



PUBLIC UTILITIES COMMISSION

STATE OF CALIFORNIA
505 VAN NESS AVENUE
SAN FRANCISCO, CALIFORNIA 94102

MICHAEL R. PEEVEY
PRESIDENT

TEL: (415) 703-3703
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March 13, 2007

James R. Young
Chairman, President & CEO
Union Pacific Corporation
1400 Dodge Street
Omaha, NE 68179

Dear Mr. Young:

I am writing to express my serious concern about a recent incident involving your companies and others relative to railroad security.

The United States Department of Homeland Security (DHS), Transportation Security Administration (TSA) conducted a tabletop railroad security exercise in California during the week of March 5-9, 2007. It is my understanding that the exercise was voluntary and, along with your railroads, included representatives from local emergency responders, the Federal Railroad Administration and other interested parties.

I was dismayed to learn that a CPUC railroad safety representative was asked by the TSA organizers to leave and not participate in the exercise. According to TSA attorneys, your railroad attorneys contacted TSA and threatened to withdraw your voluntary participation in the security exercise if CPUC representatives were also allowed to participate. The railroad's counsel claimed that California attorneys had advised him that the CPUC could not keep Security Sensitive Information (SSI) confidential. CPUC representatives voluntarily removed themselves from the exercise because there was insufficient time to resolve this matter before the exercise began.

You are aware that the Local Community Rail Security Act of 2006 (enrolled as California law under Public Utilities Code § 7665 effective January 1, 2007) directs the CPUC:

- to examine the infrastructure security assessment developed by the railroads, and
- to evaluate the railroads' compliance with their own infrastructure protection plans.

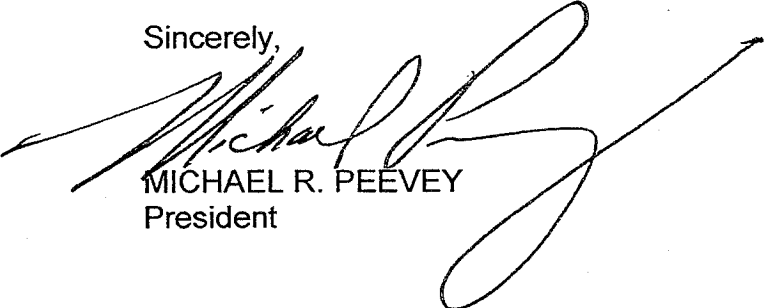
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The legislation also stipulates that this information "shall be kept confidential" (PU Code § 7665.4(d)). Your companies have challenged that law by filing a lawsuit. No court has restrained or enjoined the CPUC from enforcing this law and the CPUC has every intention of enforcing its provisions.

Your companies' actions in denying CPUC access to an exercise that focused on how hazardous materials are handled in the LA basin are unacceptable and does not serve the safety and security interests of the citizens of California.

I have directed CPUC Executive Director Steve Larson, Consumer Protection and Safety Director, Richard Clark, and General Counsel Randy Wu to pursue all avenues necessary to address your companies' recent irresponsible actions toward the State of California.

Sincerely,



MICHAEL R. PEEVEY
President

Cc: Hon. Arnold Schwarzenegger, Governor of California
Hon. Fabian Nunez, Speaker, California Assembly
Matthew R. Bettenhausen, Executive Director CA. Governors OHS
Kip Hawley, Administrator, TSA