ENERGY SITUATION ANALYSIS REPORT

May 15, 2002

(next scheduled update: May 16, 2002)

Energy Information Administration
US Department of Energy
Washington, DC 20585
(202) 586-8800

Petroleum *Natural Gas* *Coal* *Electricity*

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Latest Energy Market Developments

(updated May 15, 2002)

Near-month WTI crude oil prices on the NYMEX are hovering near 8-month highs. On Wednesday, May 15, prices closed at $28.15 per barrel, down $1.21 from Tuesday's closing price of $29.36 per barrel. Not since the aftermath of September 11 have WTI prices been in the $28-$29 per barrel range. Both the Energy Information Administration and the American Petroleum Institute reported draws in U.S. crude oil stocks this week, leaving inventories about 10 million barrels below last year's levels. Reduced inventories and reduced oil import levels are largely a result of OPEC (and some non-OPEC) production reductions, in effect since January 1, 2002.

Other topics affecting **world oil markets** include:

- Iraq, currently contemplating a changed United Nations sanctions regime, stated intentions to keep exporting oil under the "Oil-for-Food" program until May 29, after which the new regime with a "goods review list" will come into effect. Iraq has halted exports to protest changes in sanctions in the past.
- Russian Prime Minister Mikhail Kasyanov is scheduled to meet with Russian oil companies on May 17 to discuss whether Russia should formally abandon its pact with OPEC to limit exports after it expires in June. Despite Russia's January 1 commitment to reduce oil "shipments" by 150,000 barrels per day, there has been no discernable drop in Russian export levels.
- Norway is expected to reduce oil production in June, in order to meet its January agreement with OPEC. In the first quarter of 2002, Norway produced above target levels in January and February, then made cuts in March in order to fulfill its agreement. Norway's behavior appears to be following a similar pattern in the second quarter, with April and May production above target levels and cuts expected in June.

Other recent developments in **U.S. energy markets** include:

- As of May 15, the U.S. Strategic Petroleum Reserve (SPR) contained 567.7 million barrels of oil. The SPR has a maximum drawdown capability of 4.18 million barrels per day for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown.
- U.S. gasoline prices have been stable in the last several weeks, roughly $0.30 per gallon below last year's levels.
- The first segment of the new Gulfstream Natural Gas System is expected to become operational on June 1. The 431-mile, 36-inch pipeline will connect the Tampa-St. Petersburg area of Florida to gas sources in the Gulf of Mexico.
- Natural gas prices continued their rise yesterday, closing above $3.85 per MMBtu on the NYMEX for front-month delivery.
- In recent weeks, U.S. coal prices have either fallen or held relatively steady.
- Wholesale electricity prices over the last week have been relatively stable. The North American Electricity Reliability Council (NERC) released its summer assessment on May 14, projecting adequate generation for summer demand.

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Special Topic -- Basic Facts on Iraq

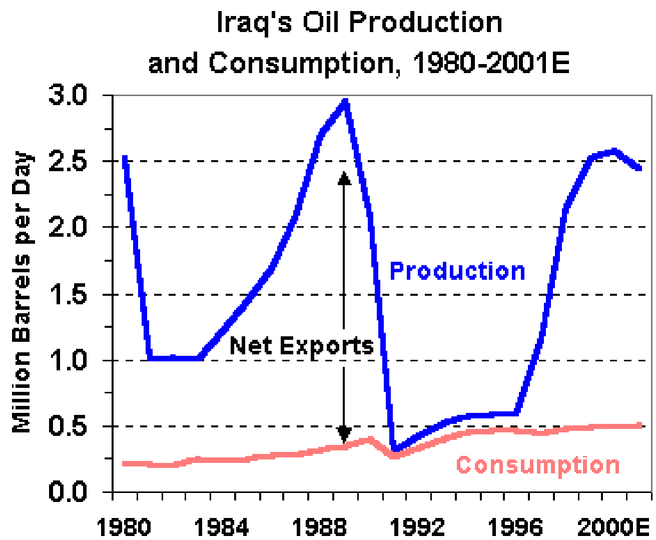
(updated May 14, 2002)

While Iraq's weekly export levels fluctuate, the country remains an important world oil player, with U.N. "Oil-for-Food" exports from January 1, 2002 through April 8, 2002 averaging 1.7 million barrels per day. "Oil-for-Food" exports ceased on April 8, when the country declared a unilateral 30-day crude oil export embargo. Iraq began pumping crude oil to its export terminals on May 8 after lifting a month-long embargo. The first tanker loaded at Mina al-Bakr left on May 11, while the first tanker for loading at Ceyhan arrived May 14.

The United States is the largest single market for Iraqi oil, with almost half of Iraqi oil exports bound for the United States in 2001. Imports from Iraq accounted for an average 8% of total U.S. imports in 2001. In 2001, Iraq was the sixth-largest source of U.S. crude oil imports, behind Canada, Saudi Arabia, Venezuela, Mexico, and Nigeria.

The current phase of the "Oil-for-Food" program expires at the end of May 2002. The UN Security Council approved an overhaul of sanctions against Iraq on May 14. The resolution establishes a "goods review list" for dual-use (i.e., civilian or military) items that require UN Security Council approval before Iraq can purchase them. Items on the list have to be evaluated separately within 30 days. Most goods not on the list can go to Iraq after a 10-day review by UN officials.

The Security Council's resolution also renews until November 25 the UN's "Oil-for-Food" program. Temporary downturns in Iraqi exports in association with program rollovers are common.



Note: Production includes crude oil, lease condensate, natural gas liquids, ethanol, and refinery gain.

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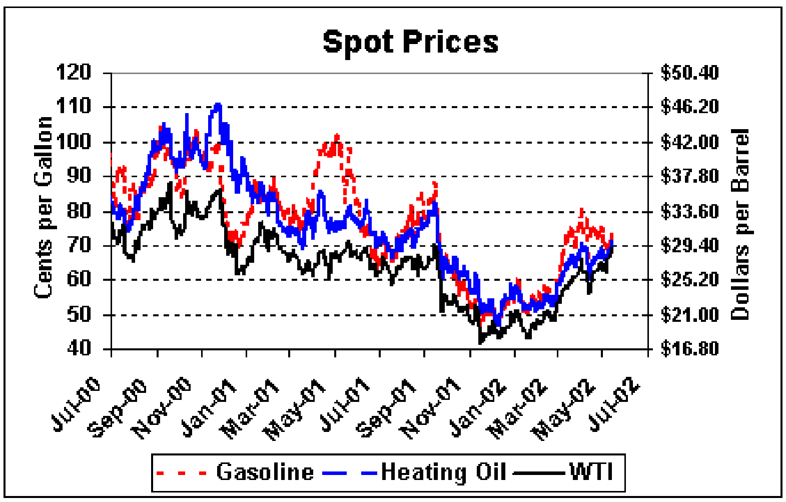
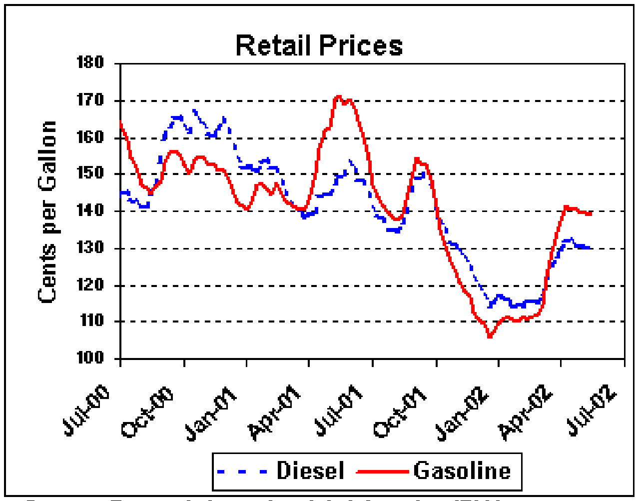
U.S. Petroleum Prices

(updated May 15, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

Crude Oil and Oil Products Price Table

Date	WTI Crude Oil Spot Cushing	WTI Crude Oil Futures	Gasoline Spot NYH	Gasoline Futures	Heating Oil Spot NYH	Heating Oil Futures	Kerojet Spot NYH	Propane Spot Mt. Belvieu	Propane Spot Conway	EIA Weekly Retail US Average Gasoline	EIA Weekly Retail US Average Diesel
	$/bbl	$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
3/27/2002	$25.79	$25.87	74.55	82.05	66.40	66.72	67.80	40.50	39.63		
3/28/2002	$26.21	$26.31	74.88	82.49	67.05	66.89	67.95	40.63	41.00		
3/29/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
4/1/2002	$26.82	$26.88	78.25	84.90	68.40	68.69	68.05	42.38	41.88	137.1	129.5
4/2/2002	$27.75	$27.71	80.15	86.98	70.65	70.95	72.75	44.82	44.63		
4/3/2002	$27.55	$27.56	76.35	84.84	70.40	70.83	72.50	44.38	44.25		
4/4/2002	$26.64	$26.58	74.75	82.33	68.40	68.66	70.50	44.01	44.50		
4/5/2002	$26.21	$26.21	73.70	81.70	68.15	68.22	70.05	43.00	42.19		
4/8/2002	$26.16	$26.54	77.57	84.19	69.57	69.30	71.20	43.82	42.94	141.3	132.3
4/9/2002	$25.45	$25.82	75.13	83.39	66.80	67.80	68.50	41.19	40.13		
4/10/2002	$26.15	$26.13	76.00	83.44	67.35	67.84	68.98	41.00	40.13		
4/11/2002	$24.93	$24.99	72.53	78.87	64.73	64.71	66.50	39.00	37.69		
4/12/2002	$23.51	$23.47	66.48	72.96	60.03	60.05	61.93	38.07	36.63		
4/15/2002	$24.53	$24.57	73.00	78.63	63.07	63.34	65.09	39.50	38.00	140.4	132.0
4/16/2002	$24.92	$24.75	74.73	79.29	64.23	63.78	66.25	39.50	38.00		
4/17/2002	$25.94	$25.94	74.70	80.77	65.10	65.40	67.25	40.25	38.75		
4/18/2002	$25.86	$26.18	74.57	81.13	65.30	65.58	67.25	41.13	39.13		
4/19/2002	$26.43	$26.38	73.95	80.40	65.65	65.91	67.75	40.38	37.88		
4/22/2002	$26.28	$26.27	72.82	79.02	65.55	65.81	67.65	41.00	38.50	140.4	130.4
4/23/2002	$26.28	$26.62	74.11	80.16	66.40	66.53	69.07	41.69	39.32		
4/24/2002	$26.28	$26.38	71.89	78.76	66.10	66.12	68.28	41.13	39.19		
4/25/2002	$26.36	$26.73	72.50	79.37	66.70	67.20	69.10	41.50	39.69		
4/26/2002	$27.12	$27.11	74.00	81.39	67.60	67.90	70.00	40.69	39.25		
4/29/2002	$27.45	$27.57	74.95	83.36	68.95	69.20	71.20	41.57	39.25	139.3	130.2
4/30/2002	$27.32	$27.29	74.93	82.30	68.65	68.90	70.90	42.00	39.88		
5/1/2002	$26.58	$26.75	72.75	80.48	67.33	67.42	69.65	41.63	39.51		
5/2/2002	$26.31	$26.24	71.73	78.49	66.38	66.07	68.48	41.09	38.50		
5/3/2002	$26.75	$26.62	70.78	78.77	66.40	66.53	68.28	41.07	38.63		
5/6/2002	$26.11	$26.12	69.07	77.45	64.40	64.98	66.00	40.75	38.13	139.5	130.5
5/7/2002	$26.79	$26.63	68.94	78.28	65.80	65.86	67.75	41.00	38.63		
5/8/2002	$27.76	$27.85	68.78	78.77	66.80	67.40	68.85	42.50	40.38		
5/9/2002	$27.78	$27.68	68.79	77.46	67.35	67.79	69.38	41.38	39.25		
5/10/2002	$27.92	$27.99	70.33	79.05	68.25	68.92	70.13	41.38	39.25		
5/13/2002	$28.62	$28.38	72.03	79.73	69.25	69.45	71.38	41.26	39.07	138.8	129.9
5/14/2002	$29.17	$29.36	72.93	82.63	70.90	71.68	73.00	42.75	39.69		

Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

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Latest U.S. Weekly EIA Petroleum Information

(updated May 15, 2002)

"30"
The number 30 is on the lips of many oil traders, analysts, and industry executives these days. The price for West Texas Intermediate (WTI) crude oil, the benchmark crude oil for most of the Americas, rose above $29 per barrel on May 14 for the first time since mid-September 2001, and has risen by more than $3 per barrel since May 6. If prices continue to rise, as many market participants are beginning to expect may happen, the WTI price will rise above $30 per barrel for the first time since February 2001. This is a phenomenon that was not unexpected, as we have been highlighting how the crude oil market has been tightening of late, especially since March. As recently as April 5, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) were about 18 million barrels above year-ago levels, and even this was a large decline from the 40-million-barrel year-to-year surplus that existed on March 1. However, as of May 10, commercial crude oil inventories are now nearly 10 million barrels below year-earlier levels, and are in the bottom half of the normal range for inventories at this time of year.

With crude oil imports consistently running much lower than last spring, it was predictable that the crude oil surplus we had at the end of winter would melt away this spring. The production cutbacks from OPEC 10 countries (OPEC excluding Iraq) and some non-OPEC producers that went into effect beginning in January were bound to reduce imports. Even with reports that OPEC 10 crude oil production may have increased slightly in recent months, it is still much lower than it was a year ago. As the world's largest importer (and consumer) of petroleum, it was inevitable that lower production from OPEC 10 countries would ultimately lead to lower U.S. crude oil imports. Added into this mix is that Iraq ceased exporting oil under the United Nations program for 30 days beginning on April 8. While sources of crude oil imports on a weekly basis are very preliminary and thus not publishable, it does appear that Iraqi crude oil imports are beginning to have an effect on reducing imports into the United States. With product prices, particularly gasoline, not rising at the same pace crude oil prices have recently, it is likely that refiners may cut back on production, which would help slow the decline in crude oil inventories. And with product inventories much better off relative to crude oil (see the section below on the gasoline inventory situation), refiners could use inventories to supplement decreases in refinery production. However, if demand begins to pick up after Memorial Day, then product inventories may also begin to decline. If this occurs, then we may be looking at a repeat of 1999, when inventories fell over the second half of the year in a dramatic fashion.

Gasoline Supply More Than Ample For Now
One bright spot for consumers in the run-up to the summer driving season is the continued strong buildup of motor gasoline inventories over the past several weeks. Total motor gasoline inventories ended the week of May 10, 2002 at 217.2 million barrels, a level more than 13 million barrels above the same period last year. With inventories at the upper end of the normal range, gasoline prices are not expected to spike as high as the last two years, even if demand picks up over the summer as expected. The combination of strong refinery production and the flood of gasoline imports during the last four weeks in particular, explain the current motor gasoline inventory cushion. Over this period, motor gasoline refinery production was up by nearly 400,000 barrels per day over an average of the same four-week period in 2000 and 2001, while gasoline imports were up nearly 300,000 barrels per day above the average for 2000 and 2001. With this much additional gasoline supply, it is not surprising that gasoline inventories are currently much higher than they were in 2000 and 2001. Nevertheless, this surplus may also evaporate if refiners cut back production and imports fall off to more normal levels, just as demand begins to increase heading into the summer driving season. In this case, renewed gasoline market strength will reinforce crude oil price pressure stemming from ongoing tightening in the crude oil balance.

Retail Gasoline Prices See Little Action
The retail gasoline market was quiet again this week, with the national average retail price for regular motor gasoline edging down 0.7 cent on May 13 to end at 138.8 cents per gallon. This price is 32.5 cents per gallon lower than last year. Prices have remained relatively flat over the past five weeks, with slight up and down changes. Prices were down throughout the country on May 13, with the largest decreases occurring on the West Coast. California retail gasoline prices fell 1.8 cents last week to end at 157.1 cents per gallon. With relatively little movement in spot gasoline prices over the last several weeks, it seems that the retail gasoline price has reached a new equilibrium for the very near-term and any price changes in the retail market can mostly be attributed to white noise. Again, this plateau may prove to be a brief pause, if recent crude oil price increases hold or grow further, or the gasoline balance tightens after Memorial Day.

Retail diesel fuel prices decreased by 0.6 cent per gallon to a national average of 129.9 cents per gallon as of May 13 after rising the previous week.

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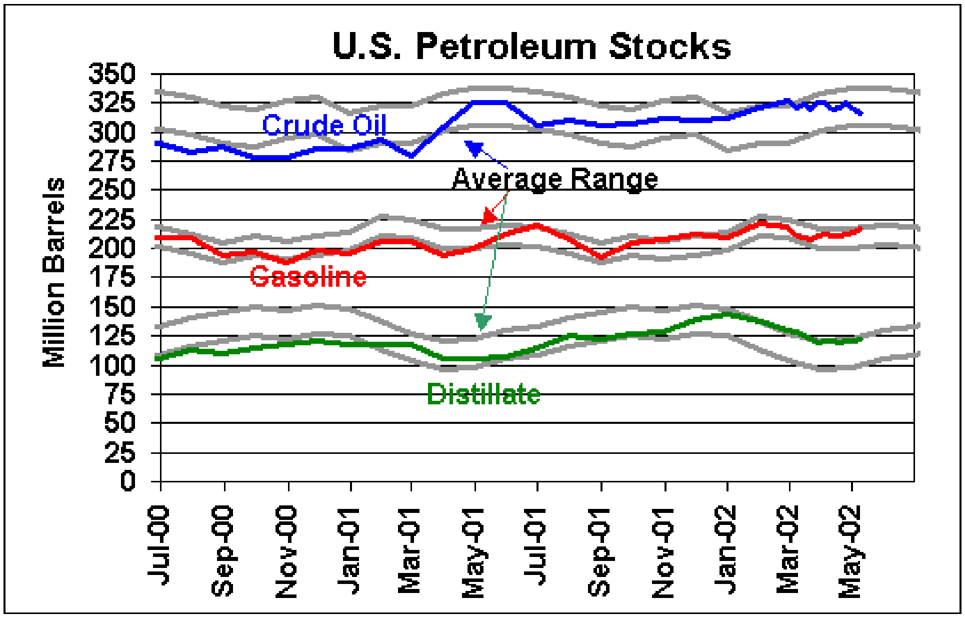
U.S. Petroleum Supply (updated May 15, 2002)

(Thousand Barrels per Day)	Four Weeks Ending 5/10/2002	Four Weeks Ending 5/10/2001	vs. Year Ago Diff.	vs. Year Ago % Diff.
Refinery Activity				
Crude Oil Input	15,332	15,611	-279	-1.8%
Operable Capacity	16,800	16,638	162	1.0%
Operable Capacity Utilization (%)	91.9%	95.3%	-3.4%	
Production				
Motor Gasoline	8,586	8,512	74	0.9%
Jet Fuel	1,487	1,570	-83	-5.3%
Distillate Fuel Oil	3,728	3,653	75	2.1%
Imports				
Crude Oil (incl. SPR)	9,117	9,768	-651	-6.7%
Motor Gasoline	906	777	129	16.7%
Jet Fuel	104	162	-58	-35.8%
Distillate Fuel Oil	231	311	-80	-25.7%
Total	11,514	12,289	-775	-6.3%
Exports				
Crude Oil	33	34	-1	-2.7%
Products	935	968	-33	-3.5%
Total	967	1,003	-36	-3.6%
Products Supplied				
Motor Gasoline	8,613	8,601	12	0.1%
Jet Fuel	1,537	1,676	-139	-8.3%
Distillate Fuel Oil	3,720	3,784	-64	-1.7%
Total	19,307	19,559	-252	-1.3%

Stocks (Million Barrels)	5/10/2002	5/10/2001	vs. Year Ago Diff.	vs. Year Ago % Diff.
Crude Oil (excl. SPR)	315.8	325.5	-9.7	-3.0%
Motor Gasoline	217.2	204.1	13.1	6.4%
Jet Fuel	40.5	41.2	-0.7	-1.7%
Distillate Fuel Oil	122.5	105.7	16.8	15.9%
Total (excl. SPR)	1,007.3	984.8	22.5	2.3%



Source: Energy Information Administration, Weekly Petroleum Status Report, Petroleum Supply Monthly.

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World Oil Market Highlights

(updated May 7, 2002)

According to second quarter 2002 estimates, the world holds about 6.8 million barrels per day of excess oil production capacity, over 90% of which lies in OPEC countries. This figure does not include Iraqi spare capacity.

Major Sources of U.S. Petroleum Imports, 2001*
(all volumes in million barrels per day)

	Total Oil Imports	Crude Oil Imports	Petroleum Product Imports
Canada	1.79	1.32	0.47
Saudi Arabia	1.66	1.61	0.05
Venezuela	1.54	1.28	0.26
Mexico	1.42	1.38	0.04
Nigeria	0.86	0.81	0.04
Iraq	0.78	0.78	0.00
Norway	0.33	0.27	0.06
Angola	0.32	0.31	0.07
United Kingdom	0.31	0.23	0.08
Total Imports	11.62	9.15	2.47

** Table includes all countries from which the U.S. imported more than 300,000 barrels per day in 2001.*

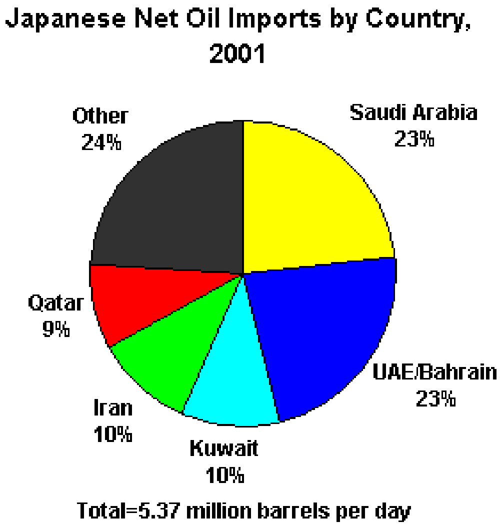
Top World Oil Net Exporters, 2001*

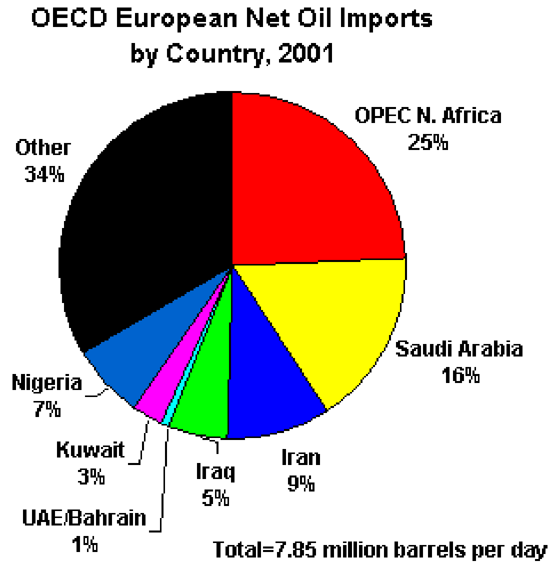
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	7.38
2)	Russia	4.76
3)	Norway	3.22
4)	Iran	2.74
5)	Venezuela	2.60
6)	United Arab Emirates	2.09
7)	Nigeria	2.00
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24
12)	Algeria	1.24

**Table includes all countries with net exports exceeding 1 million barrels per day in 2001.*

During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than the United States. During 2001, about 35% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), around one-third from Africa (mainly Libya, Algeria, and Nigeria), and much of the remainder from Russia. Japan receives over three-quarters of its oil supplies from the Persian Gulf (mainly the UAE, Saudi Arabia, Kuwait, Iran, and Qatar) with the remainder coming from Indonesia, China, and other sources.





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Latest U.S. Weekly Natural Gas Information

(updated May 15, 2002)

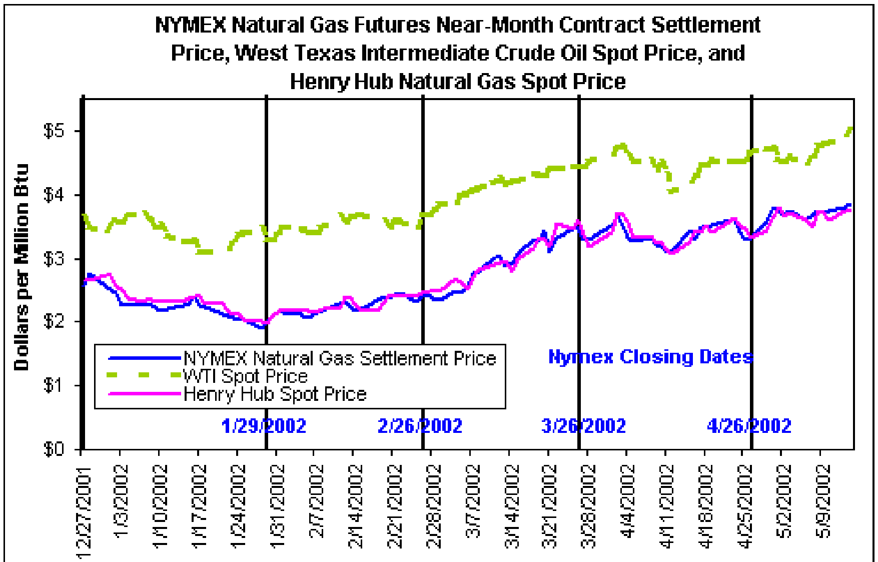
Industry/Market Developments

Pipeline Addition in Florida to Become Operational: The Gulfstream Natural Gas System, which is a pipeline project to deliver natural gas to Manatee County in central Florida from Pascagoula, Mississippi and Mobile, Alabama, appears to be on target to begin operations on June 1, 2002. Phase 1 of the project, which will deliver gas to the Tampa-St. Petersburg area, will be the first part of the pipeline to become operational. Crossing the Gulf of Mexico with 431 miles of 36-inch diameter steel pipe, the pipeline will have the capacity to transport 1.1 billion cubic feet per day of natural gas to customers in Florida. Industry sources indicate that the pipeline will begin line-packing during the last 2 weeks of May in anticipation of the June 1 start date. This should help to lower prices in the Sunshine State, which has been beleaguered by force majeures and other supply constraints as well as hot temperatures this spring. Phase 2 of the project will extend further south to Palm Beach County.

Prices

Spot prices at most trading locations of the country increased on Tuesday, May 14, with most gains ranging between 10 and 20 cents per MMBtu. The Henry Hub spot price climbed 14 cents to average $3.75 per MMBtu. The spot price at the New York citygate climbed above the $4 mark, increasing 15 cents to average $4.06 per MMBtu. Prices at many locations in the Rocky Mountains region had the largest gains in the country with increases of over 50 cents per MMBtu, although prices generally remained below $3 per MMBtu in the region. The price at the Florida citygate was the highest in the nation, averaging $7.46 per MMBtu as heavy demand and tight supplies continued to support the price level. In general, the spot price increases appeared to be driven by the rising prices in the futures market.

At the NYMEX, prices gained about 7 cents per MMBtu for the June futures contract on Tuesday. With concerns over tensions in the Middle East and the price of crude oil rising in recent days, traders continue to bid up futures prices. The futures contract for June delivery closed at $3.855 per MMBtu, while gains of about 8 cents per MMBtu were recorded on futures contracts for delivery later in the year. The futures contract for June delivery is now selling above its high of $3.795 per MMBtu as the front-month contract.



Note: The West Texas Intermediate crude oil price, in dollars per barrel, is converted to $/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

Source: NGI"S *Daily Gas Priceindex* (http://intelligencepress.com)

All prices in $ per MMBtu	California Composite Average Price*	Henry Hub	New York City	Chicago	NYMEX futures contract-June delivery	NYMEX futures contract-July delivery
4/16/2002	3.31	3.43	3.88	3.44	3.329	3.367
4/17/2002	3.23	3.40	3.76	3.38	3.511	3.546
4/18/2002	3.31	3.51	3.81	3.50	3.523	3.558
4/19/2002	3.01	3.40	3.68	3.41	3.562	3.595
4/22/2002	3.32	3.58	3.97	3.59	3.616	3.646
4/23/2002	3.31	3.63	3.97	3.64	3.615	3.645
4/24/2002	3.14	3.53	3.85	3.55	3.431	3.465
4/25/2002	3.14	3.47	3.81	3.49	3.306	3.341
4/26/2002	2.70	3.32	3.66	3.33	3.372	3.407
4/29/2002	3.14	3.44	3.79	3.48	3.561	3.589
4/30/2002	3.27	3.65	3.95	3.67	3.795	3.823
5/1/2002	3.32	3.79	4.06	3.81	3.735	3.767
5/2/2002	3.15	3.65	3.91	3.66	3.684	3.721
5/3/2002	2.91	3.71	3.92	3.69	3.745	3.787
5/6/2002	3.23	3.61	3.81	3.58	3.595	3.639
5/7/2002	3.16	3.49	3.74	3.49	3.673	3.719
5/8/2002	3.30	3.74	4.01	3.74	3.746	3.794
5/9/2002	3.39	3.72	4.05	3.74	3.719	3.768
5/10/2002	3.16	3.71	4.00	3.73	3.749	3.800
5/13/2002	3.37	3.61	3.91	3.64	3.783	3.831
5/14/2002	3.37	3.75	4.06	3.79	3.855	3.912

* Average of *NGI's* reported average prices for: Malin, PG&E citygate, and Southern California Border Average.

Source: NGI's Daily Gas Price Index (http://intelligencepress.com)

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Latest U.S. Coal Information

(updated May 14, 2002)

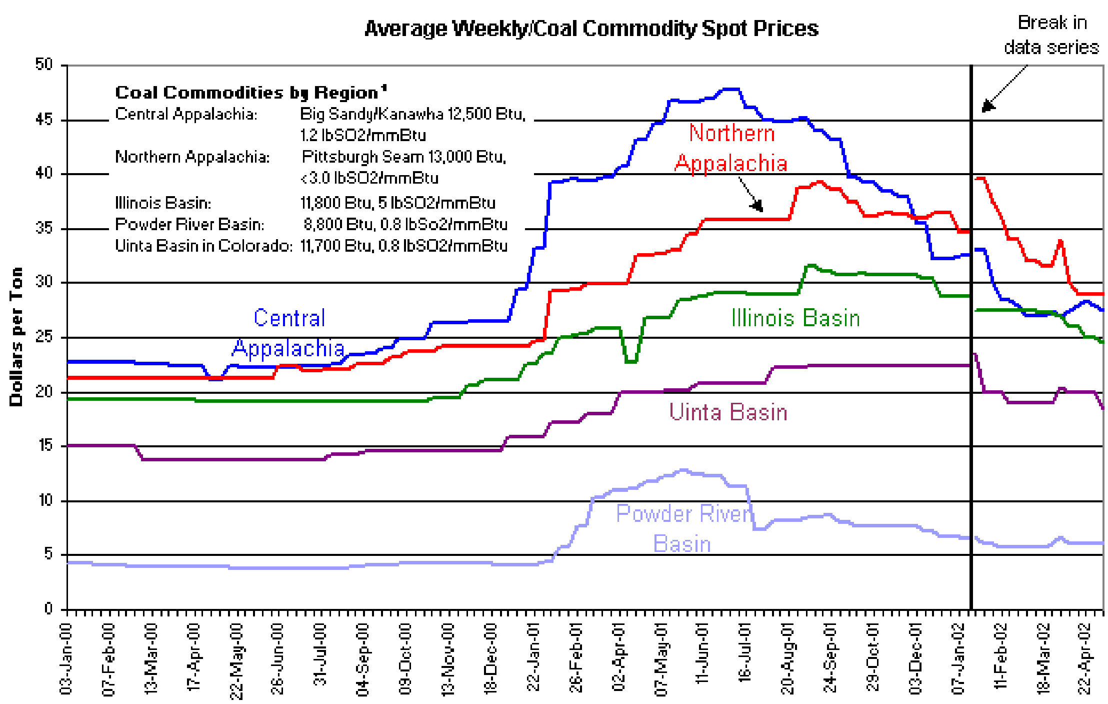
On May 8, the U.S. Army Corps of Engineers was ordered to cease issuing permits that allow filling of valleys and burial of streambeds adjoining mountaintop removal coal mining projects. Chief U.S. District Judge Charles H. Haden II issued the controversial 44-page ruling in Charleston, West Virginia, in a suit brought by Kentuckians for the Commonwealth, Inc., a citizens group, against the Corps' Huntington, West Virginia, District. The disputed practice, known as "valley fill," has been allowed for almost 20 years and mining companies consider it an important component of economical coal recovery at the mammoth mountaintop operations. Haden wrote that the Corps' "rule change was designed simply for the benefit of the mining industry and its employees" and that the "practice is illegal because it is contrary to the spirit and the letter of the Clean Water Act."

This ruling came at a time when the Bush Administration was taking steps to remove regulatory impediments to mountaintop mining, including plans to shift all permitting to individual States. On May 9, the Corps published a final rule in the Federal Register that allows mine overburden to be dumped in streams regulated under Section 404 of the Clean Water Act. The National Mining Association warned that Haden's ruling would threaten more than 15,000 jobs in the region. On May 13, the U.S. Department of Justice filed a motion for stay of Judge Haden's ruling, pending appeal. In its supporting documentation, the Justice Department contends that this ruling is broad and, if fully implemented, would stop all new surface coal mining (not just mountaintop removal) in steep terrain, because some valley filling is necessary even in less expansive operations. It also contemplates possible impacts on underground mining in steep terrain, which generally requires preparation plants, with waste impoundments in valleys, and even valley fill for mine roads. Further, the motion questions whether the ruling might be applied to other mining besides coal.

On April 24, the National Mining Association had filed a motion to stay a separate, March 28 ruling, restricting land subsidence associated with underground coal mining. On April 25, the Interior Department filed for a stay. That ruling, by U.S. District Judge James Robertson of the federal district court in Washington, DC, would restrict underground coal mining under national parks, inhabited residences, and other protected areas. The court ruled in favor of the Citizens Coal Council, an environmental advocacy group, in a suit challenging the way the Department of the Interior allows permitting of underground coal mining that may cause ground subsidence in specified protected areas. This ruling would negate permitting practices that have been followed, but challenged, almost since the initiation of the Surface Mining Control and Reclamation Act of 1977. The National Mining Association (a co-defendant in the suit, along with Gale Norton, Secretary of the Interior) claims that the ruling ignores long-standing interpretation of the 1977 statute and would devastate eastern U.S. coal production.

For the week ending May 4, EIA estimates U.S. coal production at 20.1 million short tons (mst). This was 5.7% lower than in the comparable week in 2001. Year-to-date as of May 4, rail car loadings of coal and national coal production have fallen by 4.5% and 5.3%, respectively, compared to their levels a year ago. Year-to-date, western U.S. coal production is 1.4% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 9.5% below last year's level. The estimated production for the first four months of 2002 was 356.2 mst. Lower production at this time correlates with higher-than-usual coal stockpiles at consuming facilities and with the spring period of low seasonal demand at electric power plants.

While crude oil prices have fluctuated, mostly upward, in recent weeks, U.S. coal prices have either fallen or held relatively steady. Although price indexes changed since last summer, Illinois, Uinta, and Powder River Basin coals are continuing the level-to-slowly-declining price profiles established with the 2001 spot data. Since peaking in summer 2001, Central and Northern Appalachian coal prices have fallen significantly (by about $20.00 and $10.00 per short ton, respectively). The latest indexed spot prices, $27.50 per short ton for Central Appalachian and $29.00 per short ton for Northern Appalachian coal, are respectively 23% and 36% above prices in the summer of 2000, prior to escalation. Other prices are also running higher than the summer 2000 baseline: by about 35% for the Uinta Basin, 30% for the Illinois Basin, and 60% for the Powder River Basin. In the latest week, coal prices either did not change or moved down by small percentages. Although NYMEX trade volumes are nominal and erratic, settled prices since early February 2002 have been relatively level, in the $25 to $27 range with generally low daily volumes.



Source: with permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey"

[1]Prior to January 14, 2002 EIA averaged 12-month "forward" spot prices for several coal specifications; after that date, the values shown are based on a single specification in each region for delivery by the end of the next quarter.

Temporary disruptions in supply lines for Central Appalachian coal occurred between Thursday, May 2, and Sunday, May 5, 2002, as "heavy rain pounded a five-county area where West Virginia, Virginia and Kentucky meet, sending normally quiet streams raging over their banks" (AP, May 3, 2002). Rapid rainfall always has the potential to disrupt or flood mine workings -- in this case, State authorities intervened to control at least one spill from an abandoned waste pond in West Virginia -- but wider problems strained the distribution system. Flooding and washouts affected coal truck deliveries to prep plants and long hauls on the Norfolk Southern Railroad. High water in the Big Sandy and Tug Fork Rivers delayed barge shipments and loadings at some docks. By Monday, May 6, although rivers were still near flood stage and currents were swift, shipping was continuing with minor delays as vigilant rivermen watched for runoff surges in downstream reaches of the rivers, or in the event of new local storms. Short-term distribution problems of this kind may not be detectable in Weekly Coal Production estimates. Although they affect local routings, they do not severely disrupt State-level coal production and the overall supply chain. Localized effects and less-than-full-week delivery problems are not traceable given the source data EIA uses for weekly estimates.

In the long term, EIA expects domestic coal supplies to be more than adequate for projected consumption. Most coal is still sold under multi-year contracts, and average prices for all coal supply contracts, incorporating spot and long-term, are projected to stabilize at well below current spot prices. EIA's projections of average coal prices decline slightly in inflation-adjusted dollars because nominal prices rise more slowly than the rate of inflation between 2000 and 2020.

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Latest U.S. Electricity Information

(updated May 15, 2002)

Selected Wholesale Electricity Prices: Western U.S. wholesale electricity prices have been mixed over the past seven days (excluding weekend transactions). Prices at the California Oregon Border (COB) have ranged between a high of $29.86 per megawatthour on May 14 and a low of $25.91 per megawatthour on May 8. Prices at the Palo Verde trading center have ranged between a high of $32.43 per megawatthour on May 14 and a low of $27.48 per megawatthour on May 10.

Similarly, prices in the Northeast have also been mixed over the past seven days. Prices at the New York ISO ranged from a high of $43.16 per megawatthour on May 7 to a low of $33.93 per megawatthour on May 13. ISO New England prices ranged from a high of $44.00 per megawatthour on May 13 to a low $32.30 per megawatthour on May 8.

The average price at all trading centers has been relatively stable, ranging between a high of $30.83 and a low of $28.15 per megawatthour.

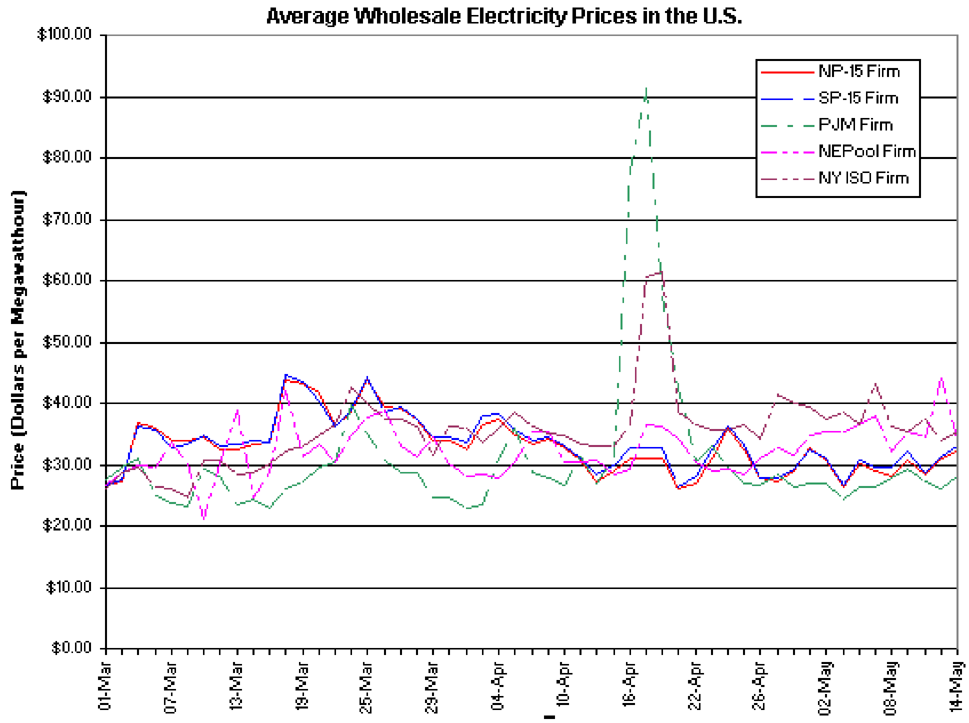
U.S. Regional Electricity Prices at Major Trading Centers (Dollars per megawatthour)

Trading Centers	Date							Price Range		
	5/6/02	5/7/02	5/8/02	5/9/02	5/10/02	5/13/02	5/14/02	Max	Min	Average
COB	28.88	26.13	25.91	28.40	26.42	27.81	29.86	29.86	25.91	27.68
Palo Verde	29.91	28.63	27.72	30.63	27.48	30.35	32.43	32.43	27.48	29.72
Mid-Columbia	27.23	24.39	23.79	26.80	24.37	25.45	26.92	27.23	23.79	25.47
Mead/Marketplace	31.29	29.13	28.18	31.33	27.82	30.68	33.38	33.38	27.82	30.28
4 Corners	30.00	28.50	27.00	30.25	25.00	30.00	31.81	31.81	25.00	28.81
NP 15	30.04	28.97	28.05	30.72	28.42	30.93	32.28	32.28	28.05	30.08
SP 15	30.70	29.56	29.53	32.19	28.56	31.44	33.07	33.07	28.56	30.96
PJM West	26.46	26.28	27.93	29.33	27.27	26.00	28.18	29.33	26.00	27.74
ISO New England	36.66	37.88	32.30	35.30	34.62	44.00	34.09	44.00	32.30	36.08
New York ISO	36.42	43.16	36.20	35.26	37.52	33.93	35.39	43.16	33.93	35.65
Cinergy	22.93	23.73	28.23	28.92	22.23	18.81	17.60	28.92	17.60	23.16
Average Price	30.05	29.67	28.62	30.83	28.15	29.95	30.46	30.83	28.15	29.60

Source: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, and Cinergy trading centers, Used with Permission from Bloomberg L.P.(www.bloomberg.com), ISO New England (http://www.iso-ne.com), and New York ISO

Notes:
n.q. - No quotes available for the day.

COB:	Average price of electricity traded at the California-Oregon and Nevada-Oregon Borders.
Palo Verde:	Average price of electricity traded at Palo Verde and the West Wing, Arizona.
Mid-Columbia:	Average price of electricity traded at Mid-Columbia.
Mead/Market Place:	Average price of electricity traded at Mead Market Place, McCullough and Eldorado.
Four Corners:	Average price of electricity traded at Four Corners, Shiprock, and San Juan, New Mexico.
NP-15:	Average price of electricity traded at NP-15.
SP-15:	Average price of electricity traded at SP-15.
PJM-West:	Average price of electricity traded at PJM Western hub.
Nepool:	Average price of electricity traded at the New England ISO, formerly Nepool.
New York ISO:	Average price of electricity traded at the New York ISO.
Cinergy:	Average price of electricity traded into the Cinergy control area.



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