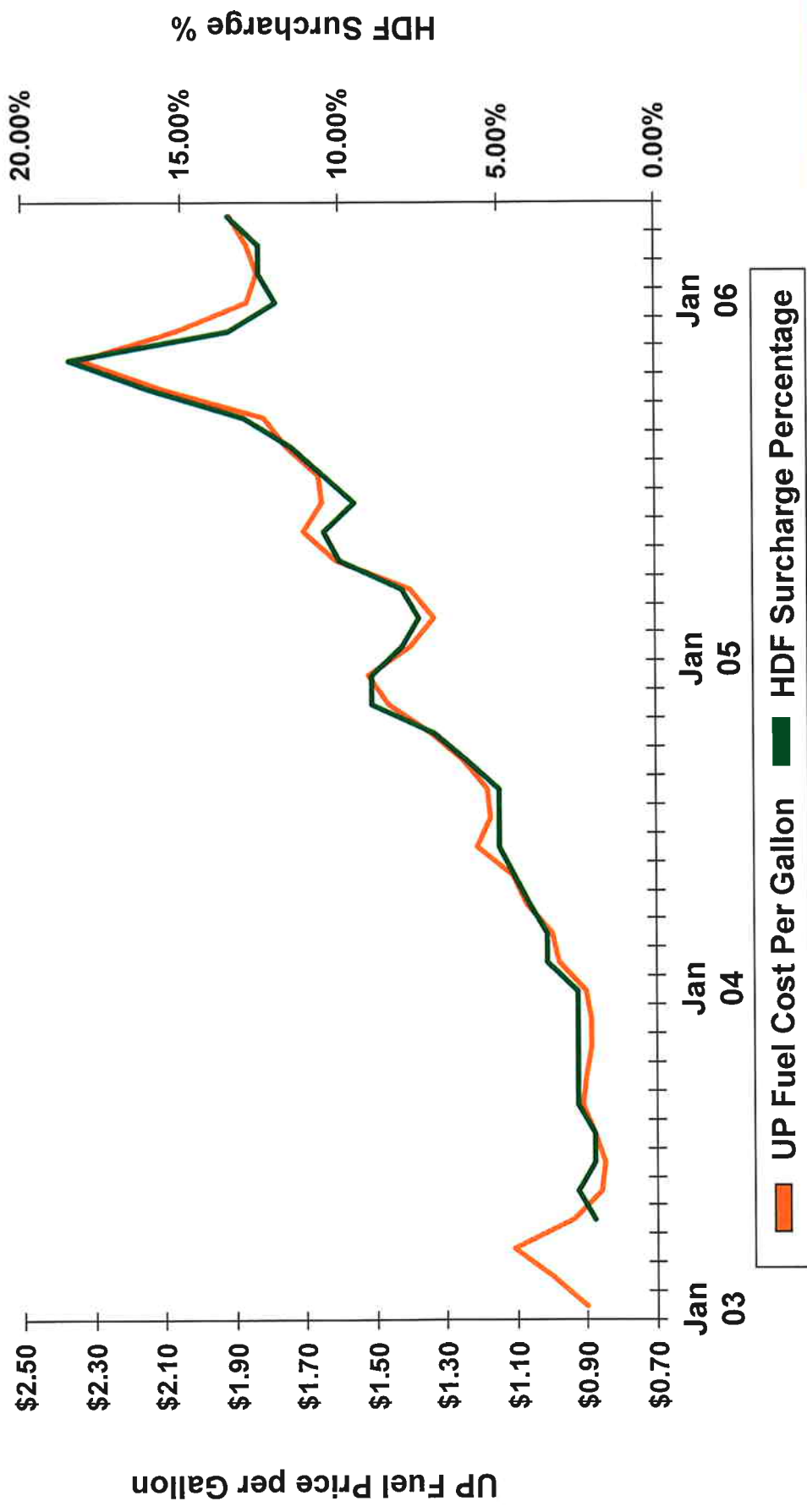
HDF Surcharge - Customer Driven

Highly Correlated to UP Fuel Costs

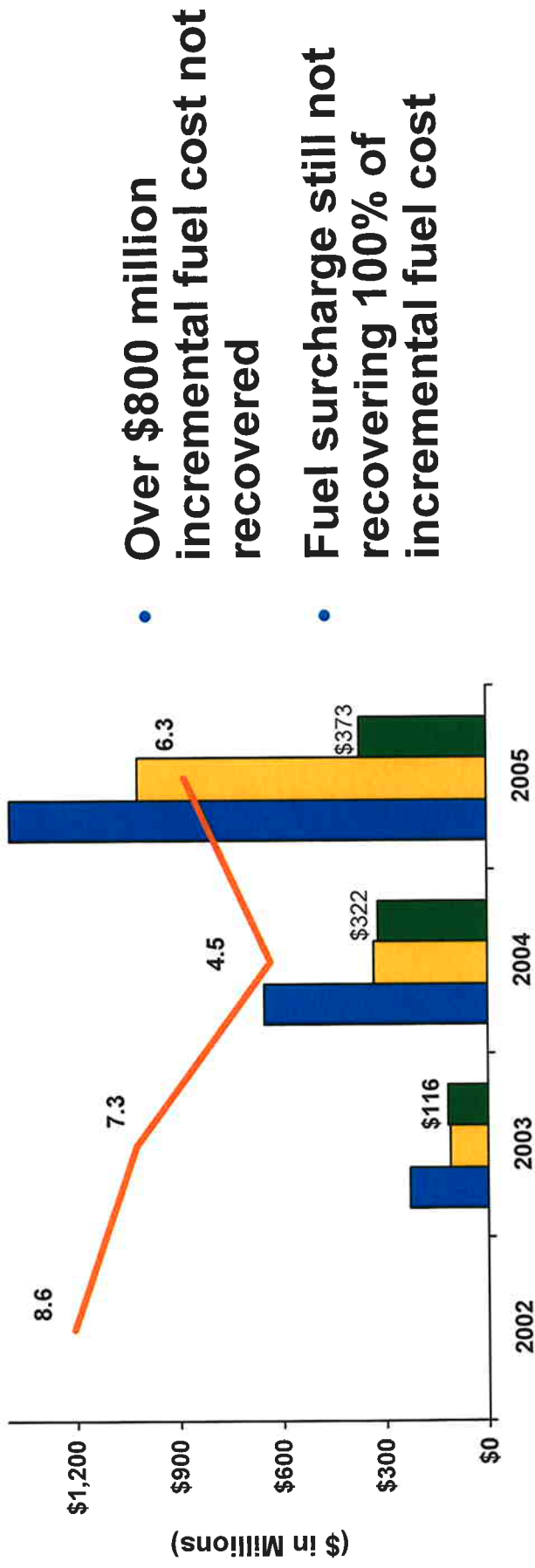


UP Surcharge Program Highly Correlated

Correlation Between UP Fuel Cost and HDF Surcharge



Fuel Expense Pressures Returns



- Over \$800 million incremental fuel cost not recovered
- Fuel surcharge still not recovering 100% of incremental fuel cost

- Return on Investment (ROI)*
- Incremental Fuel Costs above \$0.75/gallon
- Fuel Surcharge Revenue
- Incremental Fuel Costs Not Recovered

UP Fuel Surcharge Program Objectives

- Fully recover cost of fuel
- Responsive to customers
- Fair and equitable
- Easy to administer



UP Returns Fall Short of Cost of Capital

