

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 1-6324



(Exact name of registrant as specified in its charter)

BNSF Railway Company

State of Organization
Delaware

I.R.S. Employer Identification No.
41-6034000

Address of principal executive offices, including zip code
2650 Lou Menk Drive, Fort Worth, Texas 76131-2830
Registrant's telephone number, including area code
(800) 795-2673

**Securities registered pursuant to Section 12(b) of the Act:
The securities below are registered on the New York Stock Exchange**

Title of each class

Burlington Northern Inc. (Now BNSF Railway Company)

Consolidated Mortgage Bonds
6.55%, Series K, due 2020
3.80%, Series L, due 2020
3.20%, Series M, due 2045
8.15%, Series N, due 2020
6.55%, Series O, due 2020
8.15%, Series P, due 2020

Northern Pacific Railway Company

General Lien Railway and Land Grant 3% Bonds, due 2047

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, non-accelerated filer, or smaller reporting company (as defined in Rule 12b-2 of the Act).

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

1,000 shares of Outstanding Common Stock, \$1.00 par value, as of February 28, 2014.

*BNSF Railway Company is a wholly-owned subsidiary of Burlington Northern Santa Fe, LLC; as a result, there is no market data with respect to registrant's shares.

DOCUMENTS INCORPORATED BY REFERENCE

None

REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION (I)(1)(a) AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

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Part I

Item 1. Business

BNSF Railway Company (BNSF Railway, Registrant or Company), formerly known as The Burlington Northern and Santa Fe Railway Company and prior to that, Burlington Northern Railroad Company (BNRR) was incorporated in the State of Delaware on January 13, 1961. BNSF Railway is a wholly-owned subsidiary of Burlington Northern Santa Fe, LLC, successor company to Burlington Northern Santa Fe Corporation.

On February 12, 2010, Berkshire Hathaway Inc., a Delaware corporation (Berkshire), acquired 100% of the outstanding shares of Burlington Northern Santa Fe Corporation common stock that it did not already own. The acquisition was completed through the merger (Merger) of a Berkshire wholly-owned merger subsidiary and Burlington Northern Santa Fe Corporation with the surviving entity renamed Burlington Northern Santa Fe, LLC (BNSF). Further information about the Merger is incorporated by reference from Note 1 to the Consolidated Financial Statements.

BNSF Railway operates one of the largest railroad systems in North America. At December 31, 2013, BNSF Railway had more than 43,000 employees.

BNSF Railway's internet address is www.bnsf.com. Through this internet website (under the "About BNSF/Financial Information" link), BNSF Railway makes available, free of charge, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as all amendments to these reports, as soon as reasonably practicable after these reports are electronically filed with or furnished to the Securities and Exchange Commission (the SEC).

Further discussion of the Company's business, including equipment and its business sectors, is incorporated by reference from Item 2, "Properties."

Item 1A. Risk Factors

The information set forth in Item 1A should be read in conjunction with the rest of the information in this report, including Item 7, Management's Narrative Analysis of Results of Operations, and Item 8, Financial Statements and Supplementary Data.

Changes in government policy could negatively impact demand for the Company's services, impair its ability to price its services or increase its costs or liability exposure.

Changes in United States and foreign government policies could change the economic environment and affect demand for the Company's services. For example, changes in clean air laws or regulation of carbon dioxide emissions could reduce the demand for coal and revenues from the coal transportation services provided by BNSF Railway. Also, changes in environmental laws and other laws and regulations could reduce the demand for drilling products and products produced by drilling. United States and foreign government agriculture tariffs or subsidies could affect the demand for grain. Developments and changes in laws and regulations as well as increased economic regulation of the rail industry through legislative action and revised rules and standards applied by the U.S. Surface Transportation Board in various areas, including rates, services and access to facilities could adversely impact the Company's ability to determine prices for rail services and significantly affect the revenues, costs and profitability of the Company's business. Additionally, because of the significant costs to maintain its rail network, a reduction in profitability could hinder the Company's ability to maintain, improve or expand its rail network, facilities and equipment. Federal or state spending on infrastructure improvements or incentives that favor other modes of transportation could also adversely affect the Company's revenues.

The Company's success depends on its ability to continue to comply with the significant federal, state and local governmental regulations to which it is subject.

The Company is subject to a significant amount of governmental laws and regulation with respect to its rates and practices, taxes, railroad operations and a variety of health, safety, labor, environmental and other matters. Failure to comply with applicable laws and regulations could have a material adverse effect on the Company. Governments may change the legislative and/or regulatory framework within which the Company operates without providing the Company with any recourse for any adverse effects that the change may have on its business. Federal legislation enacted in 2008 mandates the implementation of positive train control technology by December 31, 2015, on certain mainline track where intercity and commuter passenger railroads operate and where toxic-by-inhalation (TIH) hazardous materials are transported. This type of technology is new and deploying it across BNSF Railway's system and other railroads may pose significant operating and implementation risks and requires significant capital expenditures.

As part of its railroad operations, the Company frequently transports chemicals and other hazardous materials, which could expose it to the risk of significant claims, losses and penalties.

BNSF Railway is required to transport these commodities to the extent of its common carrier obligation. An accidental release of TIH or hazardous commodities could result in a significant loss of life and extensive property damage as well as environmental remediation obligations and penalties. The associated costs could have an adverse effect on the Company's operating results, financial condition or liquidity as the Company is not insured above a certain threshold. Further, the rates BNSF Railway receives for transporting these commodities do not adequately compensate it should there be some type of accident. In addition, insurance premiums charged for some or all of the coverage currently maintained by the Company could increase dramatically or certain coverage may not be available to the Company in the future if there is a catastrophic event related to rail transportation of these commodities.

The Company faces intense competition from rail carriers and other transportation providers, and its failure to compete effectively could adversely affect its results of operations, financial condition or liquidity.

The Company operates in a highly competitive business environment. Depending on the specific market, the Company faces intermodal, intramodal, product and geographic competition. This competition from other railroads and motor carriers, as well as barges, ships and pipelines in certain markets, may be reflected in pricing, market share, level of services, reliability and other factors. For example, the Company believes that high service truck lines, due to their ability to deliver non-bulk products on an expedited basis, may have an adverse effect on the Company's ability to compete for deliveries of non-bulk, time-sensitive freight. While the Company must build or acquire and maintain its rail system, trucks and barges are able to use public rights-of-way maintained by public entities. Any material increase in the capacity and quality of these alternative methods or the passage of legislation granting greater latitude to motor carriers with respect to size and weight restrictions could have an adverse effect on the Company's results of operations, financial condition or liquidity. In addition, a failure to provide the level of service required by the Company's customers could result in loss of business to competitors. Changes in the ports used by ocean carriers or the use of all-water routes from the Pacific Rim to the East Coast or other changes in the supply chain could also have an adverse effect on the Company's volumes and revenues. Further, low natural gas prices could impact future coal demand.

The Company is subject to various claims and lawsuits, and increases in the amount or severity of these claims and lawsuits could adversely affect the Company's operating results, financial condition and liquidity.

As part of its railroad operations, the Company is exposed to various claims and litigation related to commercial disputes, personal injury, property damage, environmental liability and other matters. Personal injury claims by BNSF Railway employees are subject to the Federal Employers' Liability Act (FELA), rather than state workers' compensation laws. The Company believes that the FELA system, which includes unscheduled awards and a reliance on the jury system, can contribute to increased expenses. Other proceedings include claims by third parties for punitive as well as compensatory damages, and a few proceedings have been certified or purport to be class actions. Developments in legislative and judicial standards, material changes to litigation trends, or a catastrophic rail accident or series of accidents involving any or all of property damage, personal injury, and environmental liability could have a material adverse effect on the Company's operating results, financial condition and liquidity.

The Company is subject to stringent environmental laws and regulations, which may impose significant costs on its business operations.

The Company's operations are subject to extensive federal, state and local environmental laws and regulations concerning, among other things, emissions to the air; discharges to waters; the generation, handling, storage, transportation and disposal of waste and hazardous materials; and the cleanup of hazardous material or petroleum releases. Changes to or limits on carbon dioxide emissions could result in significant capital expenditures to comply with these regulations with respect to BNSF Railway's locomotives, equipment, vehicles and machinery and its yards and intermodal facilities and the cranes and trucks serving those facilities. Emission regulations could also adversely affect fuel efficiency and increase operating costs. Delays, litigation, local concerns and difficulty in obtaining approvals for projects requiring federal, state or local equivalent permitting could inhibit the Company's ability to build strategic facilities and rail infrastructure, which could adversely impact growth and operational efficiency. In addition, many land holdings are and have been used for industrial or transportation-related purposes or leased to commercial or industrial companies whose activities may have resulted in discharges onto the property. Environmental liability can extend to previously owned or operated properties, leased properties and properties owned by third parties, as well as to properties currently owned and used by the Company's subsidiaries. Environmental liabilities have arisen and may continue to arise from claims asserted by adjacent landowners, other third parties in toxic tort litigation or as a result of environmental incidents. The Company's subsidiaries have been and may continue to be subject to allegations or findings to the effect that they have violated, or are strictly liable under, these laws or regulations. The Company's operating results, financial condition or liquidity could be adversely affected as a result of any of the foregoing, and it may be required to incur significant expenses to investigate and remediate environmental contamination. The Company may also incur fines, penalties and other sanctions to resolve any alleged violations of environmental law.

Downturns in the economy could adversely affect demand for the Company's services.

Significant, extended negative changes in domestic and global economic conditions that impact the producers and consumers of the commodities transported by the Company may have an adverse effect on the Company's operating results, financial condition or liquidity. Declines in or muted manufacturing activity, economic growth and international trade all could result in reduced revenues in one or more business units.

Negative changes in general economic conditions could lead to disruptions in the credit markets, increase credit risks and could adversely affect the Company's financial condition or liquidity.

Challenging economic conditions may not only affect revenues due to reduced demand for many goods and commodities, but could result in payment delays, increased credit risk and possible bankruptcies of customers. The Company's business is capital-intensive and the Company may finance a portion of the building and maintenance of infrastructure as well as locomotives and other rail equipment. Economic slowdowns and related credit market disruptions may adversely affect the Company's cost structure, its timely access to capital to meet financing needs and costs of its financings. The Company could also face increased counterparty risk to its cash investments. Adverse economic conditions could also affect the Company's costs for insurance or its ability to acquire and maintain adequate insurance coverage for risks associated with the railroad business if insurance companies experience credit downgrades or bankruptcies. Declines in the securities and credit markets could also affect the Company's pension fund and railroad retirement tax rates, which in turn could increase funding requirements.

Fuel supply availability, fuel prices and dependency on certain key railroad equipment and material suppliers may adversely affect the Company's results of operations, financial condition or liquidity.

Fuel supply availability could be impacted as a result of limitations in refining capacity, disruptions to the supply chain, rising global demand and international political and economic factors. A significant reduction in fuel availability could impact the Company's ability to provide transportation services at current levels, increase fuel costs and impact the economy. Each of these factors could have an adverse effect on the Company's operating results, financial condition or liquidity. If the price of fuel increases substantially, the Company expects to be able to offset a significant portion of these higher fuel costs through its fuel surcharge program. However, to the extent that the Company is unable to maintain, expand and ultimately collect under its existing fuel surcharge program, increases in fuel prices could have an adverse effect on the Company's operating results, financial condition or liquidity. Due to the capital intensive nature and sophistication of certain railroad equipment and material, prospective new suppliers are subject to high barriers of entry. If railroad equipment and material suppliers discontinue operations, the Company could experience significant cost increases, as well as limited supply of railroad equipment and material necessary for the Company's operations.

Severe weather and natural disasters could disrupt normal business operations, which would result in increased costs and liabilities and decreases in revenues.

The Company's success is dependent on its ability to operate its railroad system efficiently. Severe weather and natural disasters, such as tornados, flooding and earthquakes, could cause significant business interruptions and result in increased costs and liabilities and decreased revenues. In addition, damages to or loss of use of significant aspects of the Company's infrastructure due to natural or man-made disruptions could have an adverse effect on the Company's operating results, financial condition or liquidity for an extended period of time until repairs or replacements could be made. Additionally, during natural disasters, the Company's workforce may be unavailable, which could result in further delays. Extreme swings in weather could also negatively affect the performance of locomotives and rolling stock.

The Company's operational dependencies may adversely affect results of operations, financial condition or liquidity.

Due to the integrated nature of the United States' freight transportation infrastructure, the Company's operations may be negatively affected by service disruptions of other entities such as ports, passenger trains and other railroads which interchange with the Company. A significant prolonged service disruption of one or more of these entities could have an adverse effect on the Company's results of operations, financial condition or liquidity.

Acts of terrorism or war, as well as the threat of terrorism or war, may cause significant disruptions in the Company's business operations.

Terrorist attacks and any government response to those types of attacks and war or risk of war may adversely affect the Company's results of operations, financial condition or liquidity. The Company's rail lines and facilities could be direct targets or indirect casualties of an act or acts of terror, which could cause significant business interruption and result in increased costs and liabilities and decreased revenues, which could have an adverse effect on operating results and financial condition. Such effects could be magnified if releases of hazardous materials are involved. Any act of terror, retaliatory strike, sustained military campaign or war or risk of war may have an adverse impact on the Company's operating results and financial condition by causing unpredictable operating or financial conditions, including disruptions of BNSF Railway or connecting rail lines, loss of critical customers or partners, volatility or sustained increase of fuel prices, fuel shortages, general economic decline and instability or weakness of financial markets. In addition, insurance premiums charged for some or all of the coverage currently maintained by the Company could increase dramatically, the coverage available may not adequately compensate it for certain types of incidents and certain coverages may not be available to the Company in the future.

The Company depends on the stability and availability of its information technology systems.

The Company relies on information technology in all aspects of its business. A significant disruption or failure of its information technology systems could result in service interruptions, safety failures, security violations, regulatory compliance failures and the inability to protect corporate information assets against intruders or other operational difficulties. Although the Company has taken steps to mitigate these risks, including Business Continuity Planning, Disaster Recovery Planning and Business Impact Analysis, a significant disruption or cyber intrusion could lead to misappropriation of assets or data corruption and could adversely affect the Company's results of operations, financial condition or liquidity. Additionally, if the Company is unable to acquire or implement new technology, it may suffer a competitive disadvantage, which could also have an adverse effect on the Company's results of operations, financial condition or liquidity.

Most of the Company's employees are represented by unions, and failure to negotiate reasonable collective bargaining agreements may result in strikes, work stoppages or substantially higher ongoing labor costs.

A significant majority of BNSF Railway's employees are union-represented. BNSF Railway's union employees work under collective bargaining agreements with various labor organizations. Wages, health and welfare benefits, work rules and other issues have traditionally been addressed through industry-wide negotiations. These negotiations have generally taken place over an extended period of time and have previously not resulted in any extended work stoppages. For ongoing negotiations, the existing agreements have remained in effect and will continue to remain in effect until new agreements are reached or the Railway Labor Act's procedures (which include mediation, cooling-off periods and the possibility of presidential or congressional intervention) are exhausted. While the negotiations have not yet resulted in any extended work stoppages, if BNSF Railway is unable to negotiate acceptable new agreements, it could result in strikes by the affected workers, loss of business, disruption of operations and increased operating costs as a result of higher wages or benefits paid to union members, any of which could have an adverse effect on the Company's operating results, financial condition or liquidity.

The unavailability of qualified personnel could adversely affect the Company's operations.

Changes in demographics, training requirements and the unavailability of qualified personnel, particularly engineers and trainmen, could negatively impact the Company's ability to meet demand for rail service. Recruiting and retaining qualified personnel, particularly those with expertise in the railroad industry, are vital to operations. Although the Company believes that it has adequate personnel for the current business environment, unpredictable increases in demand for rail services may exacerbate the risk of not having sufficient numbers of trained personnel, which could have a negative impact on operational efficiency and otherwise have an adverse effect on the Company's operating results, financial condition or liquidity.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Track Configuration

BNSF Railway operates one of the largest railroad networks in North America with approximately 32,500 route miles of track (excluding multiple main tracks, yard tracks and sidings) in 28 states and two Canadian provinces as of December 31, 2013. BNSF Railway owns approximately 23,000 route miles, including easements, and operates on approximately 9,500 route miles of trackage rights that permit BNSF Railway to operate its trains with its crews over other railroads' tracks.

As of December 31, 2013, the total BNSF Railway system, including single and multiple main tracks, yard tracks and sidings, consisted of approximately 51,000 operated miles of track, all of which are owned by or held under easement by BNSF Railway except for approximately 10,500 miles operated under trackage rights.

Property and Facilities

BNSF Railway operates various facilities and equipment to support its transportation system, including its infrastructure and locomotives and freight cars. It also owns or leases other equipment to support rail operations, including containers, chassis and vehicles. Support facilities for rail operations include yards and terminals throughout its rail network, system locomotive shops to perform locomotive servicing and maintenance, a centralized network operations center for train dispatching and network operations monitoring and management in Fort Worth, Texas, regional dispatching centers, computers, telecommunications equipment, signal systems and other support systems. Transfer facilities are maintained for rail-to-rail as well as intermodal transfer of containers, trailers and other freight traffic. These facilities include approximately 30 intermodal hubs located across the system.

As of December 31, 2013, BNSF Railway owned or held under non-cancelable leases exceeding one year approximately 7,000 locomotives, and 74,000 freight cars, in addition to maintenance of way and other equipment.

In the ordinary course of business, BNSF Railway incurs significant costs in repairing and maintaining the properties described above. In 2013, BNSF Railway recorded approximately \$2 billion in repairs and maintenance expense in the Consolidated Statements of Income.

Business Mix

In serving the Midwest, Pacific Northwest, Western, Southwestern and Southeastern regions and ports of the country, BNSF Railway transports, through one operating transportation services segment, a range of products and commodities derived from manufacturing, agricultural and natural resource industries. Over half of the freight revenues of the Company are covered by contractual agreements of varying durations, while the balance is subject to common carrier, published prices or quotations offered by the Company. BNSF Railway’s financial performance is influenced by, among other things, general and industry economic conditions at the international, national and regional levels. The following map illustrates the Company’s primary routes, including trackage rights, which allow BNSF Railway to access major cities and ports in the western and southern United States as well as Canadian and Mexican traffic. In addition to major cities and ports, BNSF Railway efficiently serves many smaller markets by working closely with approximately 200 shortline partners. BNSF Railway has also entered into marketing agreements with other rail carriers, expanding the marketing reach for each railroad and our collective customers.



Consumer Products:

The Consumer Products’ freight business provided approximately 33 percent of freight revenues for the 12 months ended December 31, 2013, and consisted of the following business sectors: Domestic Intermodal (including Truckload/Intermodal Marketing Companies and Expedited Truckload/Less-than-Truckload/Parcel), International Intermodal and Automotive.

Industrial Products:

The Industrial Products’ freight business provided approximately 27 percent of freight revenues for the 12 months ended December 31, 2013, and consisted of the following five business areas: Construction Products, Petroleum Products, Building Products, Chemicals and Plastics Products and Food and Beverages.

Coal:

The transportation of coal contributed approximately 23 percent of freight revenues for the 12 months ended December 31, 2013, with more than 90 percent of all BNSF Railway’s coal tons originating from the Powder River Basin of Wyoming and Montana.

Agricultural Products:

The transportation of Agricultural Products provided approximately 17 percent of freight revenues for the 12 months ended December 31, 2013. These products include wheat, corn, fertilizer, bulk foods, ethanol, soybeans, feeds, oil seeds and meals, barley, oats and rye, oils, flour and mill products, specialty grains, malt and milo.

Government Regulation and Legislation

BNSF Railway's operations are subject to the regulatory jurisdiction of the Surface Transportation Board (STB) of the United States Department of Transportation (DOT), the Federal Railroad Administration of the DOT, the Occupational Safety and Health Administration (OSHA), as well as other federal and state regulatory agencies and Canadian regulatory agencies for operations in Canada. The STB has jurisdiction over disputes and complaints involving certain rates, routes and services, the sale or abandonment of rail lines, applications for line extensions and construction and consolidation or merger with, or acquisition of control of, rail common carriers. The outcome of STB proceedings can affect the profitability of BNSF Railway's business.

DOT and OSHA have jurisdiction under several federal statutes over a number of safety and health aspects of rail operations, including the transportation of hazardous materials. State agencies regulate some aspects of rail operations with respect to health and safety in areas not otherwise preempted by federal law.

Further discussion is incorporated by reference from Note 12 to the Consolidated Financial Statements.

Competition

The business environment in which BNSF Railway operates is highly competitive. Depending on the specific market, deregulated motor carriers and other railroads, as well as river barges, ships and pipelines in certain markets, may exert pressure on price and service levels. The presence of advanced, high service truck lines with expedited delivery, subsidized infrastructure and minimal empty mileage continues to affect the market for non-bulk, time-sensitive freight. The potential expansion of longer combination vehicles could further encroach upon markets traditionally served by railroads. In order to remain competitive, BNSF Railway and other railroads continue to develop and implement operating efficiencies to improve productivity.

As railroads streamline, rationalize and otherwise enhance their franchises, competition among rail carriers intensifies. BNSF Railway's primary rail competitor in the Western region of the United States is the Union Pacific Railroad Company. Other Class I railroads and numerous regional railroads and motor carriers also operate in parts of the same territories served by BNSF Railway.

Based on weekly reporting by the Association of American Railroads, BNSF Railway's share of the western United States rail traffic in 2013 was 49.5 percent.

Item 3. Legal Proceedings

Beginning May 14, 2007, some 30 similar class action complaints were filed in six federal district courts around the country by rail shippers against BNSF Railway and other Class I railroads alleging that they have conspired to fix fuel surcharges with respect to unregulated freight transportation services in violation of the antitrust laws. The complaints seek injunctive relief and unspecified treble damages. These cases were consolidated and are currently pending in the federal District Court of the District of Columbia for coordinated or consolidated pretrial proceedings. (*In re: Rail Freight Fuel Surcharge Antitrust Litigation*, MDL No. 1869). Consolidated amended class action complaints were filed against BNSF Railway and three other Class I railroads in April 2008.

On June 21, 2012, the District Court certified the class sought by the plaintiffs. BNSF Railway and the other three Class I railroads appealed the class-certification decision to the U.S. Court of Appeals.

On August 9, 2013, the U.S. Court of Appeals vacated the District Court's class certification decision and remanded the case to permit the District Court to reconsider its decision in light of the United States Supreme Court case of *Comcast Corp. v. Behrend*. The Company continues to believe that these claims are without merit and continues to defend against the allegations vigorously. The Company does not believe that the outcome of these proceedings will have a material effect on its financial condition, results of operations or liquidity.

Information concerning certain pending tax-related administrative or adjudicative state proceedings or appeals is incorporated by reference from Note 5 to the Consolidated Financial Statements, and information concerning other claims and litigation is incorporated by reference from Note 12 to the Consolidated Financial Statements.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

BNSF Railway’s common stock is owned by BNSF and therefore is not traded on any market.

Item 7. Management’s Narrative Analysis of Results of Operations

Management’s narrative analysis relates to the results of operations of BNSF Railway Company and its majority-owned subsidiaries (collectively BNSF Railway, Registrant or Company). The following narrative analysis should be read in conjunction with the Consolidated Financial Statements and the accompanying notes.

The following narrative analysis of results of operations includes a brief discussion of the factors that materially affected the Company’s operating results in the year ended December 31, 2013, and a comparative analysis of the year ended December 31, 2012.

Results of Operations

Revenues Summary

The following tables present BNSF Railway’s revenue information by business group:

	Revenues (in millions)		Cars / Units (in thousands)	
	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2013	Year Ended December 31, 2012
Consumer Products	\$ 7,000	\$ 6,602	5,033	4,769
Industrial Products	5,703	5,003	1,874	1,691
Coal	4,986	4,860	2,230	2,172
Agricultural Products	3,578	3,730	956	1,029
Total freight revenues	21,267	20,195	10,093	9,661
Other revenues	285	283		
Total operating revenues	\$ 21,552	\$ 20,478		

	Average Revenue Per Car / Unit	
	Year Ended December 31, 2013	Year Ended December 31, 2012
Consumer Products	\$ 1,391	\$ 1,384
Industrial Products	3,043	2,959
Coal	2,236	2,238
Agricultural Products	3,743	3,625
Total freight revenues	\$ 2,107	\$ 2,090

Fuel Surcharges

Freight revenues include both revenue for transportation services and fuel surcharges. BNSF Railway’s fuel surcharge program is intended to recover its incremental fuel costs when fuel prices exceed a threshold fuel price. Fuel surcharges are calculated differently depending on the type of commodity transported. BNSF Railway has two standard fuel surcharge programs - Percent of Revenue and Mileage-Based. In addition, in certain commodities, fuel surcharge is calculated using a fuel price from a time period that can be up to 60 days earlier. In a period of volatile fuel prices or changing customer business mix, changes in fuel expense and fuel surcharge may significantly differ.

The following table presents fuel surcharge and fuel expense information (in millions):

	Year Ended December 31, 2013	Year Ended December 31, 2012
Total fuel expense ^a	\$ 4,503	\$ 4,459
BNSF Railway fuel surcharges	\$ 2,912	\$ 2,821

^a Total fuel expense includes locomotive and non-locomotive fuel.

Year Ended December 31, 2013 vs. Year Ended December 31, 2012

Revenues

Revenues for the year ended December 31, 2013, were \$21,552 million, an increase of \$1,074 million or 5 percent compared with the year ended December 31, 2012. The increase in revenues is due to the following changes in underlying trends in revenues:

- Average revenue per car / unit increased primarily as a result of increased rate per car / unit.

In addition to an increase in average revenue per car / unit, the following changes in underlying trends in volumes also impacted the change in revenues:

- Consumer Products unit volumes increased primarily due to higher domestic intermodal volumes as a result of highway conversion to rail and increased international intermodal volumes from new carrier conversions and higher export demand.
- Industrial Products unit volumes increased primarily due to increased shipments of petroleum products, driven mainly by increased crude unit train loadings.
- Coal unit volumes increased primarily due to increased demand resulting from an increase in natural gas prices and reduced utility stockpiles, partially offset by severe weather issues impacting service levels.
- Agricultural Products unit volumes decreased primarily due to lower grain exports, as a result of the extreme 2012 U.S. drought and strong global competition.

Expense Table

The following table presents BNSF Railway's expense information (in millions):

	Year Ended December 31, 2013	Year Ended December 31, 2012
Compensation and benefits	\$ 4,615	\$ 4,472
Fuel	4,503	4,459
Purchased services	2,064	2,122
Depreciation and amortization	1,968	1,888
Equipment rents	822	810
Materials and other	912	764
Total operating expenses	\$ 14,884	\$ 14,515
Interest expense	\$ 57	\$ 55
Interest income, related parties	\$ (82)	\$ (57)
Other expense, net	\$ 10	\$ 11
Income tax expense	\$ 2,412	\$ 2,234

Expenses

Operating expenses for the year ended December 31, 2013, were \$14,884 million, an increase of \$369 million, or 3 percent, as compared with the year ended December 31, 2012. A significant portion of this increase is due to the following changes in underlying trends in expenses:

- Compensation and benefits expense increased primarily due to increased unit volumes and wage inflation.
- Materials and other expense increased as a result of higher property taxes, crew transportation, lodging and other travel costs, derailment-related costs and locomotive material costs, partially offset by expense recorded in the prior year for an unfavorable arbitration ruling.
- There were no significant changes in the underlying trends for fuel, purchased services, depreciation and amortization and equipment rents expenses.
- The effective tax rate was 36.1 percent and 37.5 percent for the years ended December 31, 2013 and 2012, respectively. The 2013 effective tax rate includes favorable tax adjustments.

Forward-Looking Information

To the extent that statements made by the Company relate to the Company's future economic performance or business outlook, projections or expectations of financial or operational results, or refer to matters that are not historical facts, such statements are "forward-looking" statements within the meaning of the federal securities laws.

Forward-looking statements involve a number of risks and uncertainties, and actual performance or results may differ materially. For a discussion of material risks and uncertainties that the Company faces, see the discussion in Item 1A, "Risk Factors," of this Annual Report on Form 10-K. Important factors that could cause actual results to differ materially include, but are not limited to, the following:

- **Economic and industry conditions:** material adverse changes in economic or industry conditions, both in the United States and globally; volatility in the capital or credit markets including changes affecting the timely availability and cost of capital; changes in customer demand, effects of adverse economic conditions affecting shippers or BNSF Railway's supplier base, and effects due to more stringent regulatory policies such as the regulation of carbon dioxide emissions that could reduce the demand for coal or governmental tariffs or subsidies that could affect the demand for grain, the impact of low natural gas prices on coal demand for electric power plants, changes in environmental laws and other laws and regulations that could affect the demand for drilling products and products produced by drilling, changes in fuel prices and other key materials, the impact of high barriers of entry for prospective new suppliers and disruptions in supply chains for these materials; competition and consolidation within the transportation industry; and changes in crew availability, labor and benefits costs and labor difficulties, including stoppages affecting either BNSF Railway's operations or customers' abilities to deliver goods to BNSF Railway for shipment.
- **Legal, legislative and regulatory factors:** developments and changes in laws and regulations, including those affecting train operations or the marketing of services; the ultimate outcome of shipper and rate claims subject to adjudication claims; investigations or litigation alleging violations of the antitrust laws; increased economic regulation of the rail industry through legislative action and revised rules and standards applied by the U.S. Surface Transportation Board in various areas including rates and services; developments in environmental investigations or proceedings with respect to rail operations or current or past ownership or control of real property or properties owned by others impacted by BNSF Railway operations; losses resulting from claims and litigation relating to personal injuries, asbestos and other occupational diseases; the release of hazardous materials, environmental contamination and damage to property; regulation, restrictions or caps, or other controls of diesel emissions that could affect operations or increase costs; the availability of adequate insurance to cover the risks associated with operations.
- **Operating factors:** changes in operating conditions and costs; operational and other difficulties in implementing positive train control technology, including increased compliance or operational costs or penalties; restrictions on development and expansion plans due to environmental concerns; disruptions to BNSF Railway's technology network including computer systems and software, such as cybersecurity intrusions, misappropriation of assets or sensitive information, corruption of data or operational disruptions; as well as natural events such as severe weather, fires, floods and earthquakes or man-made or other disruptions of BNSF Railway's or other railroads' operating systems, structures, or equipment including the effects of acts of terrorism on the Company's system or other railroads' systems or other links in the transportation chain.

The Company cautions against placing undue reliance on forward-looking statements, which reflect its current beliefs and are based on information currently available to it as of the date a forward-looking statement is made. The Company undertakes no obligation to revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs. In the event the Company does update any forward-looking statement, no inference should be made that the Company will make additional updates with respect to that statement, related matters, or any other forward-looking statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Commodity Price Sensitivity

Historically, the Company has used derivative financial instruments to address market risk exposure to fluctuations in interest rates and the risk of volatility in its fuel cost; however, as of December 31, 2013, there are no outstanding derivative instruments.

At December 31, 2013, BNSF Railway maintained fuel inventories for use in normal operations, which were not material to BNSF Railway's overall financial position and, therefore, represent no significant market exposure. The frequency of BNSF Railway's fuel inventory turnover also reduces market exposure, should fuel inventories become material to BNSF Railway's overall financial position. Further information on fuel derivatives is incorporated by reference from Note 4 to the Consolidated Financial Statements.

Interest Rate Sensitivity

At December 31, 2013, the fair value of BNSF Railway's debt, excluding capital leases, was \$752 million.

The following table is an estimate of the impact to the fair value of total debt, excluding capital leases, that could result from hypothetical interest rate changes during the twelve-month period ending December 31, 2014, based on debt levels as of December 31, 2013:

Hypothetical Change in Interest Rates	Sensitivity Analysis	
	Change in Fair Value	Total Debt
1-percent decrease		\$58 million increase
1-percent increase		\$52 million decrease

Information on the Company's debt, which may be sensitive to interest rate fluctuations, is incorporated by reference from Note 11 to the Consolidated Financial Statements.

Item 8. Financial Statements and Supplementary Data

The Consolidated Financial Statements of BNSF Railway and subsidiary companies, together with the report of the Company's independent registered public accounting firm, are included as part of this filing.

The following documents are filed as a part of this report:

Consolidated Financial Statements

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Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011	15
Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011	16
Consolidated Balance Sheets as of December 31, 2013 and 2012	17
Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011	18
Consolidated Statements of Changes in Equity for the years ended December 31, 2013, 2012 and 2011	19
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Report of Independent Registered Public Accounting Firm

To the Shareholder and Board of Directors of BNSF Railway Company

We have audited the accompanying consolidated balance sheets of BNSF Railway Company and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the periods ended December 31, 2013, 2012, and 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of BNSF Railway Company and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, 2012, and 2011 in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Fort Worth, Texas
February 28, 2014

BNSF Railway Company and Subsidiaries***Consolidated Statements of Income***

In millions

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Revenues	\$ 21,552	\$ 20,478	\$ 19,229
Operating expenses:			
Compensation and benefits	4,615	4,472	4,288
Fuel	4,503	4,459	4,267
Purchased services	2,064	2,122	2,009
Depreciation and amortization	1,968	1,888	1,807
Equipment rents	822	810	779
Materials and other	912	764	808
Total operating expenses	14,884	14,515	13,958
Operating income	6,668	5,963	5,271
Interest expense	57	55	73
Interest income, related parties	(82)	(57)	(32)
Other expense, net	10	11	10
Income before income taxes	6,683	5,954	5,220
Income tax expense	2,412	2,234	1,947
Net income	\$ 4,271	\$ 3,720	\$ 3,273

See accompanying Notes to Consolidated Financial Statements.

BNSF Railway Company and Subsidiaries***Consolidated Statements of Comprehensive Income***

In millions

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Net income	\$ 4,271	\$ 3,720	\$ 3,273
Other comprehensive income:			
Change in amortization of accumulated actuarial losses and prior service costs, net of tax expense of \$305 million, tax benefit of \$16 million and tax benefit of \$125 million, respectively	492	(28)	(200)
Change in fuel hedge mark-to-market, net of tax benefit of \$0 million, \$7 million and \$18 million, respectively	—	(11)	(30)
Change in accumulated other comprehensive income of equity method investees	(2)	(3)	—
Other comprehensive income (loss), net of tax	490	(42)	(230)
Total comprehensive income	\$ 4,761	\$ 3,678	\$ 3,043

See accompanying Notes to Consolidated Financial Statements.

BNSF Railway Company and Subsidiaries
Consolidated Balance Sheets

In millions

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 532	\$ 350
Accounts receivable, net	1,264	1,146
Materials and supplies	835	800
Current portion of deferred income taxes	358	340
Other current assets	239	145
Total current assets	3,228	2,781
Property and equipment, net of accumulated depreciation of \$2,231 and \$1,623, respectively	52,347	50,056
Goodwill	14,803	14,803
Intangible assets, net	811	1,114
Other assets	2,272	1,870
Total assets	\$ 73,461	\$ 70,624
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable and other current liabilities	\$ 3,083	\$ 2,970
Long-term debt due within one year	145	203
Total current liabilities	3,228	3,173
Deferred income taxes	17,383	16,510
Long-term debt	1,472	1,622
Intangible liabilities, net	961	1,214
Casualty and environmental liabilities	677	750
Pension and retiree health and welfare liability	362	786
Other liabilities	964	944
Total liabilities	25,047	24,999
Commitments and contingencies (see Notes 4, 11 and 12)		
Stockholder's equity:		
Common stock, \$1 par value, 1,000 shares authorized; issued and outstanding and paid-in-capital	42,920	42,920
Retained earnings	13,646	9,375
Intercompany notes receivable	(8,397)	(6,425)
Accumulated other comprehensive income (loss)	245	(245)
Total stockholder's equity	48,414	45,625
Total liabilities and stockholder's equity	\$ 73,461	\$ 70,624

See accompanying Notes to Consolidated Financial Statements.

BNSF Railway Company and Subsidiaries
Consolidated Statements of Cash Flows

In millions

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Operating Activities			
Net income	\$ 4,271	\$ 3,720	\$ 3,273
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,968	1,888	1,807
Deferred income taxes	553	642	1,464
Long-term casualty and environmental liabilities, net	(98)	(190)	(43)
Contributions to qualified pension plan	(25)	(36)	(36)
Other, net	(30)	(214)	(140)
Changes in current assets and liabilities:			
Accounts receivable, net	(119)	122	(311)
Materials and supplies	(35)	(61)	(87)
Other current assets	(4)	14	(15)
Accounts payable and other current liabilities	(276)	15	265
Net cash provided by operating activities	6,205	5,900	6,177
Investing Activities			
Capital expenditures excluding equipment	(2,975)	(2,596)	(2,726)
Acquisition of equipment	(943)	(952)	(763)
Partnership investment	—	(130)	—
Other, net	57	(124)	34
Net cash used for investing activities	(3,861)	(3,802)	(3,455)
Financing Activities			
Payments on long-term debt	(190)	(182)	(196)
Net increase in intercompany notes receivable classified as equity	(1,972)	(1,861)	(2,245)
Other, net	—	2	2
Net cash used for financing activities	(2,162)	(2,041)	(2,439)
Increase in cash and cash equivalents	182	57	283
Cash and cash equivalents:			
Beginning of period	350	293	10
End of period	\$ 532	\$ 350	\$ 293
Supplemental Cash Flow Information			
Interest paid, net of amounts capitalized	\$ 76	\$ 89	\$ 96
Capital investments accrued but not yet paid	\$ 224	\$ 123	\$ 190
Income taxes paid, net of refunds	\$ 2,485	\$ 1,257	\$ 235
Non-cash asset financing	\$ —	\$ —	\$ 1

See accompanying Notes to Consolidated Financial Statements.

BNSF Railway Company and Subsidiaries

Consolidated Statements of Changes in Stockholder's Equity

In millions

	Common Stock and Paid-in- Capital	Retained Earnings	Intercompany Notes Receivable	Accumulated Other Comprehensive (Loss) Income	Total Stockholder's Equity
Balance at December 31, 2010	\$ 42,920	\$ 2,382	\$ (2,319)	\$ 27	\$ 43,010
Comprehensive income, net of tax	—	3,273	—	(230)	3,043
Intercompany notes receivable	—	—	(2,245)	—	(2,245)
Balance at December 31, 2011	42,920	5,655	(4,564)	(203)	43,808
Comprehensive income, net of tax	—	3,720	—	(42)	3,678
Intercompany notes receivable	—	—	(1,861)	—	(1,861)
Balance at December 31, 2012	42,920	9,375	(6,425)	(245)	45,625
Comprehensive income, net of tax	—	4,271	—	490	4,761
Intercompany notes receivable	—	—	(1,972)	—	(1,972)
Balance at December 31, 2013	\$ 42,920	\$ 13,646	\$ (8,397)	\$ 245	\$ 48,414

See accompanying Notes to Consolidated Financial Statements.

BNSF Railway Company and Subsidiaries

Notes to Consolidated Financial Statements

1. The Company

BNSF Railway Company and its majority-owned subsidiaries, (collectively, BNSF Railway or Company) is a wholly-owned subsidiary of Burlington Northern Santa Fe, LLC (BNSF). BNSF Railway operates one of the largest railroad networks in North America with approximately 32,500 route miles (excluding multiple main tracks, yard tracks and sidings) in 28 states and two Canadian provinces. Through one operating transportation services segment, BNSF Railway transports a wide range of products and commodities including the transportation of Consumer Products, Industrial Products, Coal and Agricultural Products, derived from manufacturing, agricultural and natural resource industries, which constituted 33 percent, 27 percent, 23 percent and 17 percent, respectively, of total freight revenues for the year ended December 31, 2013.

On February 12, 2010, Berkshire Hathaway Inc., a Delaware corporation (Berkshire), acquired 100% of the outstanding shares of Burlington Northern Santa Fe Corporation common stock that it did not already own. The acquisition was completed through the merger (Merger) of a Berkshire wholly-owned merger subsidiary and Burlington Northern Santa Fe Corporation with the surviving entity renamed Burlington Northern Santa Fe, LLC. Berkshire's cost of acquiring BNSF was pushed-down to establish a new accounting basis for BNSF beginning as of February 13, 2010.

2. Significant Accounting Policies

Principles of Consolidation

The Consolidated Financial Statements include the accounts of BNSF Railway. All intercompany accounts and transactions have been eliminated. The Company evaluates its less than majority-owned investments for consolidation pursuant to authoritative accounting guidance related to the consolidation of variable interest entities (VIEs). The Company consolidates a VIE when it possesses both the power to direct the activities of the VIE that most significantly impact its economic performance and when the Company is either obligated to absorb the losses that could potentially be significant to the VIE or the Company holds the right to receive benefits from the VIE that could potentially be significant to the VIE.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. These estimates and assumptions are periodically reviewed by management. Actual results could differ from those estimates.

Revenue Recognition

Transportation revenues are recognized based upon the proportion of service provided as of the balance sheet date, with related expenses recognized as incurred. Revenues from ancillary services are recognized when performed. Customer incentives, which are primarily provided for shipping a specified cumulative volume or shipping to/from specific locations, are recorded as a reduction to revenue on a pro-rata basis based on actual or projected future customer shipments. When using projected shipments, the Company relies on historic trends as well as economic and other indicators to estimate the liability for customer incentives.

Accounts Receivable, Net

Accounts receivable, net includes accounts receivable reduced by an allowance for bill adjustments and uncollectible accounts. The allowance for bill adjustments and uncollectible accounts is based on historical experience as well as any known trends or uncertainties related to customer billing and account collectibility. Allowances for uncollectible accounts are charged off when it is determined that the counterparty will be unable to pay based on the contractual terms of the receivables.

Cash and Cash Equivalents

All short-term investments with original maturities of 90 days or less are considered cash equivalents. Cash equivalents are stated at cost, which approximates market value because of the short maturity of these instruments.

Materials and Supplies

Materials and supplies, which consist mainly of rail, ties and other items for construction and maintenance of property and equipment, as well as diesel fuel, are valued at the lower of average cost or market.

Goodwill and Other Intangible Assets and Liabilities

Goodwill is the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed.

Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. The impairment test involves a two-step process. The first step is to estimate the fair value of the reporting unit through discounting projected future net cash flows. If the carrying amount of a reporting unit, including goodwill, exceeds the estimated fair value, a second step is performed. Under the second step, the identifiable assets and liabilities, including identifiable intangible assets and liabilities, of the reporting unit are estimated at fair value as of the current testing date. The excess of the estimated fair value of the reporting unit over the estimated fair value of net assets establishes the implied value of goodwill. If the carrying amount of goodwill exceeds the implied value of goodwill, an impairment loss is recognized in an amount equal to that excess.

Other intangible assets and liabilities are amortized based on the estimated pattern in which the economic benefits are expected to be consumed or on a straight-line basis over their estimated economic lives. Other intangible assets and liabilities are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable or realized.

See Note 8 to the Consolidated Financial Statements for further information related to goodwill and other intangible assets and liabilities.

Property and Equipment, Net

BNSF Railway's railroad operations are highly capital intensive and its large base of homogeneous, network-type assets turns over on a continuous basis. Each year BNSF Railway develops a capital program for the replacement of assets and for the acquisition or construction of assets that enables BNSF Railway to enhance the efficiency of operations, gain strategic benefit or provide new service offerings to customers. Assets purchased or constructed throughout the year are capitalized if they meet applicable minimum units of property criteria.

Normal repairs and maintenance are charged to operating expense as incurred, while costs incurred that extend the useful life of an asset, improve the safety of BNSF Railway's operations, or improve operating efficiency are capitalized.

Property and equipment are stated at cost and are depreciated and amortized on a straight-line basis over their estimated useful lives. The Company uses the group method of depreciation in which a single depreciation rate is applied to the gross investment in a particular class of property, despite differences in the service life or salvage value of individual property units within the same class. The Company conducts studies of depreciation rates and the required accumulated depreciation balance as required by the Surface Transportation Board (STB), which is generally every three years for equipment property and every six years for track structure and other roadway property. These detailed studies form the basis for the Company's depreciation methods used in accordance with GAAP. There are no differences between assumptions used in determining average service lives between STB reporting and GAAP.

Depreciation studies take into account the following factors:

- Statistical analysis of historical patterns of use and retirements of each of BNSF Railway's asset classes;
- Evaluation of any expected changes in current operations and the outlook for continued use of the assets;
- Evaluation of technological advances and changes to maintenance practices; and
- Expected salvage to be received upon retirement.

Changes in the estimated service lives of the assets and their related depreciation rates are implemented prospectively. Currently, BNSF is not aware of any specific factors that would cause significant changes in average useful service lives.

Under group depreciation, the historical cost net of salvage of depreciable property that is retired or replaced in the ordinary course of business is charged to accumulated depreciation and no gain or loss is recognized. This historical cost of certain assets is estimated as it is impracticable to track individual, homogeneous network-type assets. Historical costs are estimated by deflating current costs using the Producer Price Index (PPI). The PPI was selected because it closely correlates with the major costs of the items comprising the asset classes. Because of the number of estimates inherent in the depreciation and retirement processes and because it is impossible to precisely estimate each of these variables until a group of property is completely retired, BNSF Railway continually monitors the estimated service lives of its assets and the accumulated depreciation associated with each asset class to ensure its depreciation rates are appropriate.

For retirements of depreciable asset classes that do not occur in the normal course of business, a gain or loss may be recognized in operating expense if the retirement meets each of the following conditions: (i) is unusual, (ii) is material in amount, and (iii) varies significantly from the retirement profile identified through BNSF Railway's depreciation studies. During the three fiscal years presented, no such gains or losses were recognized due to the retirement of depreciable assets. Gains or losses from disposals of land and non-rail property are recorded at the time of their occurrence.

When BNSF Railway purchases an asset, all costs necessary to make the asset ready for its intended use are capitalized. BNSF Railway self-constructs portions of its track structure and rebuilds certain classes of rolling stock. Expenditures that significantly increase asset values or extend useful lives are capitalized. In addition to direct labor and material, certain indirect costs such as materials, small tools and project supervision are capitalized. Annually, a study is performed for the purpose of identifying indirect costs that clearly relate to capital projects. From those studies, an overhead application rate is developed. Indirect projects costs are then allocated to capital projects using this overhead application rate.

BNSF Railway incurs certain direct labor, contract service and other costs associated with the development and installation of internal-use computer software. Costs for newly developed software or significant enhancements to existing software are typically capitalized. Research, preliminary project, operations, maintenance and training costs are charged to operating expense when the work is performed.

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or at the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the asset or the period of the related lease.

Leasehold improvements that meet capitalization criteria are capitalized and amortized on a straight-line basis over the lesser of their estimated useful lives or the remaining lease term.

Long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment indicators are present and the estimated future undiscounted cash flows are less than the carrying value of the long-lived assets, the carrying value is reduced to the estimated fair value as measured by the discounted cash flows.

Planned Major Maintenance Activities

BNSF Railway utilizes the deferral method of accounting for leased locomotive overhauls, which includes the refurbishment of the engine and related components. Accordingly, BNSF Railway has established an asset for overhauls that have been performed. This asset, which is included in property and equipment, net in the Consolidated Balance Sheets, is amortized to expense using the straight-line method until the next overhaul is performed or the end of the lease, whichever comes first, typically between six and eight years.

Rail Grinding Costs

BNSF Railway uses the direct expense method of accounting for rail grinding costs, under which the Company expenses rail grinding costs as incurred.

Environmental Liabilities

Liabilities for environmental cleanup costs are initially recorded when BNSF Railway's liability for environmental cleanup is both probable and reasonably estimable. Subsequent adjustments to initial estimates are recorded as necessary based upon additional information developed in subsequent periods. Estimates for these liabilities are undiscounted.

Personal Injury Claims

Liabilities for personal injury claims are initially recorded when the expected loss is both probable and reasonably estimable. Subsequent adjustments to initial estimates are recorded as necessary based upon additional information developed in subsequent periods. Liabilities recorded for unasserted personal injury claims, including those related to asbestos, are based on information currently available. Estimates of liabilities for personal injury claims are undiscounted.

Income Taxes

Deferred tax assets and liabilities are measured using the tax rates that apply to taxable income in the period in which the deferred tax asset or liability is expected to be realized or paid. Changes in the Company's estimates regarding the statutory tax rate to be applied to the reversal of deferred tax assets and liabilities could materially affect the effective tax rate. Valuation allowances are established to reduce deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized. BNSF Railway has not recorded a valuation allowance, as it believes that the deferred tax assets will be fully realized in the future. Investment tax credits are accounted for using the flow-through method.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

Stock-Based Compensation

The Company recognizes the compensation expense related to the cost of employee services received in exchange for Berkshire equity interests over the award's vesting period based on the award's fair value at the appropriate measurement date under authoritative accounting guidance.

Employment Benefit Plans

The Company estimates liabilities and expenses for pension and retiree health and welfare plans. Estimated amounts are based on historical information, current information and estimates regarding future events and circumstances. Significant assumptions used in the valuation of pension and/or retiree health and welfare liabilities include the expected return on plan assets, discount rate, rate of increase in compensation levels and the health care cost trend rate.

Fair Value Measurements

As defined under authoritative accounting guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or in the most advantageous market when no principal market exists. Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets in order to estimate fair value. Different valuation techniques may be appropriate under the circumstances to determine the value that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Market participants are assumed to be independent, knowledgeable, able and willing to transact an exchange and not under duress. Nonperformance or credit risk is considered in determining the fair value of liabilities. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

The authoritative accounting guidance specifies a three-level hierarchy of valuation inputs which was established to increase consistency, clarity and comparability in fair value measurements and related disclosures.

- Level 1—Quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date.
- Level 2—Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations in which all significant inputs are observable market data.
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

3. Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-02 (ASU 2013-02), *Comprehensive Income (Topic 220), Reporting Amounts Reclassified Out of Comprehensive Income*. This standard requires issuers to present the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. This reclassification may be presented either on the face of the financial statements where net income is presented or in the notes. ASU 2013-02 is effective prospectively for the Company for the period beginning January 1, 2013. The Company has included the appropriate disclosures related to other comprehensive loss reclassifications in accordance with ASU 2013-02 in Note 16.

In January 2014, the FASB issued ASU 2014-01, *Investments - Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects*. This standard permits an entity to elect the proportional amortization method of accounting for limited liability investments in qualified affordable housing projects if certain criteria are met. Under the proportional amortization method, the investment is amortized in proportion to the tax benefits received and the net is reported as a component of income tax expense. ASU 2014-01 is effective for fiscal years beginning after December 15, 2014, with early adoption permitted. If elected, the proportional amortization method is required to be applied retrospectively. The Company is currently evaluating the effect this standard will have on its Consolidated Financial Statements.

4. Derivative Activities

Fuel

Fuel costs represented 30 percent, 31 percent and 31 percent of total operating expenses during the years ended December 31, 2013, 2012 and 2011, respectively. The Company may enter into fuel hedge instruments from time to time; however, the Company had no unexpired hedge positions as of December 31, 2013 and 2012.

Derivative Activities

The Company had formally documented the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for the use of the hedging instrument. This documentation included linking the derivatives that were designated as fair value or cash flow hedges to specific assets or liabilities on the balance sheet, commitments or forecasted transactions. The Company assessed at the time a derivative contract was entered into, and at least quarterly thereafter, whether the derivative item was effective in offsetting the changes in fair value or cash flows. Any change in fair value resulting from ineffectiveness, as defined by authoritative accounting guidance related to derivatives and hedging, was recognized in current period earnings. For derivative instruments that were designated and qualified as cash flow hedges, the effective portion of the gain or loss on the derivative instrument was recorded in accumulated other comprehensive income (AOCI) as a separate component of equity and reclassified into earnings in the period during which the hedge transaction affected earnings. Cash flows related to fuel derivatives are classified as operating activities in the Consolidated Statements of Cash Flows.

The effects of derivative instrument gains and losses for the years ended December 31, 2013, 2012 and 2011, were as follows (in millions):

Derivatives in ASC 815-20 Cash Flow Hedging Relationships

	Amount of Gain Recognized in OCI on Derivatives (Effective Portion)		
	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Fuel Contracts	\$ —	\$ 7	\$ 50
Total derivatives	\$ —	\$ 7	\$ 50

	Location of Gain Recognized from AOCI into Income	Amount of Gain Recognized from AOCI into Income (Effective Portion)		
		Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Fuel Contracts	Fuel expense	\$ —	\$ 25	\$ 98
Total derivatives		\$ —	\$ 25	\$ 98

	Location of Loss Recognized in Income on Derivatives	Amount of Loss Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) ^a		
		Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Fuel Contracts	Fuel expense	\$ —	\$ (3)	\$ (16)
Total derivatives		\$ —	\$ (3)	\$ (16)

^a No portion of the loss was excluded from the assessment of hedge effectiveness for the periods then ended.

5. Income Taxes

Income tax expense was as follows (in millions):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Current:			
Federal	\$ 1,617	\$ 1,418	\$ 404
State	242	174	79
Total current	1,859	1,592	483
Deferred:			
Federal	593	560	1,351
State	(40)	82	113
Total deferred	553	642	1,464
Total	\$ 2,412	\$ 2,234	\$ 1,947

Reconciliation of the U.S. federal statutory income tax rate to the effective tax rate was as follows:

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
U.S. Federal statutory income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	2.0	2.8	2.4
Other, net	(0.9)	(0.3)	(0.1)
Effective tax rate	36.1%	37.5%	37.3%

The components of deferred tax assets and liabilities were as follows (in millions):

	December 31, 2013	December 31, 2012
Deferred tax liabilities:		
Property and equipment	\$ (17,739)	\$ (17,351)
Hedging	(6)	(6)
Pension and retiree health and welfare benefits	(13)	—
Other	(370)	(356)
Total deferred tax liabilities	(18,128)	(17,713)
Deferred tax assets:		
Intangible assets and liabilities	190	276
Casualty and environmental	266	296
Compensation and benefits	371	357
Pension and retiree health and welfare benefits	—	332
Long-term debt fair value adjustment under acquisition method accounting	36	46
Other	240	236
Total deferred tax assets	1,103	1,543
Net deferred tax liability	\$ (17,025)	\$ (16,170)
Non-current deferred income tax liability	\$ (17,383)	\$ (16,510)
Current portion of deferred income taxes	358	340
Net deferred tax liability	\$ (17,025)	\$ (16,170)

BNSF Railway and BNSF are included in the consolidated U.S. federal income tax return of Berkshire. In accordance with the income tax allocation agreement between BNSF and BNSF Railway, BNSF Railway makes payments to or receives refunds from BNSF based on its separate consolidated tax liabilities.

All U.S. federal income tax returns of BNSF Railway are closed through the tax period ending February 12, 2010. BNSF Railway is currently under examination for the period February 13 - December 31, 2010 and the year 2011.

BNSF Railway and its subsidiaries have various state income tax returns in the process of examination, administrative appeal or litigation. State income tax returns are generally subject to examination for a period of three to five years after filing of the respective return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states.

Uncertain Tax Positions

The amount of unrecognized tax benefits for the years ended December 31, 2013, 2012 and 2011, was \$56 million, \$48 million and \$110 million, respectively. The amount of unrecognized tax benefits at December 31, 2013, that would affect the Company's effective tax rate if recognized was \$38 million. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Beginning balance	\$ 48	\$ 110	\$ 112
Additions for tax positions related to current year	16	12	47
Additions (reductions) for tax positions taken in prior years	1	(2)	(40)
Additions (reductions) for tax positions as a result of:			
Settlements	1	(53)	8
Lapse of statute of limitations	(10)	(19)	(17)
Ending balance	\$ 56	\$ 48	\$ 110

It is expected that the amount of unrecognized tax benefits will change in the next twelve months; however, BNSF Railway does not expect the change to have a significant impact on the results of operations, the financial position or the cash flows of the Company.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in income tax expense in the Consolidated Statements of Income, which is consistent with the recognition of these items in prior reporting periods. The Company had recorded a liability of approximately \$6 million and \$7 million for interest and penalties for the years ended December 31, 2013 and 2012, respectively. For the years ended December 31, 2013, 2012 and 2011, the Company recognized a reduction of approximately \$1 million, \$8 million and \$4 million in interest and penalty expense, respectively.

6. Accounts Receivable, Net

Accounts receivable, net consists of freight and other receivables, reduced by an allowance for bill adjustments and uncollectible accounts, based upon expected collectibility. At December 31, 2013 and 2012, \$53 million and \$48 million, respectively, of such allowances had been recorded.

At December 31, 2013 and 2012, \$47 million and \$35 million, respectively, of accounts receivable were greater than 90 days old.

7. Property and Equipment, Net

Property and equipment, net (in millions), and the corresponding ranges of estimated useful lives were as follows:

	December 31, 2013	December 31, 2012	2013 Range of Estimated Useful Life
Land for transportation purposes	\$ 5,971	\$ 5,948	—
Track structure	18,207	17,319	15 – 50 years
Other roadway	21,891	20,936	5 – 100 years
Locomotives	5,241	4,505	5 – 33 years
Freight cars and other equipment	2,053	1,744	8 – 37 years
Computer hardware, software and other	242	264	5 – 9 years
Construction in progress	973	963	—
Total cost	54,578	51,679	
Less accumulated depreciation and amortization	(2,231)	(1,623)	
Property and equipment, net	\$ 52,347	\$ 50,056	

The Consolidated Balance Sheets at December 31, 2013 and 2012, included \$910 million, net of \$366 million of amortization, and \$1,001 million, net of \$269 million of amortization, respectively, for property and equipment under capital leases, primarily for rolling stock.

The Company capitalized \$29 million, \$24 million and \$20 million of interest for the years ended December 31, 2013, 2012 and 2011, respectively.

8. Goodwill and Other Intangible Assets and Liabilities

During the years ended December 31, 2013, 2012 and 2011, no impairment losses related to goodwill were incurred. As of December 31, 2013 and 2012, there were no accumulated impairment losses related to goodwill. For both the years ended December 31, 2013 and 2012, there was no additional goodwill recognized; therefore, the carrying values were \$14,803 million.

Intangible assets and liabilities were as follows (in millions):

	As of December 31, 2013		As of December 31, 2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets	\$ 2,016	\$ 1,205	\$ 2,013	\$ 899
Intangible liabilities	\$ 2,056	\$ 1,095	\$ 2,056	\$ 842

Intangible assets primarily consisted of internally developed software and franchise and customer assets. Intangible liabilities primarily consisted of customer and shortline contracts which were in an unfavorable position at the date of Merger.

Amortizable intangible assets and liabilities are amortized based on the estimated pattern in which the economic benefits are expected to be consumed or on a straight-line basis over their estimated economic lives.

Amortization of intangible assets and liabilities was as follows (in millions):

	December 31, 2013	December 31, 2012
Amortization of intangible assets	\$ 306	\$ 306
Amortization of intangible liabilities	\$ 253	\$ 282

Amortization of intangible assets and liabilities for the next five years is expected to approximate the following (in millions):

	Amortization of intangible assets	Amortization of intangible liabilities
2014	\$ 306	\$ 179
2015	\$ 54	\$ 115
2016	\$ 31	\$ 101
2017	\$ 31	\$ 96
2018	\$ 31	\$ 90

9. Other Assets

In July 2010, the Company entered into a low-income housing partnership (the Partnership) as the limited partner, holding a 99.9% interest in the Partnership. The Partnership is a VIE, with the purpose of developing and operating low-income housing rental properties. Recovery of the Company's investment is accomplished through the utilization of low-income housing tax credits and the tax benefits of Partnership losses. The general partner, who holds a 0.1% interest in the Partnership, is an unrelated third party and is responsible for controlling and managing the business and financial operation of the Partnership. As the Company does not have the power to direct the activities that most significantly impact the Partnership's economic performance, the Company is not the primary beneficiary and therefore, does not consolidate the Partnership. As of December 31, 2013, the assets of the unconsolidated Partnership totaled approximately \$410 million. The Company does not provide financial support to the Partnership that it was not previously contractually obligated to provide.

The Company has accounted for its investment in the Partnership using the effective yield method. The risk of loss of the Company's investment in the Partnership is considered low as an affiliate of the general partner has provided certain guarantees of tax credits and minimum annual returns. The Company's maximum exposure to loss related to the Partnership is the unamortized investment balance. The following table provides information as of December 31, 2013 (in millions):

Unamortized investment balance classified as Other Assets	Remaining commitment classified as Other Liabilities	Maximum exposure to loss
\$ 376	\$ 18	\$ 376

The remaining commitment of \$18 million is expected to be paid in 2014.

10. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consisted of the following (in millions):

	December 31, 2013	December 31, 2012
Compensation and benefits payable	\$ 820	\$ 671
Accounts payable	449	416
Property and income tax liabilities	293	521
Rents and leases	162	167
Customer incentives	151	155
Casualty and environmental liabilities	145	170
Other	1,063	870
Total	\$ 3,083	\$ 2,970

11. Debt

Debt outstanding was as follows (in millions):

	December 31, 2013 ^a		December 31, 2012 ^a	
Notes and debentures, due 2022	\$ 200	8.8%	\$ 200	8.8%
Equipment obligations, due 2014 to 2027	122	5.7	153	5.9
Capitalized lease obligations, due 2014 to 2028	854	6.0	971	6.0
Mortgage bonds, due 2014 to 2047	82	4.5	85	4.7
Financing obligations, due 2014 to 2028	266	6.3	296	6.2
Unamortized fair value adjustment under acquisition method accounting, discount and other, net	93		120	
Total	1,617		1,825	
Less current portion of long-term debt	(145)	5.9%	(203)	6.1%
Long-term debt	\$ 1,472		\$ 1,622	

^a Amounts represent debt outstanding and weighted average effective interest rates for 2013 and 2012, respectively. Maturities are as of December 31, 2013.

As of December 31, 2013, certain BNSF Railway properties and other assets were subject to liens securing \$82 million of mortgage debt. Certain locomotives and rolling stock of BNSF Railway were subject to equipment obligations and capital leases.

The fair value of BNSF Railway's long-term debt is primarily based on market value price models using observable market-based data for the same or similar issues, or on the estimated rates that would be offered to BNSF Railway for debt of the same remaining maturities (Level 2 inputs). Capital leases have been excluded from the calculation of fair value for both 2013 and 2012.

The following table provides fair value information for the Company's debt obligations including principal cash flows, related weighted average interest rates by contractual maturity dates and fair value.

	December 31, 2013						Total Including Capital Leases	Total Excluding Capital Leases ^a	Fair Value Excluding Leases
	Maturity Date								
	2014	2015	2016	2017	2018	Thereafter			
Fixed-rate debt (in millions)	\$145	\$113	\$208	\$ 65	\$ 70	\$ 1,016	\$ 1,617	\$ 702	\$ 752
Average interest rate	5.9%	6.0%	6.1%	6.1%	6.1%	6.5%	6.3%		

^a Amount also excludes unamortized fair value adjustment under acquisition method accounting related to capital leases.

As of December 31, 2012, the fair value excluding capital leases of fixed-rate debt was \$892 million.

Capital Leases

BNSF Railway did not enter into any material capital leases during 2013, 2012 or 2011.

Guarantees

As of December 31, 2013, BNSF Railway has not been called upon to perform under the guarantees specifically disclosed in this footnote and does not anticipate a significant performance risk in the foreseeable future.

Debt and other obligations of non-consolidated entities guaranteed by the Company as of December 31, 2013, were as follows (dollars in millions):

	Guarantees					
	BNSF Railway Ownership Percentage	Principal Amount Guaranteed	Maximum Future Payments	Maximum Recourse Amount ^a	Remaining Term (in years)	Capitalized Obligations
Kinder Morgan Energy Partners, L.P.	0.5%	\$ 190	\$ 190	\$ —	Termination of Ownership	\$ 2 ^b
Chevron Phillips Chemical Company LP	—%	N/A ^d	N/A ^d	N/A ^d	4	\$ 6 ^c

^a Reflects the maximum amount the Company could recover from a third party other than the counterparty.

^b Reflects capitalized obligations that are recorded on the Company's Consolidated Balance Sheet.

^c Reflects the asset and corresponding liability for the fair value of these guarantees required by authoritative accounting guidance related to guarantees.

^d There is no cap to the liability that can be sought from BNSF Railway for BNSF Railway's negligence or the negligence of the indemnified party. However, BNSF Railway could receive reimbursement from certain insurance policies if the liability exceeds a certain amount.

Kinder Morgan Energy Partners, L.P.

Santa Fe Pacific Pipelines, Inc., an indirect, wholly-owned subsidiary of BNSF Railway, has a guarantee in connection with its remaining special limited partnership interest in Santa Fe Pacific Pipeline Partners, L.P. (SFPP), a subsidiary of Kinder Morgan Energy Partners, L.P., to be paid only upon default by the partnership. All obligations with respect to the guarantee will cease upon termination of ownership rights, which would occur upon a put notice issued by BNSF Railway or the exercise of the call rights by the general partners of SFPP.

Chevron Phillips Chemical Company LP

In 2007, BNSF Railway entered into an indemnity agreement with Chevron Phillips Chemical Company LP (Chevron Phillips), granting certain rights of indemnity from BNSF Railway, in order to facilitate access to a new storage facility. Under certain circumstances, payment under this obligation may be required in the event Chevron Phillips were to incur certain liabilities or other incremental costs resulting from trackage access.

Indemnities

In the ordinary course of business, BNSF Railway enters into agreements with third parties that include indemnification clauses. The Company believes that these clauses are generally customary for the types of agreements in which they are included. At times, these clauses may involve indemnification for the acts of the Company, its employees and agents, indemnification for another party's acts, indemnification for future events, indemnification based upon a certain standard of performance, indemnification for liabilities arising out of the Company's use of leased equipment or other property, or other types of indemnification. Despite the uncertainty whether events which would trigger the indemnification obligations would ever occur, the Company does not believe that these indemnity agreements will have a material adverse effect on the Company's results of operations, financial position or liquidity. Additionally, the Company believes that, due to lack of historical payment experience, the fair value of indemnities cannot be estimated with any amount of certainty. However, the fair value of any such amount would be immaterial to the Consolidated Financial Statements. Agreements that reflect unique circumstances, particularly agreements that contain guarantees that indemnify for another party's acts are disclosed separately if appropriate. Unless separately disclosed above, no fair value liability related to indemnities has been recorded in the Consolidated Financial Statements.

Variable Interest Entities - Leases

BNSF Railway has entered into various equipment lease transactions in which the structure of the lease contains VIEs. These VIEs were created solely for the lease transactions and have no other activities, assets or liabilities outside of the lease transactions. In some of the arrangements, BNSF Railway has the option to purchase some or all of the equipment at a fixed-price, thereby creating variable interests for BNSF Railway in the VIEs. The future minimum lease payments associated with the VIE leases were approximately \$4 billion as of December 31, 2013. The future minimum lease payments are included in future operating lease payments disclosed in Note 12.

In the event the leased equipment is destroyed, BNSF Railway is obligated to either replace the equipment or pay a fixed loss amount. The inclusion of the fixed loss amount is a standard clause within equipment lease arrangements. Historically, BNSF Railway has not incurred significant losses related to this clause. As such, it is not anticipated that the maximum exposure to loss would materially differ from the future minimum lease payments.

BNSF Railway does not provide financial support to the VIEs that it was not previously contractually obligated to provide.

BNSF Railway maintains and operates the equipment based on contractual obligations within the lease arrangements, which set specific guidelines consistent within the industry. As such, BNSF Railway has no control over activities that could materially impact the fair value of the leased equipment. BNSF Railway does not hold the power to direct the activities of the VIEs and therefore does not control the ongoing activities that have a significant impact on the economic performance of the VIEs. Additionally, BNSF Railway does not have the obligation to absorb losses of the VIEs or the right to receive benefits of the VIEs that could potentially be significant to the VIEs. Depending on market conditions, the fixed-price purchase options could potentially provide benefit to the Company; however, any benefits potentially received from a fixed-price purchase option are expected to be minimal. Based on these factors, BNSF Railway is not the primary beneficiary of the VIEs. As BNSF Railway is not the primary beneficiary and the VIE leases are classified as operating leases, there are no assets or liabilities related to the VIEs recorded in the Company's Consolidated Balance Sheet.

12. Commitments and Contingencies

Lease Commitments

BNSF Railway has substantial lease commitments for locomotives, freight cars, trailers and containers, office buildings, operating facilities and other property, and many of these leases provide the option to purchase the leased item at fair market value at the end of the lease. However, some provide fixed price purchase options. Future minimum lease payments as of December 31, 2013, are summarized as follows (in millions):

December 31,	Capital Leases	Operating Leases ^a
2014	\$ 146	\$ 568
2015	113	535
2016	201	521
2017	76	463
2018	73	409
Thereafter	500	2,099
Total	1,109	\$ 4,595
Less amount representing interest	(255)	
Present value of minimum lease payments	\$ 854	

^a Excludes leases having non-cancelable lease terms of less than one year and per diem leases.

Lease rental expense for all operating leases, excluding per diem leases, was \$591 million, \$627 million and \$590 million for the years ended December 31, 2013, 2012 and 2011, respectively. When rental payments are not made on a straight-line basis, the Company recognizes rental expense on a straight-line basis over the lease term. Contingent rentals and sublease rentals were not significant.

Other Commitments

In the normal course of business, the Company enters into long-term contractual requirements for future goods and services needed for the operations of the business. Such commitments are not in excess of expected requirements and are not reasonably likely to result in performance penalties or payments that would have a material adverse effect on the Company's liquidity.

Personal Injury and Environmental Costs

Personal Injury

Personal injury claims, including asbestos claims and employee work-related injuries and third-party injuries (collectively, other personal injury), are a significant expense for the railroad industry. Personal injury claims by BNSF Railway employees are subject to the provisions of the Federal Employers' Liability Act (FELA) rather than state workers' compensation laws. FELA's system of requiring the finding of fault, coupled with unscheduled awards and reliance on the jury system, contributed to increased expenses in past years. Other proceedings include claims by non-employees for punitive as well as compensatory damages. A few proceedings purport to be class actions. The variability present in settling these claims, including non-employee personal injury and matters in which punitive damages are alleged, could result in increased expenses in future years. BNSF Railway has implemented a number of safety programs designed to reduce the number of personal injuries as well as the associated claims and personal injury expense.

BNSF Railway records an undiscounted liability for personal injury claims when the expected loss is both probable and reasonably estimable. The liability and ultimate expense projections are estimated using standard actuarial methodologies. Liabilities recorded for unasserted personal injury claims are based on information currently available. Due to the inherent uncertainty involved in projecting future events such as the number of claims filed each year, developments in judicial and legislative standards and the average costs to settle projected claims, actual costs may differ from amounts recorded. BNSF Railway has obtained insurance coverage for certain claims, as discussed under the heading "BNSF Insurance Company." Expense accruals and any required adjustments are classified as materials and other in the Consolidated Statements of Income.

Asbestos

The Company is party to a number of personal injury claims by employees and non-employees who may have been exposed to asbestos. The heaviest exposure for BNSF Railway employees was due to work conducted in and around the use of steam locomotive engines that were phased out between the years of 1950 and 1967. However, other types of exposures, including exposure from locomotive component parts and building materials, continued after 1967 until they were substantially eliminated at BNSF Railway by 1985.

BNSF Railway assesses its unasserted asbestos liability exposure on an annual basis during the third quarter. BNSF Railway determines its asbestos liability by estimating its exposed population, the number of claims likely to be filed, the number of claims that will likely require payment and the estimated cost per claim. Estimated filing and dismissal rates and average cost per claim are determined utilizing recent claim data and trends.

Key elements of the assessment include:

- Because BNSF Railway did not have detailed employment records in order to compute the population of potentially exposed employees, it computed an estimate using Company employee data from 1970 forward and estimated the BNSF Railway employee base from 1938-1969 using railroad industry historical census data and estimating BNSF Railway's representation in the total railroad population.
- The projected incidence of disease was estimated based on epidemiological studies using employees' age, duration and intensity of exposure while employed.
- An estimate of the future anticipated claims filing rate by type of disease (non-malignant, cancer and mesothelioma) was computed using the Company's average historical claim filing rates observed in 2009-2012.
- An estimate of the future anticipated dismissal rate by type of claim was computed using the Company's historical average dismissal rates observed in 2010-2012.
- An estimate of the future anticipated settlement by type of disease was computed using the Company's historical average of dollars paid per claim for pending and future claims using the average settlement by type of incidence observed during 2010-2012.

From these assumptions, BNSF Railway projected the incidence of each type of disease to the estimated population to arrive at an estimate of the total number of employees that could potentially assert a claim. Historical claim filing rates were applied for each type of disease to the total number of employees that could potentially assert a claim to determine the total number of anticipated claim filings by disease type. Historical dismissal rates, which represent claims that are closed without payment, were then applied to calculate the number of future claims by disease type that would likely require payment by the Company. Finally, the number of such claims was multiplied by the average settlement value to estimate BNSF Railway's future liability for unasserted asbestos claims.

The most sensitive assumptions for this accrual are the estimated future filing rates and estimated average claim values. Asbestos claim filings are typically sporadic and may include large batches of claims solicited by law firms. To reflect these factors, BNSF Railway used a multi-year calibration period (i.e., average historical filing rates observed in 2009-2012) because it believed it would be most representative of its future claim experience. In addition, for non-malignant claims, the number of future claims to be filed against BNSF Railway declines at a rate consistent with both mortality and age as there is a decreasing propensity to file a claim as the population ages. BNSF Railway believes the average claim values by type of disease from the historical period 2010-2012 are most representative of future claim values. Non-malignant claims, which represent approximately 90 percent of the total number and 65 percent of the cost of estimated future asbestos claims, were priced by age of the projected claimants. Historically, the ultimate settlement value of these types of claims is most sensitive to the age of the claimant.

During the third quarters of 2013, 2012 and 2011, the Company analyzed recent filing and payment trends to ensure the assumptions used by BNSF Railway to estimate its future asbestos liability were reasonable. In 2013 and 2011, management determined that the liability remained appropriate and no change was recorded. In 2012, management recorded a decrease in expense of \$15 million due primarily to favorable settlements. The Company plans to update its study again in the third quarter of 2014.

Throughout the year, BNSF Railway monitors actual experience against the number of forecasted claims and expected claim payments and will record adjustments to the Company's estimates as necessary.

Based on BNSF Railway's estimate of the potentially exposed employees and related mortality assumptions, it is anticipated that unasserted asbestos claims will continue to be filed through the year 2050. The Company recorded an amount for the full estimated filing period through 2050 because it had a relatively finite exposed population (former and current employees hired prior to 1985), which it was able to identify and reasonably estimate and about which it had obtained reliable demographic data (including age, hire date and occupation) derived from industry or BNSF Railway specific data that was the basis for the study. BNSF Railway projects that approximately 60, 80 and 95 percent of the future unasserted asbestos claims will be filed within the next 10, 15 and 25 years, respectively.

Other Personal Injury

BNSF Railway estimates its other personal injury liability claims and expense quarterly based on the covered population, activity levels and trends in frequency and the costs of covered injuries. Estimates include unasserted claims except for certain repetitive stress and other occupational trauma claims that allegedly result from prolonged repeated events or exposure. Such claims are estimated on an as-reported basis because the Company cannot estimate the range of reasonably possible loss due to other non-work related contributing causes of such injuries and the fact that continued exposure is required for the potential injury to manifest itself as a claim. BNSF Railway has not experienced any significant adverse trends related to these types of claims in recent years.

Key elements of the actuarial assessment include:

- Size and demographics (employee age and craft) of the workforce.
- Activity levels (manhours by employee craft and carloadings).
- Expected claim frequency rates by type of claim (employee FELA or third-party liability) based on historical claim frequency trends.
- Expected dismissal rates by type of claim based on historical dismissal rates.
- Expected average paid amounts by type of claim for open and incurred but not reported claims that eventually close with payment.

From these assumptions, BNSF Railway estimates the number of open claims by accident year that will likely require payment by the Company. The projected number of open claims by accident year that will require payment is multiplied by the expected average cost per claim by accident year and type to determine BNSF Railway's estimated liability for all asserted claims. Additionally, BNSF Railway estimates the number of its incurred but not reported claims that will likely result in payment based upon historical emergence patterns by type of claim. The estimated number of projected claims by accident year requiring payment is multiplied by the expected average cost per claim by accident year and type to determine BNSF Railway's estimated liability for incurred but not reported claims.

BNSF Railway monitors quarterly actual experience against the number of forecasted claims to be received, the forecasted number of claims closing with payment and expected claim payments. Adjustments to the Company's estimates are recorded quarterly as necessary or more frequently as new events or revised estimates develop.

The following table summarizes the activity in the Company's accrued obligations for asbestos and other personal injury matters (in millions):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Beginning balance	\$ 462	\$ 540	\$ 575
Accruals	21	58	77
Payments	(96)	(136)	(112)
Ending balance	\$ 387	\$ 462	\$ 540

At December 31, 2013 and 2012, \$85 million and \$105 million were included in current liabilities, respectively. In addition, defense and processing costs, which are recorded on an as-reported basis, were not included in the recorded liability. A significant amount of the Company's personal injury claims are self-insured.

Because of the uncertainty surrounding the ultimate outcome of personal injury claims, it is reasonably possible that future costs to settle personal injury claims may range from approximately \$340 million to \$455 million. However, BNSF Railway believes that the \$387 million recorded at December 31, 2013, is the best estimate of the Company's future obligation for the settlement of personal injury claims.

The amounts recorded by BNSF Railway for personal injury liabilities were based upon currently known facts. Future events, such as the number of new claims to be filed each year, the average cost of disposing of claims, as well as the numerous uncertainties surrounding personal injury litigation in the United States, could cause the actual costs to be higher or lower than projected.

Although the final outcome of personal injury matters cannot be predicted with certainty, considering among other things the meritorious legal defenses available and liabilities that have been recorded, it is the opinion of BNSF Railway that none of these items, when finally resolved, will have a material adverse effect on the Company's financial position or liquidity. However, the occurrence of a number of these items in the same period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

BNSF Insurance Company

Burlington Northern Santa Fe Insurance Company, Ltd. (BNSF IC), a wholly-owned subsidiary of BNSF, provides insurance coverage for certain risks, FELA claims, railroad protective and force account insurance claims and certain excess general liability and property coverage, and certain other claims which are subject to reinsurance. During the years ended December 31, 2013, 2012 and 2011, BNSF IC wrote insurance coverage with premiums totaling \$96 million, \$114 million and \$118 million, respectively, for BNSF Railway, net of reimbursements from third parties. During this same time, BNSF Railway recognized \$98 million, \$112 million and \$115 million, respectively, in expense related to those premiums, which is classified as purchased services in the Consolidated Statements of Income. At December 31, 2013, unamortized premiums remaining on the Consolidated Balance Sheet were \$7 million. During the years ended December 31, 2013, 2012 and 2011, BNSF IC made claim payments totaling \$127 million, \$116 million and \$56 million, respectively, for settlement of covered claims. At December 31, 2013 and 2012, claims receivables from BNSF IC were \$35 million and \$5 million, respectively.

Environmental

The Company's operations, as well as those of its competitors, are subject to extensive federal, state and local environmental regulation. BNSF Railway's operating procedures include practices to protect the environment from the risks inherent in railroad operations, which frequently involve transporting chemicals and other hazardous materials. Additionally, many of BNSF Railway's land holdings are and have been used for industrial or transportation-related purposes or leased to commercial or industrial companies whose activities may have resulted in discharges onto the property. As a result, BNSF Railway is subject to environmental cleanup and enforcement actions. In particular, the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), also known as the Superfund law, as well as similar state laws, generally impose joint and several liability for cleanup and enforcement costs on current and former owners and operators of a site without regard to fault or the legality of the original conduct. BNSF Railway has been notified that it is a potentially responsible party (PRP) for study and cleanup costs at Superfund sites for which investigation and remediation payments are or will be made or are yet to be determined (the Superfund sites) and, in many instances, is one of several PRPs. In addition, BNSF Railway may be considered a PRP under certain other laws. Accordingly, under CERCLA and other federal and state statutes, BNSF Railway may be held jointly and severally liable for all environmental costs associated with a particular site. If there are other PRPs, BNSF Railway generally participates in the cleanup of these sites through cost-sharing agreements with terms that vary from site to site. Costs are typically allocated based on such factors as relative volumetric contribution of material, the amount of time the site was owned or operated and/or the portion of the total site owned or operated by each PRP.

BNSF Railway is involved in a number of administrative and judicial proceedings and other mandatory cleanup efforts for 244 sites, including 16 Superfund sites, at which it is participating in the study or cleanup, or both, of alleged environmental contamination.

Liabilities for environmental cleanup costs are recorded when BNSF Railway's liability for environmental cleanup is probable and reasonably estimable. Subsequent adjustments to initial estimates are recorded as necessary based upon additional information developed in subsequent periods. Environmental costs include initial site surveys and environmental studies as well as costs for remediation of sites determined to be contaminated.

BNSF Railway estimates the ultimate cost of cleanup efforts at its known environmental sites on an annual basis during the third quarter. Ultimate cost estimates for environmental sites are based on current estimated percentage to closure ratios, possible remediation workplans and estimates of the costs and likelihood of each possible outcome, historical payment patterns, and benchmark patterns developed from data accumulated from industry and public sources, including the Environmental Protection Agency and other governmental agencies. These factors incorporate into the estimates experience gained from cleanup efforts at other similar sites. The most significant assumptions are the possible remediation workplans and estimates of the costs and likelihood of each possible outcome for the larger sites.

Annual studies do not include (i) contaminated sites of which the Company is not aware; (ii) additional amounts for third-party tort claims, which arise out of contaminants allegedly migrating from BNSF Railway property, due to a limited number of sites; or (iii) natural resource damage claims. BNSF Railway continues to estimate third-party tort claims on a site by site basis when the liability for such claims is probable and reasonably estimable. BNSF Railway's recorded liability for third-party tort claims as of both December 31, 2013 and 2012, was \$13 million.

On a quarterly basis, BNSF Railway monitors actual experience against the forecasted remediation and related payments made on existing sites and conducts ongoing environmental contingency analyses, which consider a combination of factors including independent consulting reports, site visits, legal reviews and analysis of the likelihood of other PRP's participation in, and their ability to pay for cleanup. Adjustments to the Company's estimates will continue to be recorded as necessary based on developments in subsequent periods. Additionally, environmental accruals, which are classified as materials and other in the Consolidated Statements of Income, include amounts for newly identified sites or contaminants, third-party claims and legal fees incurred for defense of third-party claims and recovery efforts.

The following table summarizes the activity in the Company's accrued obligations for environmental matters (in millions):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Beginning balance	\$ 458	\$ 570	\$ 578
Accruals	19	(17)	43
Payments	(42)	(95)	(51)
Ending balance	\$ 435	\$ 458	\$ 570

At December 31, 2013 and 2012, \$60 million and \$65 million, respectively, was included in current liabilities.

During the third quarters of 2013, 2012 and 2011, the Company analyzed recent data and trends to ensure the assumptions used by BNSF Railway to estimate its future environmental liability were reasonable. As a result of this study, in the third quarters of 2013, 2012 and 2011, management recorded additional expense of \$12 million, \$3 million and \$29 million as of the respective June 30 measurement dates. The Company plans to update its study again in the third quarter of 2014.

In 2012, settlements with various parties resulted in reductions in expense of approximately \$30 million.

BNSF Railway's environmental liabilities are not discounted. BNSF Railway anticipates that the majority of the accrued costs at December 31, 2013, will be paid over the next ten years, and no individual site is considered to be material.

Liabilities recorded for environmental costs represent BNSF Railway's best estimate of its probable future obligation for the remediation and settlement of these sites and include both asserted and unasserted claims. Although recorded liabilities include BNSF Railway's best estimate of all probable costs, without reduction for anticipated recoveries from third parties, BNSF Railway's total cleanup costs at these sites cannot be predicted with certainty due to various factors such as the extent of corrective actions that may be required, evolving environmental laws and regulations, advances in environmental technology, the extent of other parties' participation in cleanup efforts, developments in ongoing environmental analyses related to sites determined to be contaminated and developments in environmental surveys and studies of contaminated sites.

Because of the uncertainty surrounding these factors, it is reasonably possible that future costs for environmental liabilities may range from approximately \$330 million to \$600 million. However, BNSF Railway believes that the \$435 million recorded at December 31, 2013, is the best estimate of the Company's future obligation for environmental costs.

Although the final outcome of these environmental matters cannot be predicted with certainty, it is the opinion of BNSF Railway that none of these items, when finally resolved, will have a material adverse effect on the Company's financial position or liquidity. However, the occurrence of a number of these items in the same period could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

Other Claims and Litigation

In addition to asbestos, other personal injury and environmental matters discussed above, BNSF Railway and its subsidiaries are also parties to a number of other legal actions and claims, governmental proceedings and private civil suits arising in the ordinary course of business, including those related to disputes and complaints involving certain transportation rates and charges. Some of the legal proceedings include claims for punitive as well as compensatory damages, and a few proceedings purport to be class actions. Although the final outcome of these matters cannot be predicted with certainty, considering among other things the meritorious legal defenses available and liabilities that have been recorded along with applicable insurance, BNSF Railway currently believes that none of these items, when finally resolved, will have a material adverse effect on the Company's financial position or liquidity. However, an unexpected adverse resolution of one or more of these items could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

13. Employment Benefit Plans

BNSF provides a funded, noncontributory qualified pension plan, the BNSF Retirement Plan, which covers most non-union employees, and an unfunded non-tax-qualified pension plan, the BNSF Supplemental Retirement Plan, which covers certain officers and other employees. The benefits under these pension plans are based on years of credited service and the highest consecutive sixty months of compensation for the last ten years of salaried employment with BNSF Railway. The Company also provides two funded, noncontributory qualified pension plans which cover certain union employees of the former The Atchison, Topeka and Santa Fe Railway Company. The benefits under these pension plans are based on elections made at the time the plans were implemented. BNSF's funding policy is to contribute annually not less than the regulatory minimum and not more than the maximum amount deductible for income tax purposes with respect to the funded plans.

Certain salaried employees of BNSF Railway who have met age and years of service requirements are eligible for medical benefits, including prescription drug coverage, during retirement. The postretirement medical and prescription drug benefit is contributory and provides benefits to retirees, and their covered dependents. Retiree contributions are adjusted annually. The plan also contains fixed deductibles, coinsurance and out-of-pocket limitations. In addition, a basic life insurance plan is noncontributory and covers retirees only. Optional life insurance coverage is available for some retirees; however, the retiree is responsible for the full cost. BNSF's policy is to fund the life insurance premiums and medical benefits as they come due. Generally, employees beginning salaried employment with BNSF Railway subsequent to September 22, 1995, are not eligible for medical benefits during retirement. These benefits are collectively referred to as retiree health and welfare benefits.

Components of the net cost for certain employee benefit plans were as follows (in millions):

	Pension Benefits		
	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Service cost	\$ 47	\$ 39	\$ 32
Interest cost	89	100	102
Expected return on plan assets	(124)	(118)	(120)
Amortization of net loss	17	10	—
Settlements	(1)	—	1
Net cost recognized	\$ 28	\$ 31	\$ 15

	Retiree Health and Welfare Benefits		
	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Service cost	\$ 1	\$ 1	\$ 1
Interest cost	12	13	14
Amortization of prior service credits	(1)	—	—
Amortization of net loss	5	1	—
Net cost recognized	\$ 17	\$ 15	\$ 15

The projected benefit obligation is the present value of benefits earned to date by plan participants, including the effect of assumed future salary increases and expected healthcare cost trend rate increases. The following table shows the change in projected benefit obligation (in millions):

Change in Benefit Obligation	Pension Benefits	
	December 31, 2013	December 31, 2012
Projected benefit obligation at beginning of period	\$ 2,517	\$ 2,324
Service cost	47	39
Interest cost	89	100
Actuarial (gain) loss	(234)	212
Plan amendment	(7)	—
Benefits paid	(176)	(141)
Administrative expenses	(1)	(1)
Settlements	(15)	(16)
Projected benefit obligation at end of period	2,220	2,517
Component representing future salary increases	(106)	(130)
Accumulated benefit obligation at end of period	\$ 2,114	\$ 2,387

Change in Benefit Obligation	Retiree Health and Welfare Benefits	
	December 31, 2013	December 31, 2012
Projected benefit obligation at beginning of period	\$ 314	\$ 293
Service cost	1	1
Interest cost	12	13
Plan participants' contributions	3	5
Actuarial (gain) loss	(29)	31
Plan amendment	—	(5)
Prior service credits	(7)	—
Medicare subsidy	—	2
Benefits paid	(22)	(26)
Projected benefit obligation at end of period	\$ 272	\$ 314

BNSF's pension plans had plan assets in excess of accumulated and projected benefit obligations at December 31, 2013 and accumulated and projected benefit obligations in excess of plan assets at December 31, 2012.

The following tables show the change in plan assets of the plans (in millions):

Change in Plan Assets	Pension Benefits	
	December 31, 2013	December 31, 2012
Fair value of plan assets at beginning of period	\$ 2,014	\$ 1,817
Actual return on plan assets	625	302
Employer contributions ^a	43	53
Benefits paid	(176)	(141)
Administrative expenses	(1)	(1)
Settlements	(15)	(16)
Fair value of plan assets at measurement date	\$ 2,490	\$ 2,014

^a Other than contributions to the qualified pension plan, employer contributions were classified as Other, Net under Operating Activities in the Company's Consolidated Statements of Cash Flows.

Change in Plan Assets	Retiree Health and Welfare Benefits	
	December 31, 2013	December 31, 2012
Fair value of plan assets at beginning of period	\$ —	\$ —
Employer contributions ^a	19	21
Plan participants' contributions	3	5
Benefits paid	(22)	(26)
Fair value of plan assets at measurement date	\$ —	\$ —

^a Employer contributions were classified as Other, Net under Operating Activities in the Company's Consolidated Statements of Cash Flows.

The following table shows the funded status, defined as plan assets less the projected benefit obligation (in millions):

	Pension Benefits		Retiree Health and Welfare Benefits	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Funded status (plan assets less projected benefit obligations)	\$ 270	\$ (503)	\$ (272)	\$ (314)

Of the combined pension and retiree health and welfare benefits liability of \$2 million and \$817 million recognized as of December 31, 2013 and 2012, respectively, \$30 million and \$31 million was included in other current liabilities as of December 31, 2013 and 2012, respectively.

Actuarial gains and losses and prior service credits are recognized in the Consolidated Balance Sheets through an adjustment to AOCI. The following table shows the pre-tax change in AOCI attributable to the components of the net cost and the change in benefit obligation (in millions):

	Pension Benefits		
	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Change in AOCI			
Beginning balance	\$ 330	\$ 311	\$ 2
Amortization of actuarial loss	(17)	(10)	—
Plan amendment	(7)	—	—
Actuarial (gain) loss	(734)	29	310
Settlements	1	—	(1)
Ending balance	\$ (427)	\$ 330	\$ 311

	Retiree Health and Welfare Benefits		
	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Change in AOCI			
Beginning balance	\$ 60	\$ 35	\$ 19
Amortization of actuarial loss	(5)	(1)	—
Amortization of prior service credits	1	—	—
Plan amendment	—	(5)	—
Prior service credits	(7)	—	—
Actuarial (gain) loss	(29)	31	16
Ending balance	\$ 20	\$ 60	\$ 35

Less than \$1 million, net of tax, of the actuarial losses and prior service credits from defined benefit pension plans and approximately \$1 million, net of tax, and \$2 million, net of tax, of the actuarial losses and prior service credits, respectively, from retiree health and welfare benefit plans in AOCI are required to be amortized into net periodic benefit cost over the next fiscal year. Pre-tax amounts currently recognized in AOCI consist of the following (in millions):

	Pension Benefits		Retiree Health and Welfare Benefits	
	2013	2012	2013	2012
Net actuarial (gain) loss	\$ (420)	\$ 331	\$ 31	\$ 65
Plan amendment	(7)	—	(5)	(5)
Prior service costs	—	—	(6)	—
Settlements	—	(1)	—	—
Pre-tax amount recognized in AOCI at December 31,	\$ (427)	\$ 330	\$ 20	\$ 60
After-tax amount recognized in AOCI at December 31,	\$ (263)	\$ 204	\$ 12	\$ 37

The assumptions used in accounting for the BNSF plans were as follows:

Assumptions Used to Determine Net Cost	Pension Benefits		
	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Discount rate	3.75%	4.50%	5.25%
Expected long-term rate of return on plan assets	6.75%	6.75%	7.50%
Rate of compensation increase	3.80%	3.80%	3.80%

Assumptions Used to Determine Net Cost	Retiree Health and Welfare Benefits		
	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Discount rate	3.75%	4.50%	5.25%
Rate of compensation increase	3.80%	3.80%	3.80%

Assumptions Used to Determine Benefit Obligations	Pension Benefits		Retiree Health and Welfare Benefits	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Discount rate	4.50%	3.75%	4.50%	3.75%
Rate of compensation increase	3.80%	3.80%	3.80%	3.80%

BNSF determined the discount rate based on a yield curve that utilizes year-end market yields of high-quality corporate bonds whose maturities match expected payments. The discount rate used for the 2014 calculation of net benefit cost increased to 4.50 percent for both pension and retiree health and welfare benefits, which reflects market conditions at the December 31, 2013, measurement date.

Pension plan assets are generally invested with the long-term objective of earning sufficient amounts to cover expected benefit obligations, while assuming a prudent level of risk. Allocations may change as a result of changing market conditions and investment opportunities. The expected rates of return on plan assets reflect subjective assessments of expected invested asset returns over a period of several years. Generally, past investment returns are not given significant consideration when establishing assumptions for expected long-term rates of returns on plan assets. Actual experience will differ from the assumed rates. The expected rate of return on plan assets was 6.75 percent for 2013 and will be 6.75 percent for 2014. During 2012, BNSF changed the investment management of the BNSF Retirement Plan to an affiliated company.

The following table is an estimate of the impact on future net benefit cost that could result from hypothetical changes to the most sensitive assumptions, the discount rate and rate of return on plan assets:

Sensitivity Analysis			
Hypothetical Discount Rate Change	Change in Net Benefit Cost		
	Pension		Retiree Health and Welfare
50 basis point decrease	Less than \$1 million	decrease	\$ 1 million increase
50 basis point increase	Less than \$1 million	increase	\$ 1 million decrease
Hypothetical Rate of Return on Plan Assets Change	Pension		
50 basis point decrease	\$	10 million increase	
50 basis point increase	\$	10 million decrease	

The following table presents assumed health care cost trend rates:

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Assumed health care cost trend rate for next year (participants under 65)	8.20%	8.40%	8.70%
Assumed health care cost trend rate for next year (participants over 65) ^a	3.00%	3.00%	8.70%
Rate to which health care cost trend rate is expected to decline and remain ^b	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate ^b	2028	2028	2028

^a Effective January 1, 2013, Medicare-eligible retirees who are enrolled in the retiree medical program received a contribution to a Health Reimbursement Account, which can be used to reimburse plan participants for health insurance premiums and to pay eligible out-of-pocket expenses.

^b For the years ended December 31, 2013 and 2012, the ultimate trend rate only applies to participants under 65.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects (in millions):

	One Percentage- Point Increase	One Percentage- Point Decrease
Effect on total service and interest cost	\$ 1	\$ (1)
Effect on postretirement benefit obligation	\$ 19	\$ (16)

Investments are stated at fair value. The various types of investments are valued as follows:

- (i) Equity securities are valued at the last trade price at primary exchange close time on the last business day of the year (Level 1 input). If the last trade price is not available, values are based on bid, ask/offer quotes from contracted pricing vendors, brokers, or investment managers (Level 3 input or Level 2 if corroborated).
- (ii) Corporate debt securities, government debt securities, and collateralized obligations and mortgage backed securities are valued based on institutional bid evaluations from contracted vendors. Where available, vendors use observable market-based data to evaluate prices (Level 2 input). This also applies to U.S. Treasury securities included in cash and cash equivalents. If observable market-based data is not available, unobservable inputs such as extrapolated data, proprietary models, and indicative quotes are used to arrive at estimated prices representing the price a dealer would pay for the security (Level 3 input).
- (iii) Shares of real estate commingled funds are valued at the quarterly net asset value of units held at year end. Net asset value is based on significant unobservable inputs such as discount rates, capitalization rates and cash flows (Level 3 input).
- (iv) Registered investment companies and common/collective trusts are valued at the daily net asset value of shares held at year end. Net asset value is considered a Level 1 input if net asset value is computed daily and redemptions at this value are available to all shareholders without restriction. Net asset value is considered a Level 2 input if the fund may restrict share redemptions under limited circumstances or if net asset value is not computed daily. Net asset value is considered a Level 3 input if shares could not be redeemed on the reporting date and net asset value can not be corroborated by trading activity.

The following table summarizes the investments of BNSF's funded pension plans as of December 31, 2013, based on the inputs used to value them (in millions):

Asset Category	Total as of December 31, 2013	Level 1 Inputs ^a	Level 2 Inputs ^a	Level 3 Inputs ^a
U.S. equity securities ^b	\$ 2,240	\$ 2,240	\$ —	\$ —
Corporate debt securities	16	—	16	—
Registered investment companies	60	60	—	—
U.S. government debt securities	10	—	10	—
Real estate	—	—	—	—
Collateralized obligations and mortgage backed securities (MBS)	2	—	2	—
Cash and cash equivalents	162	—	162	—
Total ^c	\$ 2,490	\$ 2,300	\$ 190	\$ —

^a See Note 2 to the Consolidated Financial Statements under the heading "Fair Value Measurements" for a definition of each of these levels of inputs.

^b As of December 31, 2013, four U.S. equity securities each exceeded 10 percent of total plan assets. These investments represent approximately 62 percent of total plan assets.

^c Excludes less than \$1 million accrued for dividend and interest receivable.

The table below sets forth a summary of changes in the fair value of Level 3 assets held by BNSF's funded pension plans for the year ended December 31, 2013 (in millions):

Level 3 Inputs	Total	Real Estate
Balance as of December 31, 2012	\$ 32	\$ 32
Purchases, sales and settlements	(32)	(32)
Balance as of December 31, 2013	\$ —	\$ —

Comparative Prior Year Information

The following table summarizes the investments of BNSF's funded pension plans as of December 31, 2012, based on the inputs used to value them (in millions):

Asset Category	Total as of December 31, 2012	Level 1 Inputs ^a	Level 2 Inputs ^a	Level 3 Inputs ^a
U.S. equity securities ^b	\$ 1,364	\$ 1,364	\$ —	\$ —
Corporate debt securities	13	—	13	—
Registered investment companies	54	54	—	—
U.S. government debt securities	13	—	13	—
Real estate	32	—	—	32
Collateralized obligations and mortgage backed securities (MBS)	1	—	1	—
Cash and cash equivalents	536	—	536	—
Total ^c	\$ 2,013	\$ 1,418	\$ 563	\$ 32

^a See Note 2 to the Consolidated Financial Statements under the heading "Fair Value Measurements" for a definition of each of these levels of inputs.

^b As of December 31, 2012, three U.S. equity securities each exceeded 10 percent of total plan assets. These investments represented approximately 45 percent of total plan assets.

^c Excludes \$1 million accrued for dividend and interest receivable.

The table below sets forth a summary of changes in the fair value of Level 3 assets held by BNSF's funded pension plans for the year ended December 31, 2012 (in millions):

Level 3 Inputs	Total	U.S.	
		Government Debt Securities	Real Estate
Balance as of December 31, 2011	\$ 130	\$ 1	\$ 129
Actual return on plan assets:			
Relating to assets still held at reporting date	1	—	1
Relating to assets sold during the period	3	—	3
Purchases, sales and settlements	(102)	(1)	(101)
Balance as of December 31, 2012	\$ 32	\$ —	\$ 32

The Company is not required to make contributions to the BNSF Retirement Plan in 2014. The Company is required to make contributions of \$7 million to its other funded pension plans. The Company expects to make benefit payments in 2014 of \$9 million from its unfunded non-qualified pension plan.

The following table shows expected benefit payments from its defined benefit pension plans and expected claim payments for the retiree health and welfare plan for the next five fiscal years and the aggregate five years thereafter (in millions):

Fiscal year	Expected Pension Plan Benefit Payments ^a	Expected Retiree Health and Welfare Payments
2014	\$ 166	\$ 22
2015	\$ 156	\$ 22
2016	\$ 156	\$ 21
2017	\$ 156	\$ 21
2018	\$ 153	\$ 20
2019-2023	\$ 719	\$ 92

^a Primarily consists of the BNSF Retirement Plan payments, which are made from the plan trust and do not represent an immediate cash outflow to the Company.

Defined Contribution Plans

BNSF and BNSF Railway sponsor qualified 401(k) plans that cover substantially all employees and a non-qualified defined contribution plan that covers certain officers and other employees. The Company matched 50 percent of the first six percent of non-union employees' contributions and matched 25 percent on the first four percent of a limited number of union employees' contributions, which are subject to certain percentage limits of the employees' earnings, at each pay period. Non-union employees are also eligible to receive an annual discretionary matching contribution of up to 30 percent of the first six percent of their contributions. Employer contributions are subject to a five-year length of service vesting schedule. The Company's 401(k) matching expense was \$34 million, \$32 million and \$31 million during the years ended December 31, 2013, 2012 and 2011, respectively.

Effective January 1, 2014, BNSF Railway will increase its match of the first six percent of non-union employees' contributions from 50 percent to 75 percent. The increased match replaces the discretionary matching contribution of up to 30 percent discussed above.

Other

Under collective bargaining agreements, BNSF Railway participates in multi-employer benefit plans that provide certain postretirement health care and life insurance benefits for eligible union employees. Insurance premiums paid attributable to retirees, which are generally expensed as incurred, were \$65 million, \$71 million and \$73 million during the years ended December 31, 2013, 2012 and 2011, respectively. The average number of employees covered under these plans were 37 thousand, 36 thousand and 35 thousand during the years ended December 31, 2013, 2012 and 2011, respectively.

14. Related Party Transactions

BNSF Railway is involved with BNSF and certain of its subsidiaries in related party transactions in the ordinary course of business, which include payments made on each other's behalf and performance of services. Under the terms of a tax allocation agreement with BNSF, BNSF Railway made federal and state income tax payments, net of refunds, of \$2,455 million, \$1,235 million and \$235 million during the years ended December 31, 2013, 2012 and 2011, respectively, which are reflected in changes in working capital in the Consolidated Statement of Cash Flows.

At December 31, 2013 and 2012, BNSF Railway had \$62 million and \$32 million, respectively, of intercompany receivables which are reflected in accounts receivable in the respective Consolidated Balance Sheets. At December 31, 2013 and 2012, BNSF Railway had \$141 million and \$109 million of intercompany payables, which are reflected in accounts payable in the respective Consolidated Balance Sheets. Net intercompany balances are settled in the ordinary course of business.

At December 31, 2013 and 2012, BNSF Railway had \$8,397 million and \$6,425 million, respectively, of intercompany notes receivable from BNSF. During the years ended December 31, 2013, 2012 and 2011, loans to BNSF were \$2,781 million, \$2,252 million and \$2,465 million, respectively, partially offset by repayments received of \$809 million, \$391 million and \$220 million, respectively.

BNSF Railway engages in various arm's-length transactions with affiliates in the ordinary course of business. The following table summarizes revenues earned by BNSF for services provided to affiliates and expenditures to affiliates (in millions):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Revenues	\$ 179	\$ 83	\$ 78
Expenditures	\$ 66	\$ 60	\$ 51

15. Stock-Based Compensation

Prior to the Merger, BNSF shareholders approved the Burlington Northern Santa Fe 1999 Stock Incentive Plan and subsequent amendments which authorized BNSF common stock to be issued in connection with stock options, restricted stock, restricted stock units and performance stock.

Following the Merger, no further grants of BNSF stock were made under the BNSF stock-based compensation plans and each outstanding stock option or share award of BNSF common stock was converted into an option or restricted stock unit of Berkshire Class B Common Stock, in accordance with a formula to convert such awards.

Certain outstanding option awards provided for a reload feature if the eligible employee paid all or a portion of the purchase price with Berkshire stock. In that event, the employee was issued new options to purchase additional shares of Berkshire Class B Common Stock equal to the number of shares of stock surrendered in such payment.

Stock Options

All stock options granted in the period presented relate to reload grants. No remaining options at December 31, 2013 provide for a reload feature. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model.

A summary of the status of stock options is presented below (options in thousands, aggregate intrinsic value in millions):

	Options	Weighted Average Exercise Prices	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Balance at December 31, 2012	6,931	\$ 59.00	4.47	\$ 213
Granted	1	114.75		
Exercised	(1,482)	56.15		
Balance at December 31, 2013	5,450	\$ 59.78	3.77	\$ 320
Options exercisable at December 31, 2013	5,449	\$ 59.77	3.77	\$ 320

The total intrinsic value of options exercised was \$75 million, \$95 million and \$55 million during the years ended December 31, 2013, 2012 and 2011, respectively.

16. Accumulated Other Comprehensive Income

The following table provides the changes of accumulated other comprehensive (loss) income by component (in millions):

	Pension and Retiree Health and Welfare Benefit Items ^a	Equity Method Investments	Total
Balance at December 31, 2012	\$ (241)	\$ (4)	\$ (245)
Other comprehensive income before reclassifications	478	(2)	476
Amounts reclassified from accumulated other comprehensive income	14	—	14
Balance at December 31, 2013	\$ 251	\$ (6)	\$ 245

^a Amounts are net of tax. See Note 13 for additional details.

Reclassifications out of Accumulated Other Comprehensive Income

Details about Accumulated Other Comprehensive Income Components	Year Ended December 31, 2013	Income Statement Line Item
Amortization of pension and retiree health and welfare benefit items		
Actuarial losses	\$ 22	^b
Prior service costs	(1)	^b
	21	Total before tax
	(7)	Tax expense/(benefit)
Total reclassifications for the period	\$ 14	Net of tax

^b This accumulated other comprehensive loss component is included in the computation of net periodic pension and retiree health and welfare cost (see Note 13 for additional details).

17. Quarterly Financial Data—Unaudited

Dollars in millions

2013	Fourth	Third	Second	First
Revenues	\$ 5,638	\$ 5,527	\$ 5,207	\$ 5,180
Operating income	\$ 1,877	\$ 1,736	\$ 1,587	\$ 1,468
Net income	\$ 1,236	\$ 1,111	\$ 1,012	\$ 912

2012	Fourth	Third	Second	First
Revenues	\$ 5,343	\$ 5,243	\$ 4,966	\$ 4,926
Operating income	\$ 1,630	\$ 1,650	\$ 1,433	\$ 1,250
Net income	\$ 998	\$ 1,031	\$ 902	\$ 789

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Based on their evaluation as of the end of the period covered by this annual report on Form 10-K, BNSF Railway's principal executive officer and principal financial officer have concluded that BNSF Railway's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) are effective to ensure that information required to be disclosed by BNSF Railway in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and that such information is accumulated and communicated to BNSF Railway's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The management of BNSF Railway is responsible for establishing and maintaining adequate internal control over financial reporting. BNSF Railway's internal control over financial reporting was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of BNSF Railway's financial statements for external reporting purposes in accordance with generally accepted accounting principles in the United States of America.

Management assessed the effectiveness of BNSF Railway's internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework (1992)*. Based on management's assessment, management concluded that as of December 31, 2013, BNSF Railway's internal control over financial reporting was effective based on those criteria.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

As of the period covered by this report, the Company has concluded that there have been no changes in BNSF Railway's internal control over financial reporting that occurred during BNSF Railway's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, BNSF Railway's internal control over financial reporting.

Item 9B. Other Information

None.

Part III

Item 14. Principal Accountant Fees and Services

Independent Registered Public Accounting Firm Fees

The following table presents the fees incurred by BNSF, including its wholly-owned subsidiary, BNSF Railway, for services provided by Deloitte & Touche LLP, the independent registered public accounting firm, for the twelve months ended December 31, 2013 and 2012 (in thousands):

	2013	2012
Audit fees	\$ 2,200	\$ 2,045
Audit-related fees	—	97
Tax fees	—	—
All other fees	15	—
Total	\$ 2,215	\$ 2,142

Audit Fees

Audit fees consist of professional services for audits of financial statements, quarterly reviews, internal control reviews, comfort letters provided in conjunction with the issuance of debt, and agreed-upon procedures performed on the Annual Report R-1 filed by BNSF Railway with the Surface Transportation Board.

Audit-Related Fees

Audit-related fees consist of professional services for consultation on accounting standards and transactions and agreed-upon procedures.

Tax Fees

Tax fees consist of professional services for tax compliance, tax audit and tax planning for specific transactions or potential transactions of the Company. No tax fees were billed in 2013.

All Other Fees

All other fees consist of subscription-related fees.

Pre-Approval Policies and Procedures

Burlington Northern Santa Fe, LLC is an indirect, wholly-owned subsidiary of Berkshire Hathaway Inc. and does not have an audit committee. During 2013 and 2012, the Audit Committee of Berkshire Hathaway Inc. pre-approved all fees and services provided by the independent registered public accounting firm, subject to the exceptions for non-audit services described in the Securities Exchange Act of 1934 and rules and regulations thereunder.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements—see Item 8.

Schedules are omitted because they are not required or applicable, or the required information is included in the Consolidated Financial Statements or related notes.

2. Exhibits:

See Index to Exhibits beginning on page E-1 for a description of the exhibits filed as a part of this Report on Form 10-K.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, BNSF Railway Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BNSF Railway Company

By: /s/ Carl R. Ice

Dated: February 28, 2014

Carl R. Ice
President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of BNSF Railway Company and in the capacities and on the date indicated.

Signature	Title
<u>/s/ Matthew K. Rose</u> Matthew K. Rose	Chairman
<u>/s/ Carl R. Ice</u> Carl R. Ice	President and Chief Executive Officer (Principal Executive Officer), and Director
<u>/s/ Julie A. Piggott</u> Julie A. Piggott	Executive Vice President and Chief Financial Officer (Principal Financial Officer), and Director
<u>/s/ Jon I. Stevens</u> Jon I. Stevens	Vice President and Controller (Principal Accounting Officer)
<u>/s/ Stevan B. Bobb</u> Stevan B. Bobb	Director
<u>/s/ Gregory C. Fox</u> Gregory C. Fox	Director
<u>/s/ Roger Nober</u> Roger Nober	Director

Dated: February 28, 2014

BNSF Railway Company and Subsidiaries

Exhibit Index

Exhibit Number and Description	Incorporated by Reference (if applicable)			
	Form	File Date	File No.	Exhibit
3.1 Restated Certificate of Incorporation of BNSF Railway Company, dated January 17, 2005.	10-Q	7/26/2005	001-06324	3.1
3.2 By-Laws of BNSF Railway Company, as amended August 30, 2005.	10-Q	10/25/2005	001-06324	3.1
12.1 Computation of Ratio of Earnings to Fixed Charges.*				
31.1 Principal Executive Officer’s Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*				
31.2 Principal Financial Officer’s Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*				
32.1 Certification Pursuant to 18 U.S.C. § 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).*				
101 XBRL - Related Documents eXtensible Business Reporting Language (XBRL) documents submitted electronically: 101.INS - XBRL Instance Document 101.SCH - XBRL Taxonomy Extension Schema Document 101.CAL - XBRL Extension Calculation Linkable Document 101.DEF - XBRL Taxonomy Extension Definition Linkable Document 101.LAB - XBRL Taxonomy Extension Label Linkbase Document 101.PRE - XBRL Taxonomy Extension Presentation Linkbase Document				
The following financial information from BNSF Railway Company’s Annual Report on Form 10-K for the year ended December 31, 2013, formatted in XBRL includes: (i) the Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011, (ii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012, and 2011, (iii) the Consolidated Balance Sheets as of the December 31, 2013 and 2012, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011, (v) the Consolidated Statements of Changes in Equity for the years ended December 31, 2013, 2012 and 2011, and (vi) the Notes to the Consolidated Financial Statements. *				

*Filed herewith

Exhibit 12.1

BNSF Railway Company and Subsidiaries *Computation of Ratio of Earnings to Fixed Charges*

In millions, except ratio amounts
(Unaudited)

	2013 ^a	2012 ^a	2011 ^a	February 13 - December 31, 2010 ^a	January 1 - February 12, 2010 ^a	2009 ^a
Earnings:						
Income before income taxes	\$ 6,683	\$ 5,954	\$ 5,220	\$ 3,899	\$ 482	\$ 3,081
Add:						
Interest and other fixed charges, excluding capitalized interest	57	55	73	72	16	124
Reasonable approximation of portion of rent under long-term operating leases representative of an interest factor	188	196	249	225	35	267
Distributed income of investees accounted for under the equity method	7	6	6	5	—	5
Amortization of capitalized interest	2	1	1	—	1	4
Less:						
Equity in earnings of investments accounted for under the equity method	14	14	15	15	1	12
Total earnings available for fixed charges	\$ 6,923	\$ 6,198	\$ 5,534	\$ 4,186	\$ 533	\$ 3,469
Fixed charges:						
Interest and fixed charges	\$ 86	\$ 79	\$ 93	\$ 85	\$ 17	\$ 142
Reasonable approximation of portion of rent under long-term operating leases representative of an interest factor	188	196	249	225	35	267
Total fixed charges	\$ 274	\$ 275	\$ 342	\$ 310	\$ 52	\$ 409
Ratio of earnings to fixed charges	25.27x	22.54x	16.18x	13.50x	10.25x	8.48x

^a For the periods through February 12, 2010, amounts relate to BNSF Railway Company prior to Merger. For all periods on or after February 13, 2010, amounts relate BNSF Railway after Merger.

Exhibit 31.1

Principal Executive Officer's Certifications **Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Carl R. Ice, certify that:

1. I have reviewed this annual report on Form 10-K of BNSF Railway Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2014

/s/ Carl R. Ice

Carl R. Ice
President and
Chief Executive Officer

Exhibit 31.2

Principal Financial Officer's Certifications **Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Julie A. Piggott, certify that:

1. I have reviewed this annual report on Form 10-K of BNSF Railway Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2014

/s/ Julie A. Piggott

Julie A. Piggott
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

Certification Pursuant to 18 U.S.C. § 1350 **(Section 906 of Sarbanes-Oxley Act of 2002)**

BNSF Railway Company

In connection with the Annual Report of BNSF Railway Company (the “Company”) on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Carl R. Ice, President and Chief Executive Officer of the Company, and Julie A. Piggott, Executive Vice President and Chief Financial Officer of the Company, each hereby certifies that, to his/her knowledge on the date hereof:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 28, 2014

/s/ Carl R. Ice

Carl R. Ice
President and
Chief Executive Officer

/s/ Julie A. Piggott

Julie A. Piggott
Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to BNSF Railway Company and will be retained by BNSF Railway Company and furnished to the Securities and Exchange Commission or its staff upon request.