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December 9, 2022
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December 9, 2022

Via Electronic Filing

The Honorable Martin Oberman, Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

The Honorable Michelle Schultz, Vice Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

The Honorable Patrick Fuchs
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

The Honorable Robert Primus
Surface Transportation Board
395 E Street, SW
Washington, D.C. 20423-0001

The Honorable Karen Hedlund
Surface Transportation Board
395 E Street, SW
Washington, D.C. 20423-0001

Re: **Docket No. EP 772– Oversight Hearing Pertaining to Union Pacific Railroad Company's Embargoes**

Dear Chairman Oberman, Vice Chairman Schultz and Board Members Fuchs, Primus, and Hedlund:

Pursuant to the Surface Transportation Board's December 7, 2022 Order in Docket No. EP 772, Union Pacific is hereby providing the enclosed material for use during its testimony on December 13th. Please let us know if you have any questions.

Sincerely,

James B. Boles

Enclosure

cc: Ms. Cynthia T. Brown, Chief,
Section of Administration, Office of Proceedings

A Union Pacific freight train is shown traveling from left to right across a wide, open landscape. The train consists of several yellow locomotives and a long line of black freight cars. The lead locomotive is prominently displayed, featuring the Union Pacific logo and the number 3012. The background features a range of large, rugged mountains with significant snow cover under a clear blue sky. The foreground is a mix of dry grass and green shrubs.

EP 772: OVERSIGHT HEARING PERTAINING TO EMBARGOES

—
Union Pacific — December 13, 2022



A BNSF freight train is shown traveling from left to right across a desert landscape. The lead locomotive is yellow and black, with the number 3012 visible on its side and front. It features the BNSF logo and an American flag graphic. The train is pulling several black freight cars. The landscape is arid with dry grass and shrubs. In the background, a range of mountains is partially covered in snow under a clear blue sky.

LANCE FRITZ

—
Chairman, President, and Chief Executive Officer



A photograph of a BNSF freight train traveling through a landscape with snow-capped mountains in the background. The train is led by a yellow locomotive with the number 3012 and a BNSF logo. It is pulling several black freight cars. The train is moving along a track that curves through a field of tall grass. In the background, there are large, rugged mountains covered in snow under a clear blue sky.

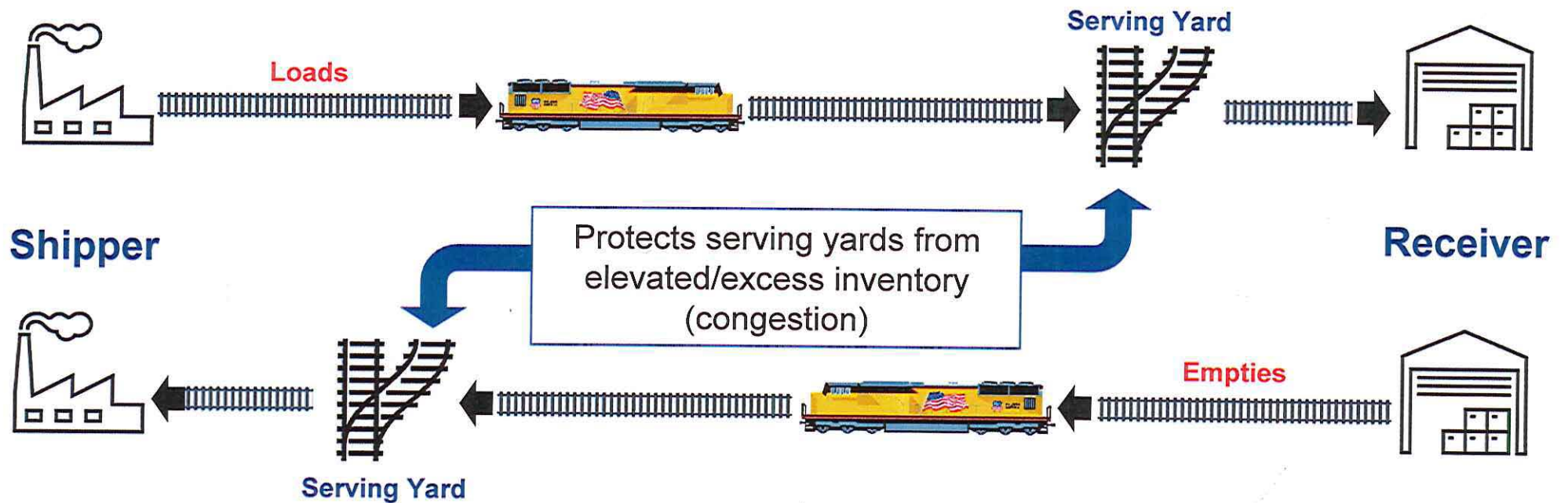
ERIC GEHRINGER

Executive Vice President Operations



Private Car Inventory Management

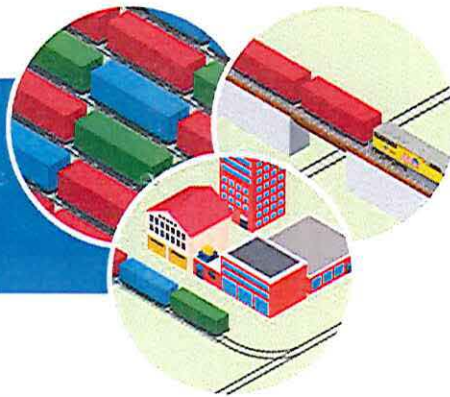
Process for Elevated Local Serving Area Inventory



Operating Inventory

Gross Inventory

- Count of all revenue service railcars based on a daily 02:00 CST snapshot



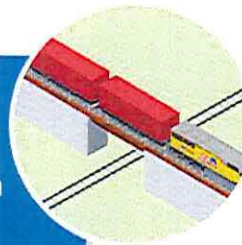
Active Inventory

- Excludes stored railcars



Operating Inventory

- Cars the operation is "touching"
- Excludes stored railcars, cars placed at industry and cars interchanged off-line



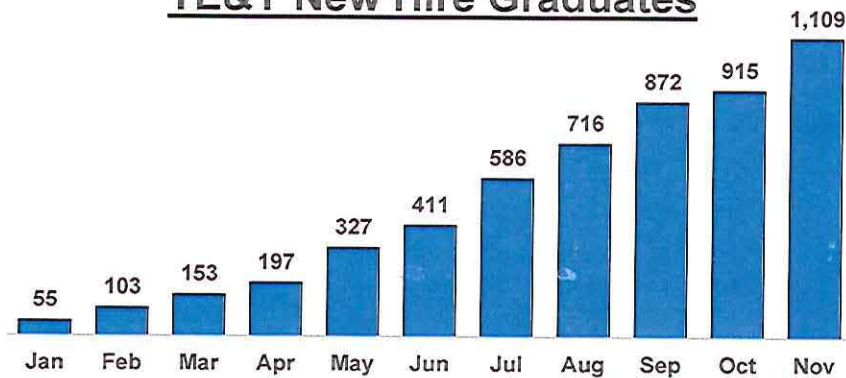
- Impact of 5,000 cars of excess Operating inventory

- Car Velocity ~3 mpd
- Train Velocity ~0.4 mph
- Freight Car dwell ~0.3 hrs
- Manifest TPC up to 2 pts

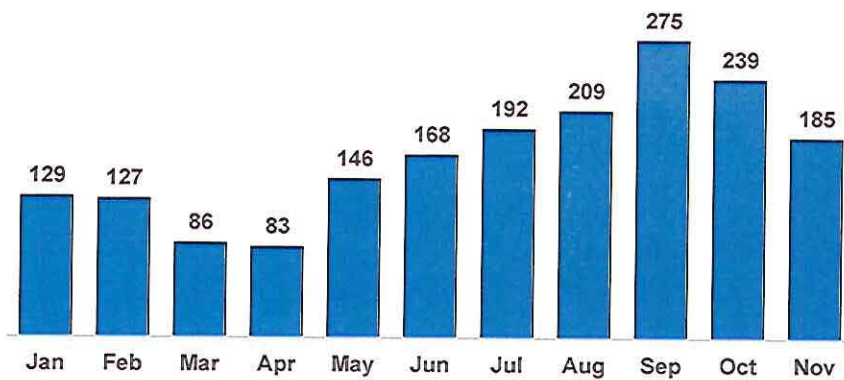
UP Actions to Recover Network

2022 by month

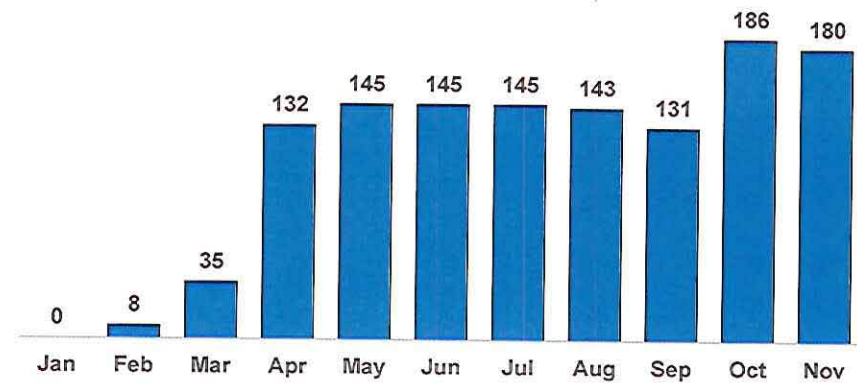
TE&Y New Hire Graduates



TE&Y Borrowouts



Road Locomotives Added Since Jan '22*



* Includes locomotives in short term storage





KENNY ROCKER

—
Executive Vice President Marketing and Sales





BRAD MOORE

—
Vice President Customer Care and Support



CIMS - Serving Area

Engagement Process	
Purpose	Prevent excess inventory from impacting serving yard operations
Control Limit	Each customer has dynamic Maximum Inventory Threshold (MIT)
Engagement	MIT is exceeded or projected to exceed
Request (Day 1)	Customer asked to increase consumption, reduce inbound flow, or provide other actionable plan
Action (Day 7)	<ul style="list-style-type: none">a) Remove from list if not excessb) Grant 7 more days if action plan submittedc) Embargo if customer is still excess and/or action plan not in place



CIMS- Serving Area

Customer Process Illustration

CURRENT INVENTORY		AVERAGE RELEASE RATE		PIPELINE		PROJECTED INVENTORY	
On Hand Count	31	7 Day	1.4	Day 4 En Route	3	Day 4 On Hand	24
Customer MIT	10	28 Day	2.3	Total En Route	17	Day 4 MIT Available	-14
MIT Available	-21	56 Day	2.5				
		14 Day IS&P%	100				

- Customer has more than 22 days of inventory in the serving yard
- Release rate is slowing down
- Embargo will pause new traffic but allow customer to work off existing inventory
- Service will continue for outbounds and existing local inventory



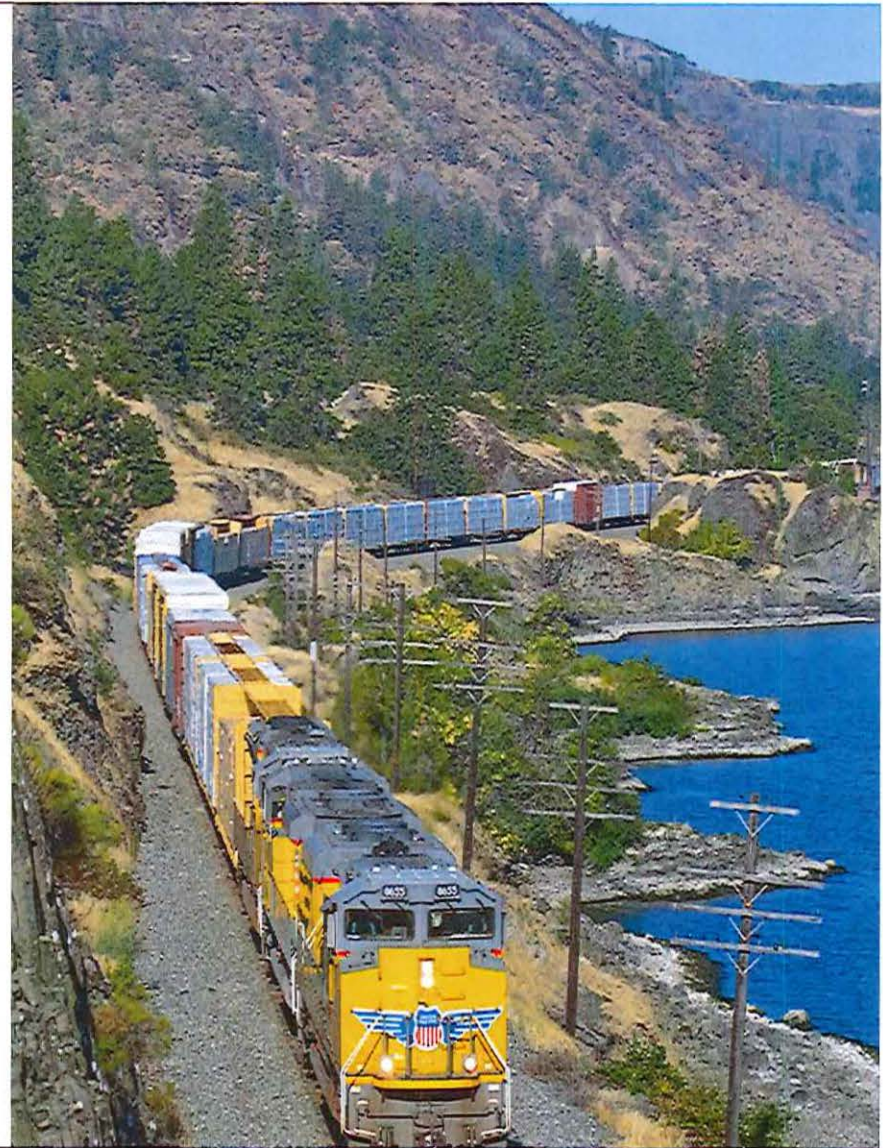
CIMS Serving Area Evolution

CIMS Pre-2018

- Fixed metrics identifying excess inventory
- Alert after serving yard was impacted
- Multi-layered decision making

CIMS Post-2018

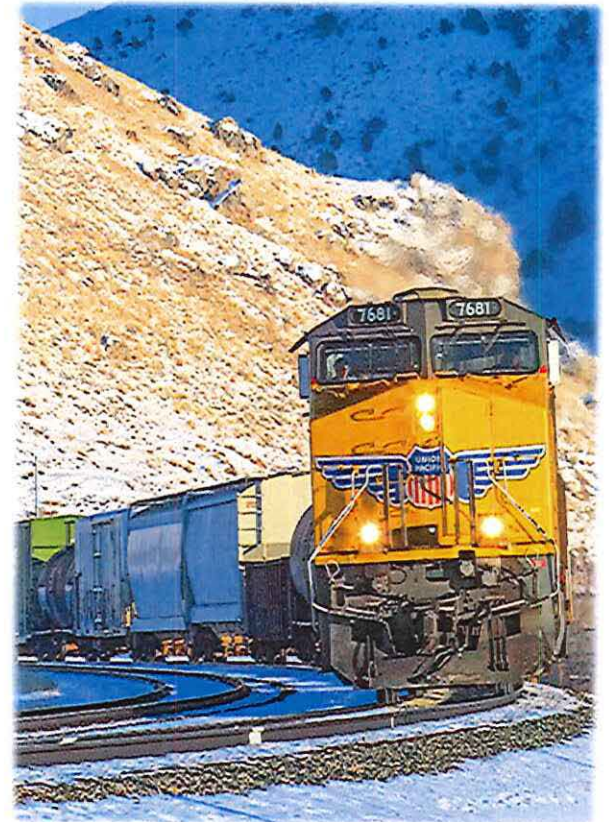
- Dynamic MIT to identify excess inventory
- Alert before serving yard is impacted
- Focused decision-making process
- CC&S consults with other Departments but makes the final call
- **Increased customer visibility soon via new tech**



Private Car Pipeline Management

Process for Elevated Customer Owned Car Fleets

- Data driven process to calculate optimum size of customer owned car fleets
- Listened to feedback from our customers, simplified methodology
- Methodology simplifications included:
 - Inventory target logic based on average daily releases and scheduled transit time (with 24-hour buffer as recognition of transit challenges)
 - Ability to review lane specific (origin-destination pair) details or customer parent and plant/facility locations
 - Expanded daily average release rates from last 7 to last 14 days for a better representation of scheduled car cycles
 - Changed calculation of current inventory counts from 7-day average to current day
 - Included a 7-day self help period



Embargoes

- Customer Inventory Management Systems (CIMS) has been around since the early 2000s
- Our approach to embargoes is data driven, narrowly tailored, and equitable
- Congestion embargoes are used as a last resort to address excess customer inventory levels, while not limiting growth

