



December 2008

To our Customers:

Union Pacific is implementing changes to our existing Private Empty Car Storage (PECS) program. These changes are scheduled to become effective January 1, 2009 for Agricultural and Industrial Products customers. Chemicals customers - who are currently subject to the PECS program - will continue to use the current PECS program and will be cutover to the updated system on February 1, 2009. Changes to the PECS system are being made for several reasons: to complement the current Chargeable Events System (CES) loading and unloading parameters; to improve fleet utilization through more effective private car management; to reduce empty private car dwell; and to facilitate yard and terminal fluidity. The updated PECS system offers many benefits to customers, including:

- Ease of use
- Accuracy of system information
- Alignment with Union Pacific's existing accessorial systems

PECS charges will apply to private empty cars placed in a hold status on the Union Pacific network. The program is based on a debit and credit structure similar, but not identical, to the Chargeable Events System.

Key components of the PECS program are:

**Storage Charges:**

- Consignee of the empty rail car will be assessed the charges for all Net Chargeable Storage Days for all empty private equipment.
- Charges will be assessed to all Industrial Products, Agricultural and Chemicals customers.
- Net Chargeable Storage Days equals total debits less credits earned.
- The current storage fee will remain the same, at \$25 per Net Chargeable Storage Day. In order to bring storage charges in line with market levels, we anticipate increasing the storage rate to \$50 per debit after the initial implementation of the program.

**Debits:**

- One (1) debit will be assessed for every full or partial day that a private empty rail car is in hold status on the Union Pacific network, commencing on the first 12:00 a.m. after the equipment has been placed in hold status.
- Debits will be assessed at any origin, destination, or intermediate holding location.
- Debits will be issued to the Consignee location of the empty rail car.
- Debits will not be assessed for empty private equipment on private track.
- On the first 12:00 a.m. after equipment has been released from hold status, debits will cease to accrue.
- Debits will not accrue if cars remain in released hold status.

**Credits:**

- Credits are issued to the Consignee of the empty rail car.
- There are three methods of earning credits:
  - Actually Placed (AP) Credits: One (1) credit will be issued for each private empty rail car on the day it is actually placed at destination industry.
  - Placement Credits:
    - If an Order-in customer orders a specific private empty rail car via the Web or Interactive Voice Recognition (IVR), which has arrived in the customer's serving area, but UP does not deliver the car, or delivers an alternative car, two (2) credits per rail car will be issued for each rail car requested but not actually placed.

- Placement Credits will only be given if the private empty rail car released returns to a hold status instead of being placed at the customer's facility (actually placed). Once the car returns to hold status, the credits will be applied. Cars which are not delivered and remain in a release from hold status will not receive placement credits nor will they receive debits.
- Capacity Credits: When a Spot-on Arrival customer has available capacity and UP does not bring in a car(s) to fill that capacity, two (2) credits will be issued for each private empty rail car in the serving area up to the customer's maximum available capacity.

**Billing:**

- Bills will be issued monthly for the prior calendar month's inventory.
- If credits exceed debits, no storage bill will be generated.
- Credits are only valid in the month they are earned and will not be carried over to subsequent months.

The new system for PECS will be housed in the Accessorial Management Application (AMA). AMA will provide data from the current and previous months, along with a link to outstanding bills from previous months. Customers will have the ability to dispute in the current month, prior to bills being issued.

Post-bill general disputes can also be handled within Account on the Web (AOW). To use the AOW functionality, customers must be registered in AOW. For more information on AOW, please visit the Customer section of our Web site (<http://www.uprr.com/customers/attachments/demo/webpay.ppt>).

As previously stated, the new PECS program is scheduled to become effective January 1, 2009 for Agricultural and Industrial Products customers. Chemicals customers will have access to the new PECS system, in parallel with their current PECS system, for the months of December and January, before their cutover to the new program on February 1, 2009.

Program details will be available in the Union Pacific Accessorial Tariff UP 6004, Item 9890. We are providing this information to assist our customers in their planning, however, these details remain subject to change.

Please contact your Union Pacific Representative for assistance as you become familiar with the terms and use of this new program. Thank you for your business and your cooperation as we transition to the new PECS program.

*This information is provided for the convenience of our customers. This document is a representation of Union Pacific Accessorial Tariff UP 6004. In the event of a conflict, actual published Union Pacific Accessorial Tariff UP 6004 will apply. A copy will be available upon request. For a subscription to this tariff, contact the Marketing and Sales publication area at 402-544-6711.*