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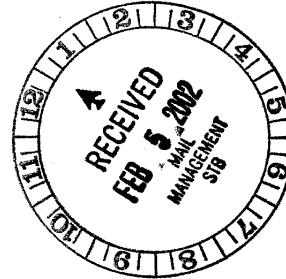
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February 5, 2002

VIA HAND DELIVERY

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001



Re: Docket No. NOR 42059, Northern States Power Company Minnesota
D/B/A Xcel Energy v. Union Pacific Railroad Company

Dear Secretary Williams:

In a letter dated February 1, 2002, Northern States Power Company Minnesota D/B/A Xcel Energy ("NSP") complained that about a "unilateral" and "punitive" rate increase published by Union Pacific Railroad Company ("UP"). UP increased NSP's rates, but NSP's characterizations are misleading.

First, UP acted unilaterally because it had no choice. This case arose because NSP rejected a contract offered by UP. The contract would have governed rate adjustments. In the absence of a contract, UP was required to provide common carrier rates unilaterally, and UP – like every other railroad – is permitted to increase such rates unilaterally. 49 U.S.C. § 11101; 49 C.F.R. §§ 1300.3, 1300.4.

Second, UP's recent rate increase was not "punitive." UP's rates for NSP traffic reflect market conditions, and UP expects to prove that they are below the jurisdictional threshold. 49 U.S.C. § 10707(d)(1).

UP will further address NSP's claims in its evidentiary filings.

Sincerely,

Michael L. Rosenthal

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Public Record

cc: John H. LeSeur, Esq. (by hand)
Bruce A. Colt, Esq. (by overnight)
Louise A. Rinn, Esq. (by overnight)