



J. Michael Hemmer
Senior Vice President - Law & General Counsel

April 29, 2008

By UPS Next Day Air

The Honorable Charles D. Nottingham, Chairman
The Honorable Francis P. Mulvey, Vice Chairman
The Honorable W. Douglas Buttrey, Commissioner
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

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MAY 06 2008

PUBLIC SERVICE COMMISSION

Re: STB Ex Parte No. 677 – Common Carrier Obligation of Railroads

Dear Chairman Nottingham, Vice Chairman Mulvey, and Commissioner Buttrey:

During your hearing in Ex Parte No. 677 on April 25, 2008, a representative from RailAmerica provided inaccurate information about UP's economic relationship with the Central Oregon & Pacific Railroad. RailAmerica stated that UP's compensation to CORP consists of \$400 per car, plus 50 percent of RCAF-U adjustments up to a maximum of 3 percent annually. That information is not correct.

UP's compensation to CORP is currently about \$600 per car, not \$400 per car. As fuel prices have escalated, Union Pacific has voluntarily agreed to pass along additional fuel support to CORP. In addition, Union Pacific provides CORP a 3 percent supplement for reporting car movements through Railinc, which improves interline operations and information for customers.

Union Pacific has also given CORP approximately \$1 million since 2004 to help it repair tunnels on the Siskiyou line and maintain a key bridge on the Coos Bay line.

CORP also complained that its contract with Union Pacific limits the amount it can charge its shippers. In fact, CORP has unilaterally imposed surcharges on its shippers and is proposing additional surcharges without objection from Union Pacific.

Finally, while this does not represent compensation to CORP, during the Coos Bay line service interruption, Union Pacific has provided significant financial support to CORP customers who lack rail service, so that those customers can use transload services on Union Pacific.

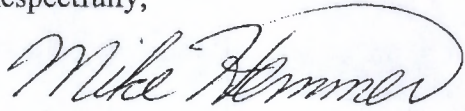
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Corrections of Information

Union Pacific Railroad Company

J. Michael Hemmer

From our external perspective, the basic problem facing the Coos Bay line is that, since several major customers closed large shipping facilities on the line in the 1990s, the Coos Bay line has generated insufficient traffic to support reinvestment in the line. Accordingly, as I testified on April 24, 2008, private entities are unlikely to recover any return on investment in the line, unless traffic volumes increase substantially.

Respectfully,

A handwritten signature in cursive script that reads "Mike Hemmer". The signature is written in dark ink and is positioned above the printed name.

J. Michael Hemmer

cc: All Participants *(by U.S. first-class mail)*