

BNSF Railway

Montana Energy Summit
October 18-19, 2005
Bozeman, MT

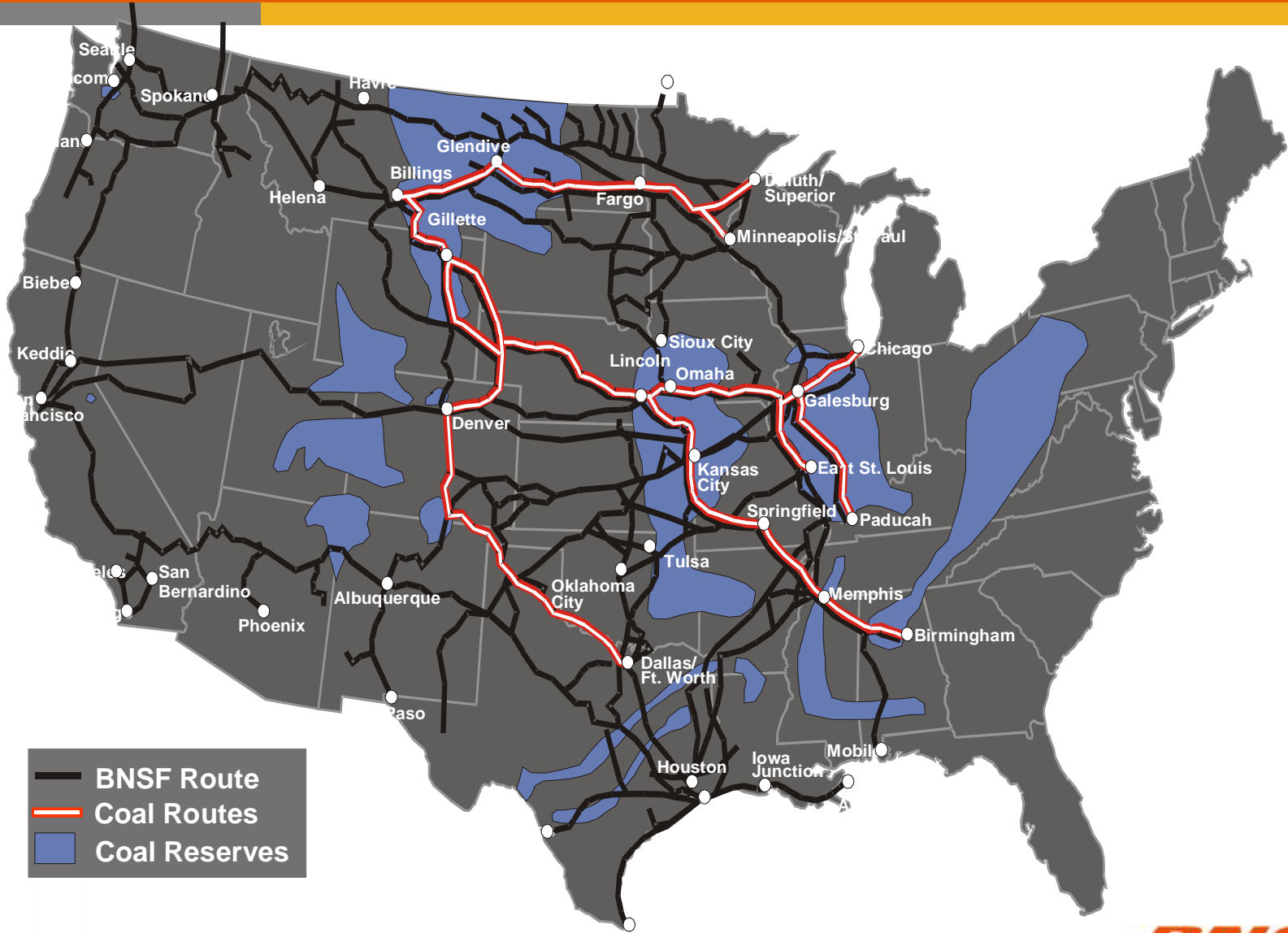
Tom Kraemer
Group Vice President - Coal



Discussion Topics

- | **BNSF coal transportation**
- | **Historic PRB production**
- | **PRB market penetration**
- | **Catalysts for growth**
- | **Future coal demand**
- | **BNSF capital investment**
- | **Opportunities and challenges**

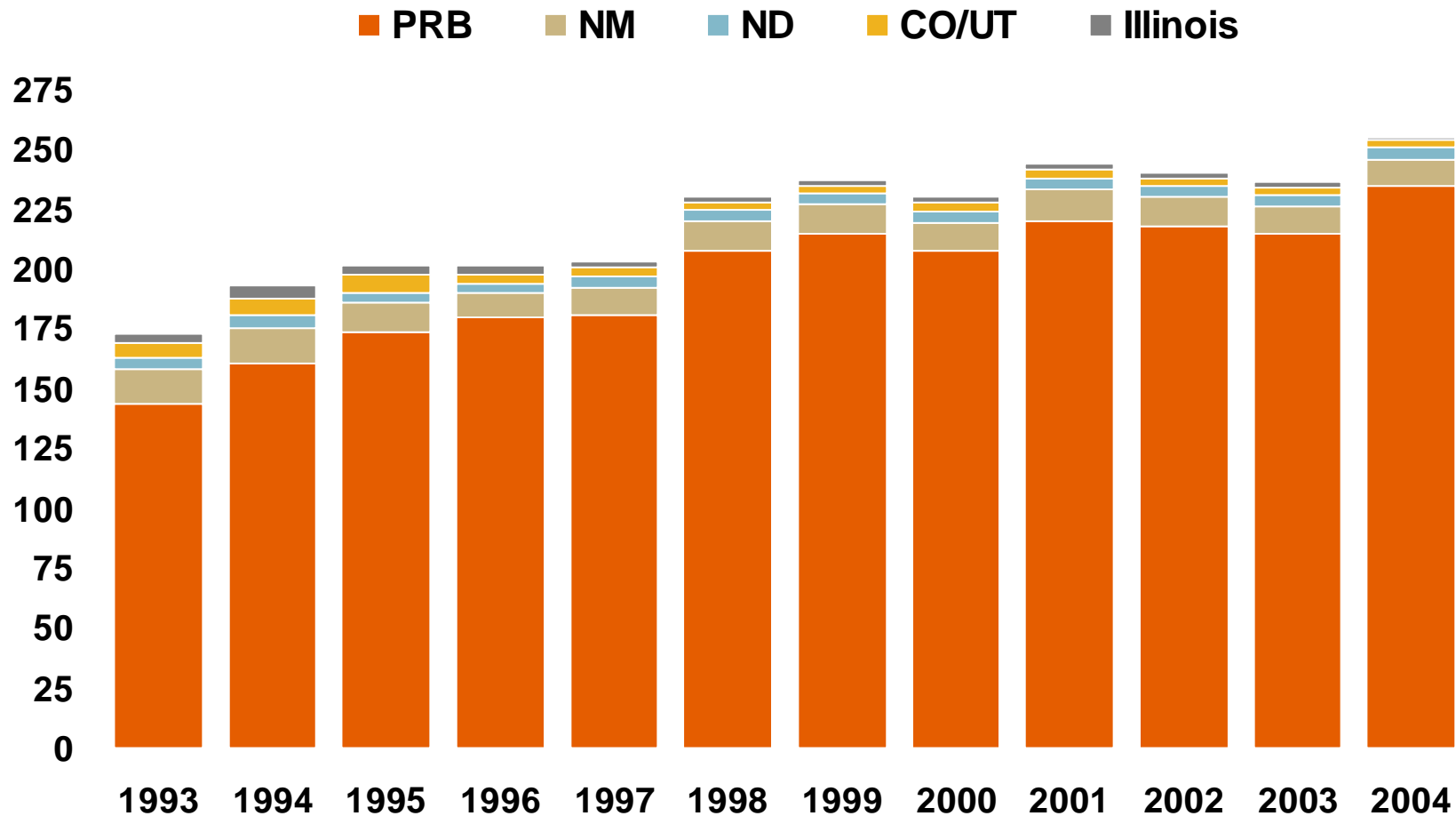
BNSF Network Coal Map



BNSF Coal Transportation

BNSF coal volume up 82 mm tons since 1993.

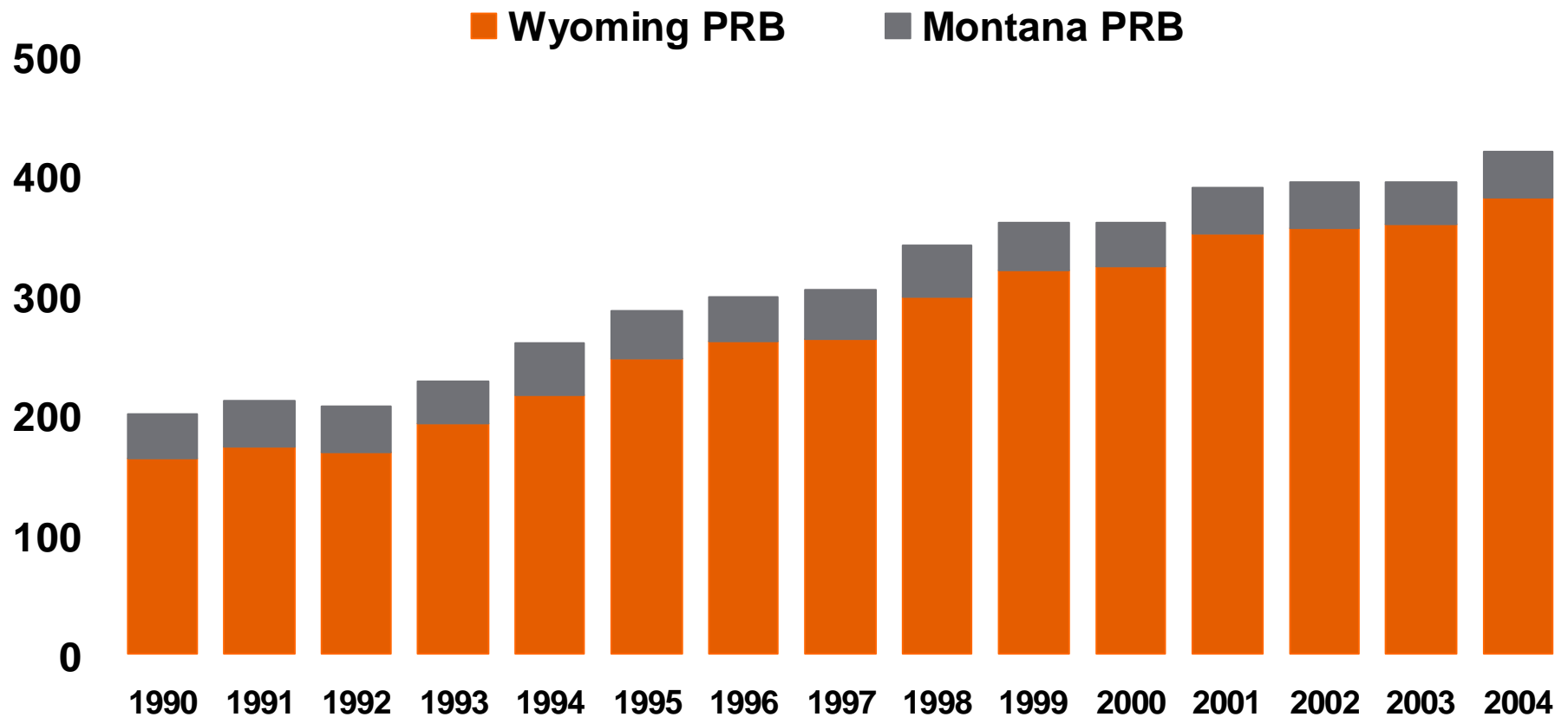
Million Tons



Wyoming and Montana PRB Coal Production

PRB production up 220mm tons since 1990.

Million Tons



Total Rail Haul PRB

PRB production will be up 34 mm tons in two years.

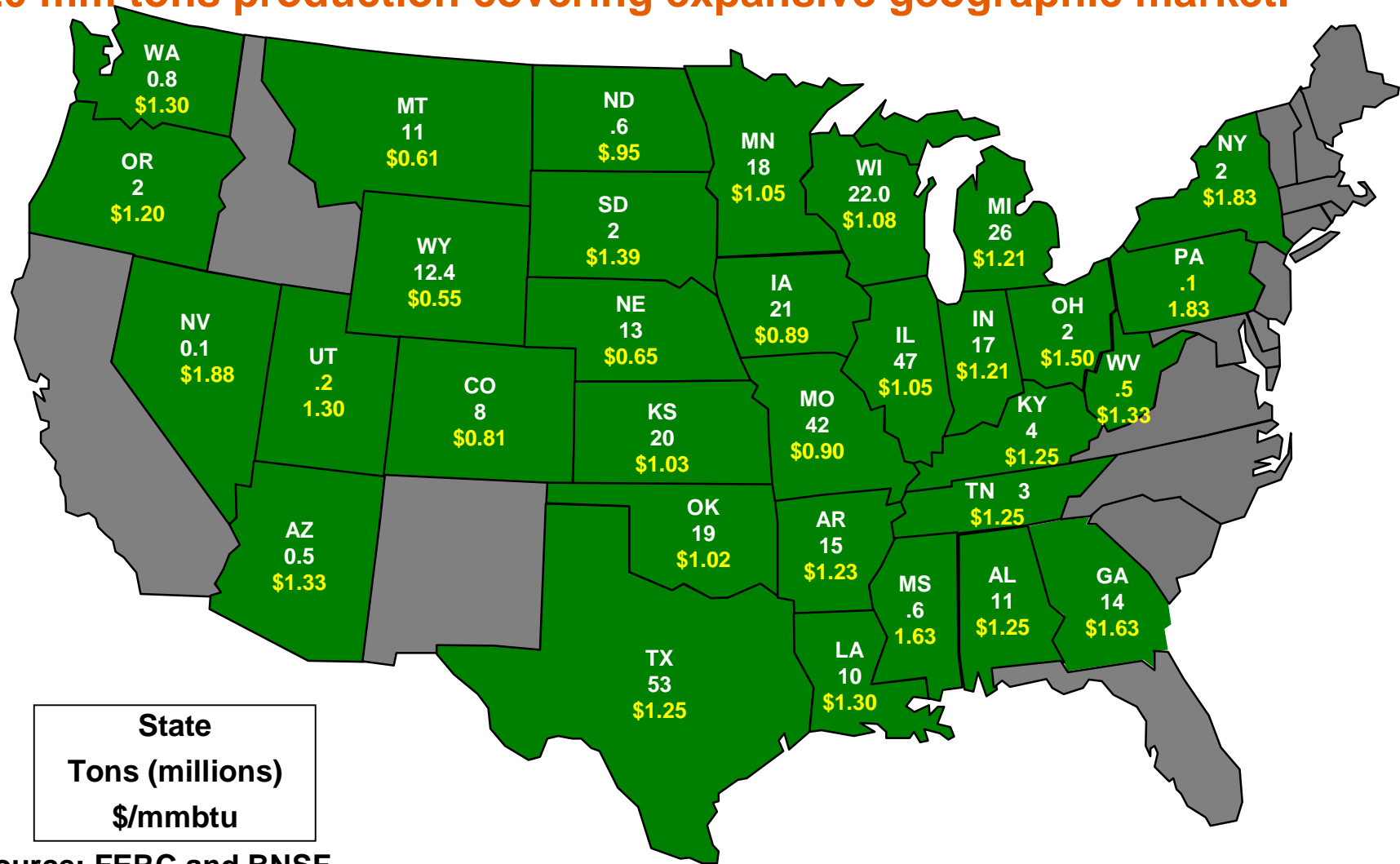
Million Tons

2003 – 2005 F

	<u>2003</u>	<u>2004</u>	Change		<u>2005*</u>	Change	
			<u>Tons</u>	<u>Percent</u>		<u>Tons</u>	<u>Percent</u>
Montana	26.3	29.0	+2.7	+10.3%	30.2	+1.2	+4.1%
Wyoming							
North Gillette	51.2	55.6	+4.4	+8.6%	61.9	+6.3	+11.3%
Joint Line	<u>308.6</u>	<u>322.5</u>	<u>+13.9</u>	<u>+4.5%</u>	<u>327.8</u>	<u>+5.3</u>	<u>+1.6%</u>
Total	386.1	407.1	+21.0	+5.4%	419.9	+12.8	+3.1%

2004 PRB Delivered Coal

420 mm tons production covering expansive geographic market.

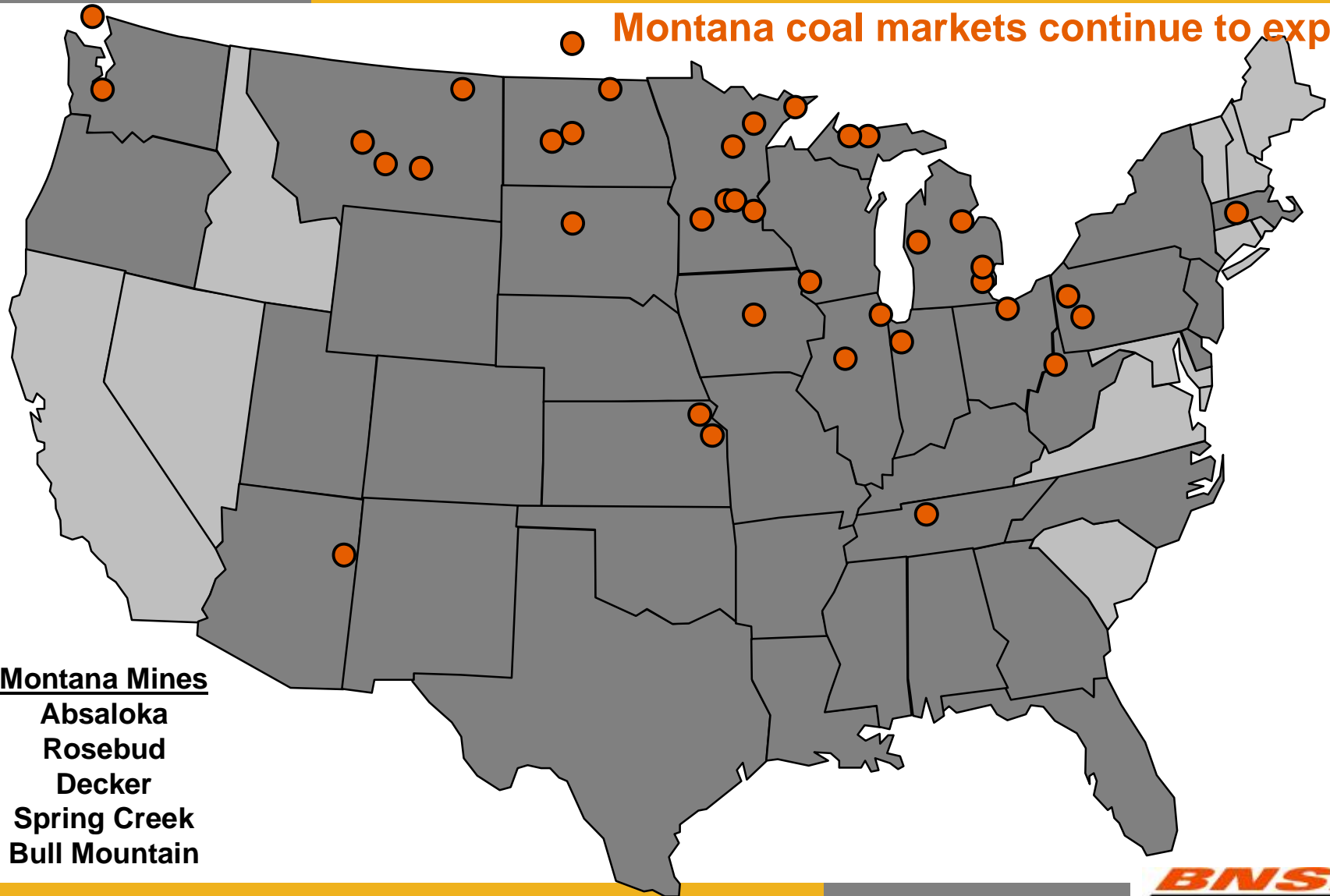


State
Tons (millions)
\$/mmbtu

Source: FERC and BNSF

Montana Coal Destinations

Montana coal markets continue to expand.



Montana Mines

Absaloka

Rosebud

Decker

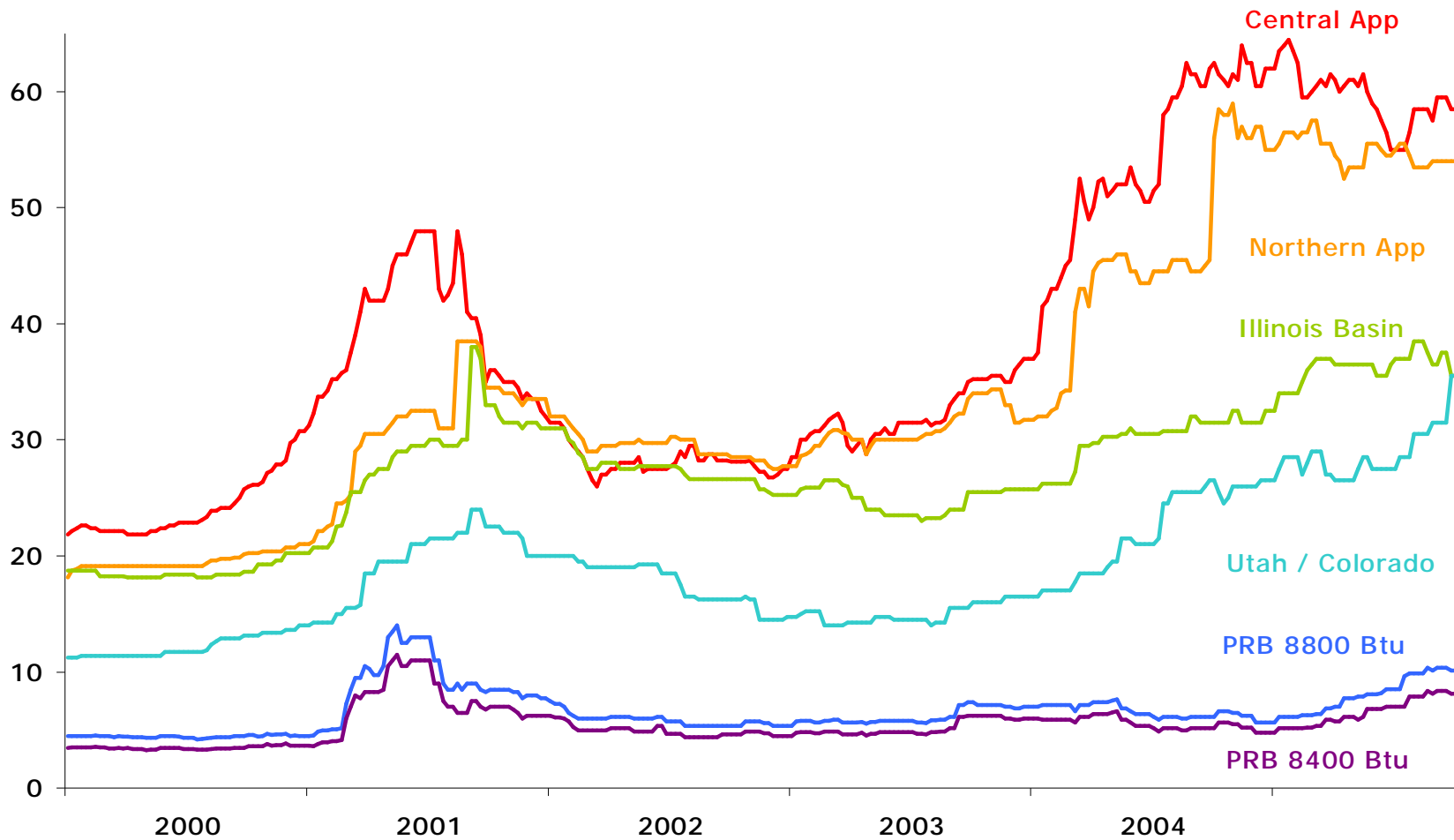
Spring Creek

Bull Mountain

Coal Spot Prices

PRB coal is the lowest cost supply source.

\$ / short ton



Source: Bloomberg



2004 Electric Utility Delivered Coal Prices by Supply Region

PRB delivered costs are the lowest.

\$/mmbtu

Central App	\$1.81
Northern App	\$1.29
Southern App	\$1.66
Imports	\$1.84
Illinois Basin	\$1.25
Central Rockies	\$1.29
PRB	\$1.06

Source: FERC



Natural Gas Spot Price

High natural gas prices and volatility favor coal.

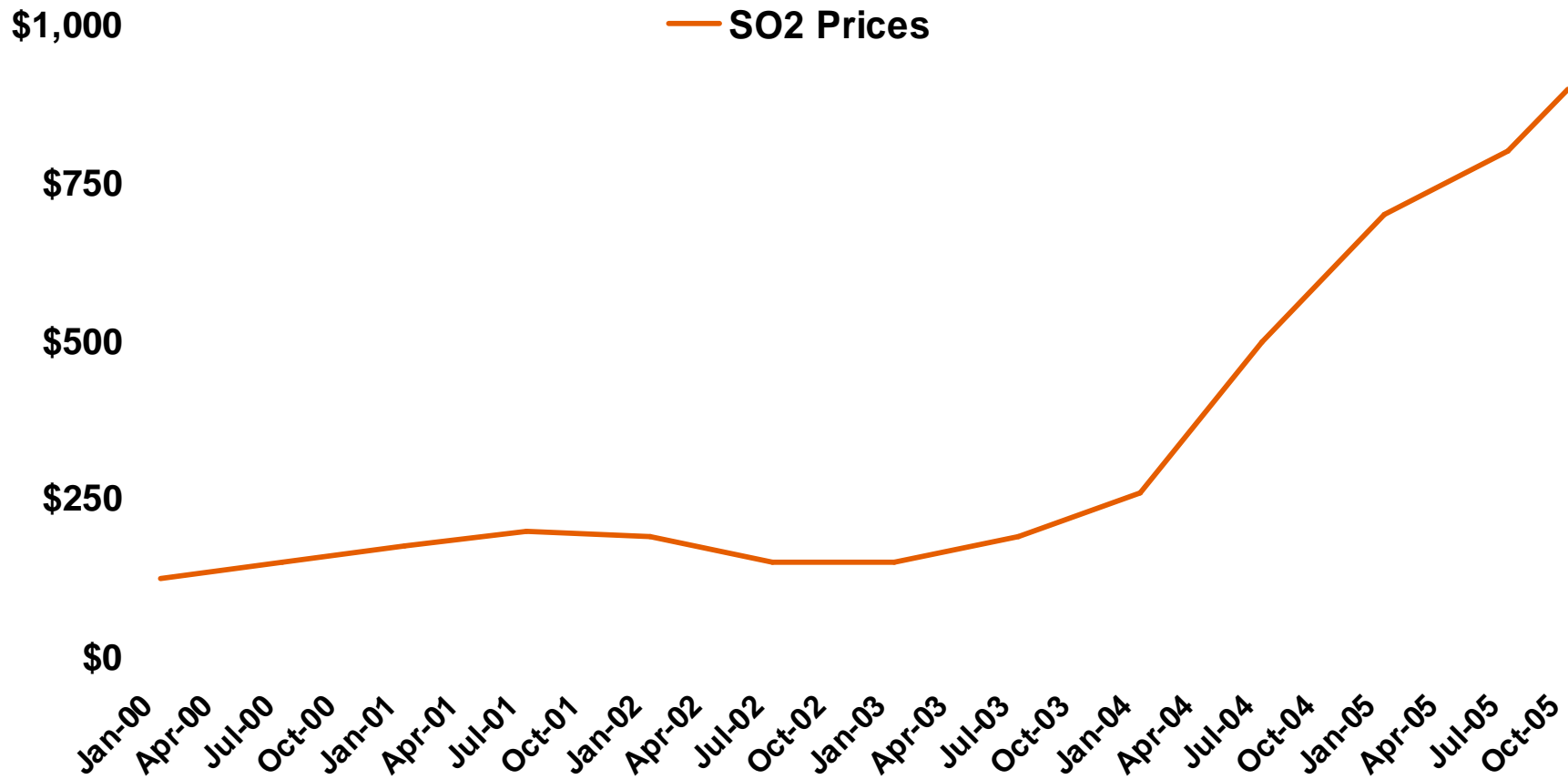


Source: Bloomberg

SO2 Allowance Prices

Dramatic rise in SO₂ allowances increases value of low-sulfur coals.

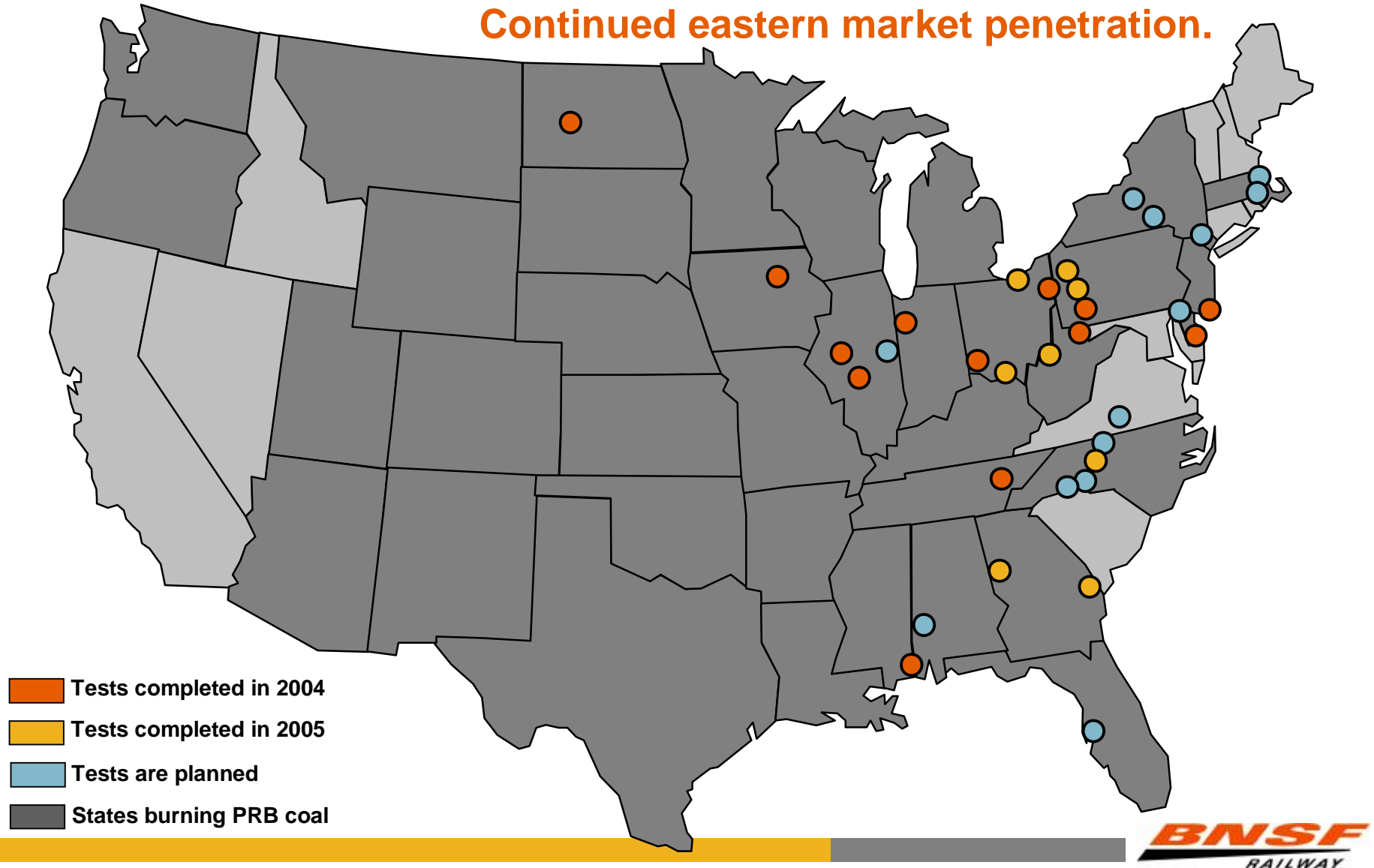
2000-2005



Source: BNSF

Coal Market Outlook - Total PRB Test Burns

Continued eastern market penetration.



Proposed New Coal-Fired Generation Rail-Served in the Western U.S.

Proposed new plants would consume 50+ mm tons of PRB coal per year.

<u>Company</u>	<u>Size (MW)</u>	<u>Location</u>	<u>Year On-Line</u>	<u>Est. Tons (mm)</u>
Tucson Electric	750	Arizona	2006-2009	3.0
MidAmerican Energy	960	Iowa	2007	3.8
Wisconsin Public Service	500	Wisconsin	2008	2.0
OPPD	600	Nebraska	2009	2.4
LS Power	800	Arkansas	2009	3.2
Indeck	600	Illinois	2009	2.4
Sunflower	600	Kansas	2009	2.4
Southern MT Coop	250	Montana	2009	1.0
San Antonio, City of	750	Texas	2009	3.0
Xcel	750	Colorado	2009	3.0
Springfield, City of	275	Missouri	2009	1.1
Kansas City P&L	750	Missouri	2010	3.0
Wisconsin Energy	1,800	Wisconsin	2010	7.2
Western Farmers	750	Oklahoma	2010	3.0
Alliant	500	Wisconsin	2010	2.0
Excelsior	530	Minnesota	2010	2.1
Otter Tail	475	South Dakota	2011	1.9
Hastings Utilities	220	Nebraska	2012	.9
Colorado Springs	150	Colorado	2012	.6
LA Dept of W&P	820	Utah	2012	3.4
NPPD	400	Nebraska	NA	1.6
TOTAL	13,230			53.0

Coal Forecast: 2004 - 2025

Western coal production will capture virtually all of projected growth.

- | **EIA total growth forecast**
 - | **West +325 million tons**
 - | **Interior +36 million tons**
 - | **Appalachia +17 million tons**

- | **BNSF's view**
 - | **Western impact**
 - | **80% of West is PRB = 260 million tons**
 - | **Additional trainloads per day = 48**

Going Forward to 2025

- | **Electricity demand**
 - | **1.8% annual growth**
- | **Coal production**
 - | **1.5% annual growth**
 - | **Appalachia to grow .1% annually**
 - | **Interior to grow .8% annually**
 - | **West to grow 2.4% annually**

BNSF Increased Coal Capacity Investments

*\$2.4 billion invested through 2004
\$331M planned for 2005*

\$ Millions

Year	Loco- motives	Cars	Joint line	Corridors	Terminals	Total
1994	\$247	\$22	\$13	\$10	\$2	\$294
1995	247	58	18	44	12	379
1996	118	19	19	41	22	219
1997	160	20	7	63	27	277
1998	235	22	8	134	17	416
1999	270	23	13	49	4	359
2000	56	0	0	13	1	70
2001	0	0	0	0	0	0
2002	0	0	0	0	0	0
2003	85	48	0	8	10	151
2004	102	104	15	4	18	243
2005F	<u>149</u>	<u>85</u>	<u>21</u>	<u>44</u>	<u>32</u>	<u>331</u>
Total	\$1,669	\$401	\$114	\$410	\$145	\$2,739

BNSF Opportunities and Challenges

- ▮ **Continued significant demand for low-sulfur western coal**
 - ▮ **Low-sulfur reserves dominated by PRB**
 - ▮ **PRB is the lowest cost coal supply source**
 - ▮ **No practical energy alternatives**
- ▮ **Rail coal transportation will continue to grow**
 - ▮ **BNSF has invested \$2.7 billion to meet demand**
- ▮ **Future challenges**
 - ▮ **Substantial capital investment required for coal**
 - ▮ **Regulatory policy that facilitates investment and expansion**
 - ▮ **Rail re-regulation is a real threat**
 - ▮ **Environmental regulations must keep coal option open**

Montana Opportunities and Challenges

| Opportunity

- | Montana has 120 billion tons of coal!
 - | 50 billion tons are low-sulfur reserves

| Challenges

- | Substantial capital investment required
 - | Transmission constraints
 - | Lack of physical access to reserves
- | State policy that facilitates investment in generation, mining, and transportation
- | Energy policy that promotes use of our most abundant energy resource
- | Environmental standards that improve air quality and facilitate coal development

Value of PRB Coal

- | **400mm tons PRB coal**
 - | = 1.2 billion barrels of oil
 - | = 50% of U.S. oil production
 - | = 7 trillion cubic feet of natural gas
 - | = 35% of U.S. natural gas production
 - | Fuel cost equivalent
 - | \$4 billion coal cost
 - | \$75 billion oil cost
 - | \$98 billion natural gas cost

(coal \$10.00/ton, natural gas \$14.00/mm btu, oil \$62.50/barrel)



BNSF
RAILWAY



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