ENERGY SITUATION ANALYSIS REPORT

May 30, 2002

next scheduled update: June 4, 2002
Note: report updated twice weekly

Energy Information Administration
US Department of Energy
Washington, DC 20585
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Petroleum *Natural Gas* *Coal* *Electricity*

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Latest Energy Market Developments

(updated May 30, 2002)

NYMEX West Texas Intermediate crude oil futures for July delivery fell by $1.09 per barrel on Thursday to $24.67 per barrel on news of rising product stocks in the U.S. Both the API and EIA reported gains in gasoline and distillate stocks, although both surveys also noted declines in U.S. crude oil stocks of 2.4 and 1.5 million barrels per day, respectively. The build in gasoline inventories and the weaker than anticipated gasoline demand as the summer driving season began raised questions as to the strength of the recovery in U.S. oil consumption.

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

- Iraq exchanged letters with the United Nations formally extending the oil-for-food humanitarian program for another six months, despite a new overhaul of sanctions. However, Iraq said on Thursday that its exports are being affected by the United Nation's pricing schedule. "We will have a light (export) schedule for June, especially for the first half, and it is definitely because of the U.N.'s retroactive pricing," said a senior Iraqi oil official.
- OPEC's largest oil producers agree that members should leave output quotas unchanged when they meet in Vienna next month, OPEC Secretary-General Ali Rodriguez said. "The important producers are of the view that production should be kept unchanged... for the moment, we are going to maintain the situation we have now," Ali Rodriguez said. "But looking at the third and fourth quarters, there may be an increase in demand and surely in September there may be a different decision."
- Speculation that Pakistan may start rationing key petroleum products should cross-border tensions with India escalate was dismissed by the Pakistani government. "Pakistan has 45-day reserves of all major petroleum products, enough to meet increased demand from the country's armed forces should cross-border hostilities with India escalate into war," Pakistan Petroleum Secretary Abdullah Yousuf said Thursday.
- Reports of Venezuelan overproduction put oil prices under pressure on Wednesday. Tanker-tracker Petrologistics, the Financial Times, and the Middle East Economic Survey said that Venezuela increased oil production by 200,000 barrels per day in May following a drop in April during a period of unrest, and Petrologistics added that Venezuela could increase its production by another 100,000 barrels per day in June. OPEC Secretary-General Ali Rodriguez and Venezuelan Oil Minister Alvaro Silva denied these claims, with Ali Rodriguez suggesting that exports increased because "we had some previous stocks."

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

- As of May 30, the U.S. Strategic Petroleum Reserve (SPR) contained 569.9 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.
- Crude oil inventories are now 6.7 million barrels below levels a year ago and are in the lower half of the normal range for this time of year. Product inventories are relatively full, with both gasoline and distillate fuel (which includes heating oil and diesel fuel) inventories near the upper end of their respective normal ranges.
- The retail gasoline market fell 1.0 cent per gallon last week, with prices for regular gasoline 31.7 cents per gallon lower than last year. While retail gasoline prices traditionally rise over the Memorial Day holiday weekend, this year decreases were seen throughout most of the country.
- Net natural gas injections into storage in the Lower 48 States were 71 Bcf for the week ended Friday, May 24. This is similar to the 5-year average of 73 Bcf for the report week, and reflects the generally moderate temperatures during that week. With the stock build proceeding close to historical averages, and the current level exceeding the 5-year maximum level, it appears likely that the level of gas in storage will be sufficient for the upcoming heating season.
- U.S. coal prices in recent months have either fallen or held relatively steady. Year-to-date, western U.S. coal production is 1.5% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 9.8% below last year's level.
- Western U.S. wholesale electricity prices have begun to increase as higher temperatures have caused an increase in demand across the region. Over the past few days, the average price at all trading centers has trended upward from a low of $24.37 per megawatthour on May 23 to a high of $29.79 per megawatthour on May 29.

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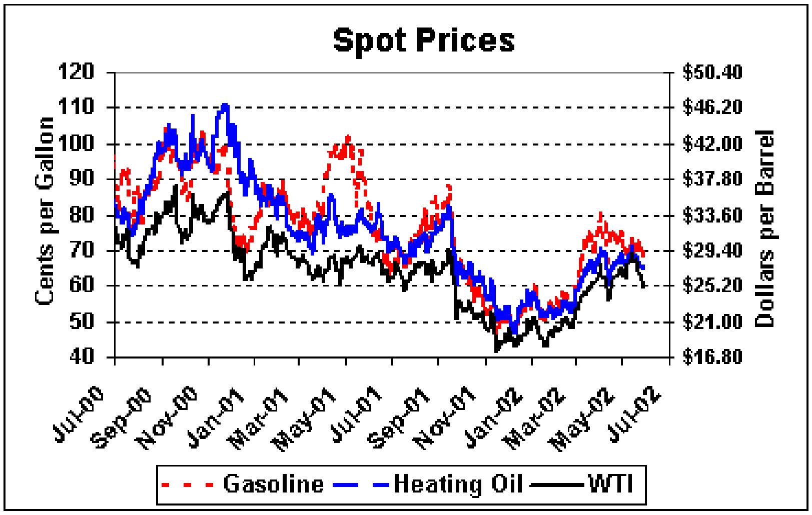
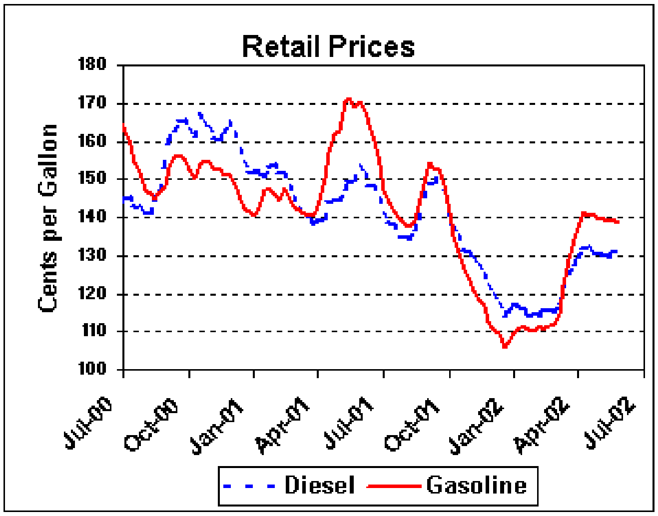
U.S. Petroleum Prices

(updated May 30, 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 $/bbl	WTI Crude Oil Futures $/bbl	Gasoline Spot NYH cents per gallon	Gasoline Futures cents per gallon	Heating Oil Spot NYH cents per gallon	Heating Oil Futures cents per gallon	Kerojet Spot NYH c/gal	Propane Spot Mt. Belvieu cents per gallon	Propane Spot Conway cents per gallon	EIA Weekly Retail US Average Gasoline cents per gallon	EIA Weekly Retail US Average Diesel cents per gallon
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		
5/15/2002	$28.17	$28.15	69.49	78.82	67.67	67.79	69.77	41.82	37.88		
5/16/2002	$28.00	$27.95	70.38	79.53	68.12	68.16	70.22	41.13	39.00		
5/17/2002	$28.19	$28.18	71.35	80.38	68.40	68.60	70.60	41.13	39.00		
5/20/2002	$28.24	$28.33	71.25	80.64	68.20	68.99	70.40	41.50	38.63	139.7	130.9
5/21/2002	$27.35	$27.33	69.90	78.44	66.35	66.77	69.10	40.82	37.76		
5/22/2002	$27.01	$26.37	72.70	79.68	66.80	66.95	69.80	40.44	37.07		
5/23/2002	$26.60	$26.15	71.38	78.83	65.90	66.50	69.30	40.57	36.57		
5/24/2002	$26.69	$25.88	70.80	79.01	65.45	65.95	69.03	39.57	36.75		
5/27/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA	138.7	130.8
5/28/2002	$25.08	$25.27	68.43	75.85	65.45	63.99	69.03	39.13	35.57		
5/29/2002	$25.64	$25.76	69.48	77.21	64.90	65.31	68.15	35.32	38.50		

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 30, 2002)

WTI Takes A Holiday

Leading up to the Memorial Day holiday, the West Texas Intermediate (WTI) crude oil price fell from about $29 per barrel on May 14 to less than $27 per barrel by May 24 (and even lower on May 28, the first business day following the holiday). However, just like many of us who had to return to the reality of working for a living following the 3-day weekend, so too will WTI prices likely return to higher levels sometime this summer. Of course, the actual timing of such a price movement is difficult to predict. Whether it happens next week or later this summer is unclear. But, unless the situation changes, higher WTI prices appear likely to occur at some point later this year. Why do we say this? Let’s explore the oil market for the answer.

First, crude oil supply is running short of crude oil demand (crude oil input into refineries) such that inventories are being reduced. This is the case, even though crude oil inputs to refineries are lower than at this time last year, largely because crude oil imports have dropped below year-ago levels by an even larger amount due to deep OPEC production cuts. Crude oil inventories are now 6.7 million barrels below levels a year ago and are in the lower half of the normal range for this time of year. Earlier this year, they were at the upper end, or even exceeded, the normal range. Thus, the crude oil market in the United States has clearly been tightening up recently, despite the lull in WTI prices that has occurred since the middle of May.

Second, product demand is expected to pick up as we head into the heart of summer (June, July, and August). For now, product inventories are relatively full, with both gasoline and distillate fuel (which includes heating oil and diesel fuel) inventories near the upper end of their respective normal ranges. As demand increases, there are basically three methods to supply this extra demand. First, product imports could increase to provide the incremental supply. However, it usually takes a few weeks for the product to be imported and distributed, thus making this method not the quickest way to add supply. Another method would be to refine more crude oil into products. This too will take a few weeks to refine the oil and distribute the product to its ultimate destinations. Plus, this will draw down crude oil inventories even further, assuming no appreciable increase in imports, thus increasing pressure on crude oil prices. The last method to supply incremental demand, and the timeliest, is to draw from product inventories. While this may appear to be the most economic and efficient method, this too may lead to price pressures later this summer. If product inventories are drawn such that they, too, end towards the lower end of the normal range, prices for these products will face upward pressure. And if crude oil inventories don't rise, then at some point, the United States may see both crude oil and product inventories towards the lower end of the normal range. Failing a third quarter OPEC production increase and the resulting rising U.S. crude oil imports, U.S. crude oil inventories are likely to remain under pressure since, unlike global markets, crude oil demand normally peaks in the United States in late summer. This situation is a recipe for upward price movement, particularly if something happens that temporarily affects the supply of crude oil (e.g., unrest in the Middle East or a cut-off of Iraqi exports) or refined petroleum products (e.g., a major refinery or pipeline problem). While it is difficult to discern when prices will increase, particularly as weekly data often appear to buck longer-term trends, unless more supply is added or demand does not increase as much as many analysts expect, it does appear that oil markets will tighten further later this summer. Indeed, higher crude oil and product prices are one of the major current risks to a strong recovery in the U.S. economy and oil demand.

Memorial Day Weekend Sees Lower Retail Gasoline Prices

The retail gasoline market fell 1.0 cent last week, with prices for regular gasoline ending at 138.7 cents per gallon on May 27. This price is 31.7 cents per gallon lower than last year. While retail gasoline prices traditionally rise over the Memorial Day holiday weekend, this year decreases were seen throughout most of the country. The largest decrease occurred in the Midwest, where prices fell 2.7 cents to end at 137.8 cents per gallon. The Rocky Mountain region was the only area that saw prices rise, with an increase of 0.9 cent to end at 138.9 cents per gallon. Prices have remained relatively flat over the past seven weeks, and the near term outlook calls for prices to remain steady over the next few weeks assuming the status quo in oil markets. However, prices at the pump may rise if there are increases in crude oil prices or gasoline demand during the summer driving season as highlighted above. Retail diesel fuel prices decreased by 0.1 cent per gallon to a national average of 130.8 cents per gallon as of May 27.

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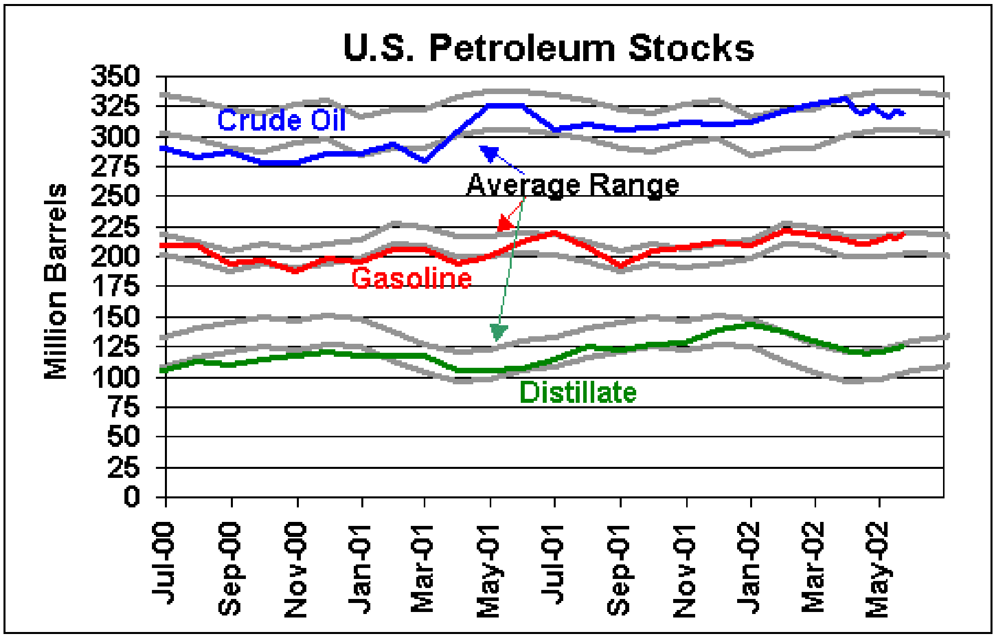
U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	5/24/2002	5/24/2001	Diff.	% Diff.
Refinery Activity				
Crude Oil Input	15,308	15,725	-417	-2.7%
Operable Capacity	16,800	16,643	157	0.9%
Operable Capacity Utilization (%)	92.1%	96.0%	-3.9%	
Production				
Motor Gasoline	8,591	8,612	-21	-0.2%
Jet Fuel	1,475	1,607	-132	-8.2%
Distillate Fuel Oil	3,741	3,655	86	2.3%
Imports				
Crude Oil (incl. SPR)	8,950	9,660	-710	-7.3%
Motor Gasoline	911	779	132	16.9%
Jet Fuel	103	176	-73	-41.5%
Distillate Fuel Oil	255	325	-70	-21.5%
Total	11,614	12,255	-641	-5.2%
Exports				
Crude Oil	32	79	-47	-59.5%
Products	931	1,005	-74	-7.4%
Total	963	1,085	-122	-11.2%
Products Supplied				
Motor Gasoline	8,736	8,687	49	0.6%
Jet Fuel	1,515	1,718	-203	-11.8%
Distillate Fuel Oil	3,668	3,742	-74	-2.0%
Total	19,458	19,509	-51	-0.3%

			vs. Year Ago	
Stocks (Million Barrels)	5/24/2002	5/24/2001	Diff.	% Diff.
Crude Oil (excl. SPR)	318.9	325.6	-6.7	-2.1%
Motor Gasoline	218.1	209.3	8.8	4.2%
Jet Fuel	40.7	41.8	-1.1	-2.6%
Distillate Fuel Oil	124.9	106.8	18.1	16.9%
Total (excl. SPR)	1,018.9	1,000.5	18.4	1.8%



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*

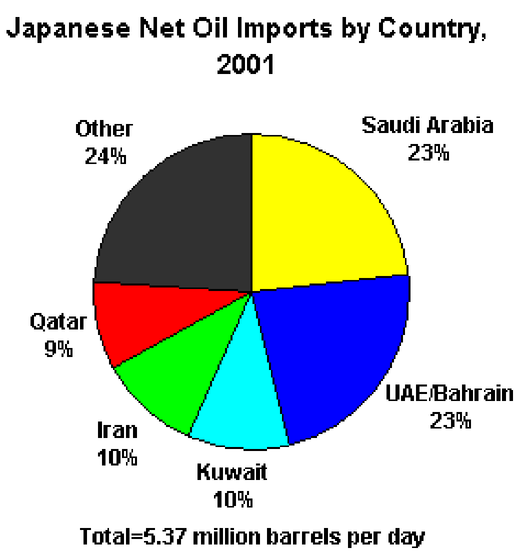
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	7.38
2)	Russia	4.76

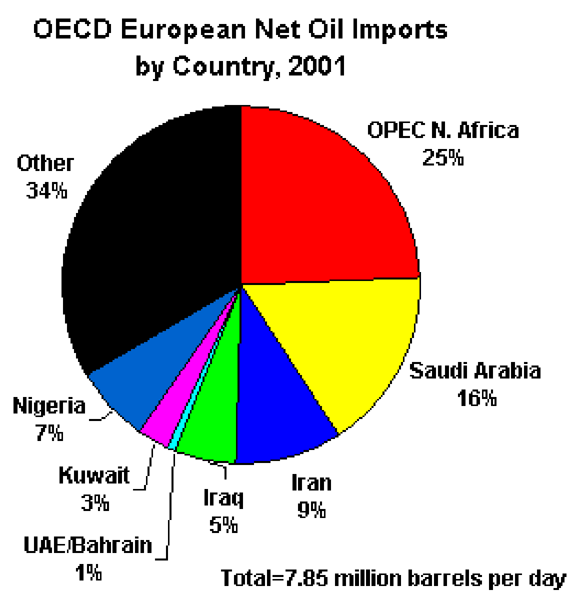
3)	Norway	3.22
4)	Iran	2.74
5)	Venezuela	2.60
6)	United Arab Emirates	2.09
7)	Nigeria	2.00
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24
12)	Algeria	1.24

**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 does 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 30, 2002)

Industry/Market Developments

FERC Investigates Natural Gas Wash-Trading: The Federal Energy Regulatory Commission (FERC) has expanded its investigation into "wash-trading" activities to include natural gas transactions. FERC, which earlier launched an investigation into such trading by electric power marketers, has given all sellers of natural gas in the U.S. portion of the Western Systems Coordinating Council and/or Texas during the years 2000-2001 until June 5, 2002, to "admit or deny" engaging in wash-trading activities. FERC defines wash-trading as involving the "sale of natural gas together with a simultaneous purchase of the same product at the same price." The practice, which has also been called "round-trip" and "sell/buyback" trading, has drawn the attention of regulators for possibly contributing to the manipulation of natural gas and electricity prices. If companies admit to wash-trading, FERC instructed them to provide "transaction by transaction" details. Specifically, FERC required companies to identify traders participating in the transactions and to explain the methods used to arrive at the value or compensation of such transactions. On May 21, FERC began investigating similar transactions in electricity trading, requiring "admit or deny" responses from companies by May 31, 2002. To date, several large energy marketers, including Reliant Energy and CMS Energy, have acknowledged in public statements that they have engaged in wash-trading of electric power.

Natural Gas Rig Counts: The number of rigs exploring for natural gas increased by 29 to 725 for the week ended Friday, May 24, according to Baker-Hughes Incorporated. Natural gas rigs are nearly 30 percent below last year at this time when they numbered 1,030. However, since the week ended April 5, 2002, when natural gas rigs numbered 591, the number of rigs has increased for seven straight weeks, climbing almost 3 percent per week on average. The rig count now is almost 23 percent above the level recorded on April 5 and is at its highest level since the first week of January 2002. According to the EIA Short-Term Energy Outlook (released May 6), aggregate lease revenues from domestic oil and gas production are expected to move up this year and settle at about $300 million per month in 2003, which would be an increase of approximately 50 percent over the rates seen at the end of 2001. Inasmuch as these revenues are a strong determinant of industry cash flow, which in turn is a powerful driver of drilling activity levels, an upward trend in gas drilling levels is anticipated for this year and into 2003.

Storage

According to the EIA Weekly Natural Gas Storage Report, net injections into storage in the Lower 48 States were 71 Bcf for the week ended Friday, May 24. This is similar to the 5-year average of 73 Bcf for the report week, and reflects the generally moderate temperatures during that week. With the stock build proceeding close to historical averages, and the current level exceeding the 5-year maximum level, it appears likely that the level of gas in storage will be sufficient for the upcoming heating season.

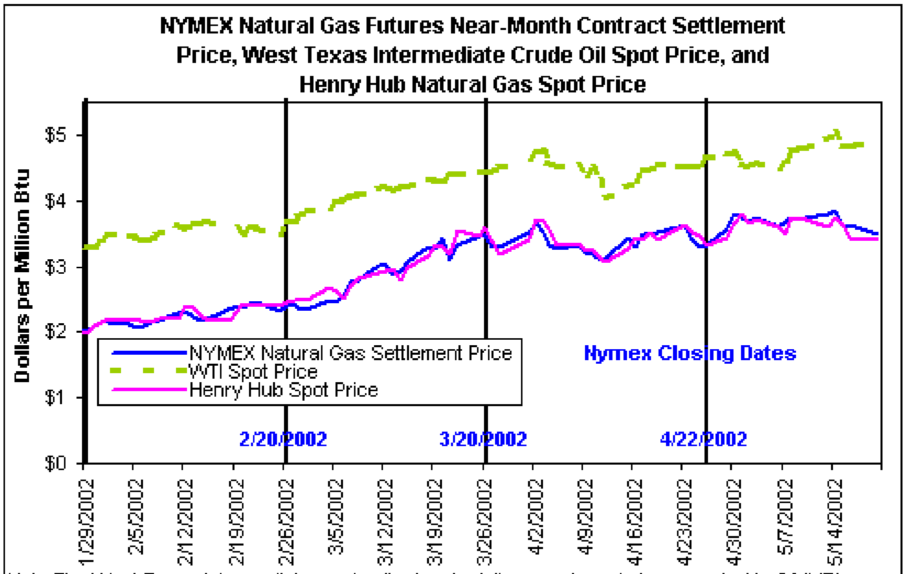
All Volumes in Bcf	Current Stocks 5/22/2002	Estimated Prior 5-year (1997-2001) Average	Percent Difference from 5-Year Average	Net Change from Last Week	One-Week Prior Stocks 5/15/2002
East Region	848	787	7.8%	35	813
West Region	267	213	25.4%	8	259
Producing Region	681	476	43.1%	28	653
Total Lower 48	1,796	1,477	21.6%	22	1,725

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage report," and the Historical Weekly Storage Estimates Database

Prices

Natural gas spot prices have climbed since Memorial Day, with the largest increases occurring on Wednesday, May 29, when most locations reported gains ranging between 2 and 14 cents. Prices at the Henry Hub climbed 8 cents to $3.29 per MMBtu. At some Rocky Mountain locations, spot prices increased between 10 and 45 cents yesterday, although prices remain lower than elsewhere with the highest reported price in this region at $2.56 per MMBtu.

At the NYMEX, the settlement price of the futures contract for June delivery at the Henry Hub increased 14 cents on Wednesday, May 29 to a final settlement price of $3.420 per MMBtu. Similarly, prices of the futures contracts for delivery during each month remaining in 2002 climbed between 10 and 14 cents per MMBtu yesterday. These increases were driven by both rising crude oil prices, which jumped over 2 percent on Wednesday, and short-covering as many traders likely shifted their positions in the expiring June contract into contracts for delivery further into the future.



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 Price Index* (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
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	3.25	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
5/15/2002	3.21	3.62	3.92	3.63	3.347	3.446
5/16/2002	3.00	3.44	3.73	3.49	3.609	3.689
5/17/2002	2.88	3.42	3.76	3.50	3.280	3.373
5/20/2002	3.07	3.44	3.80	3.53	3.420	3.505
5/21/2002	2.93	3.33	3.69	3.39	3.395	3.473
5/22/2002	2.91	3.38	3.75	3.42	3.459	3.537
5/23/2002	2.79	3.38	3.73	3.43	3.438	3.521
5/24/2002	2.34	3.22	3.55	3.24	3.347	3.446
5/282002	2.69	3.21	3.52	3.21	3.280	3.373
5/29/2002	2.73	3.29	3.64	3.32	3.420	3.505

* 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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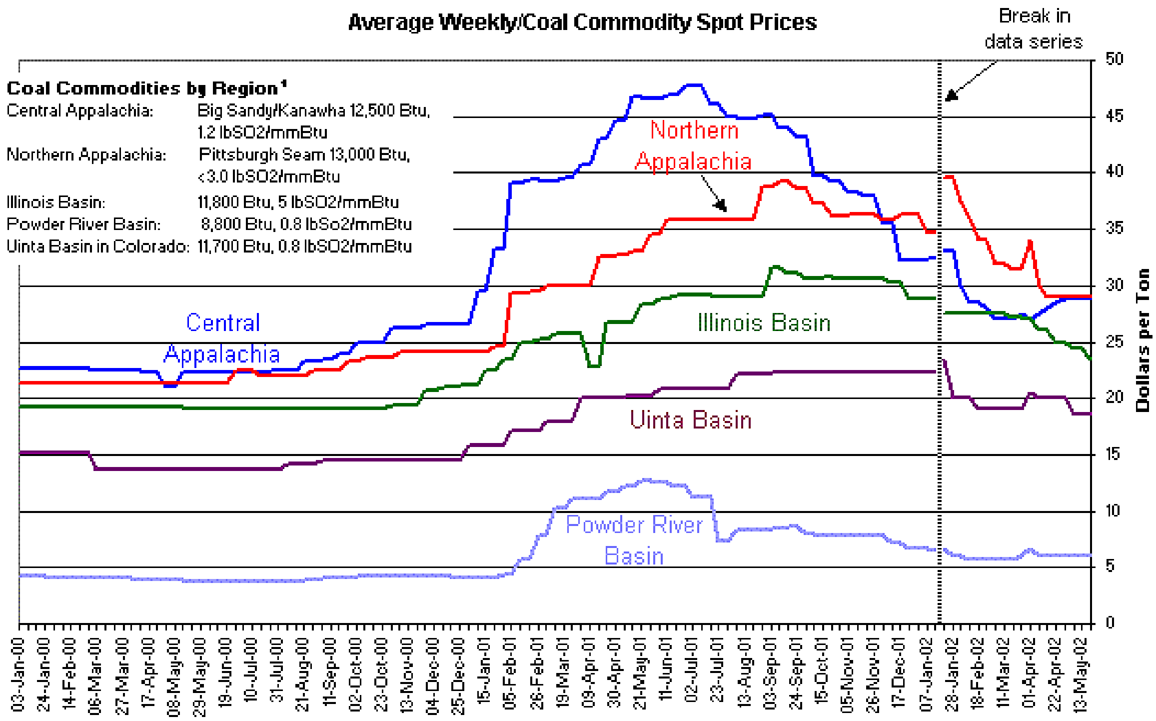
Latest U.S. Coal Information

(updated May 23, 2002)

Coal Production

For the week ending May 18, rail car loadings of coal and national coal production have fallen by 4.8% and 5.5%, respectively, compared to their levels a year ago. Year-to-date, western U.S. coal production is 1.5% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 9.8% below last year's level. The estimated production for the first four months of 2002 was 356.2 million short tons (mst). Lower production at this time correlates with higher-than-usual coal stockpiles at consuming facilities and with a long spring period of low seasonal demand at electric power plants, as well as slowed economic activity.

Coal Prices
U.S. coal prices in recent months have either fallen or held relatively steady. Allowing for changes in the price indexes since last summer, Illinois, Uinta, and Powder River Basin coals continue the level-to-slowly-declining price profiles established under the 2001 spot data. Since peaking in summer 2001, Central and Northern Appalachian coal prices have fallen significantly (by about $19.00 and $10.00 per short ton, respectively). The latest indexed spot prices, $28.75 per short ton for Central Appalachian and $29.00 per short ton for Northern Appalachian coal, are respectively 29% and 36% above prices in the summer of 2000, prior to escalation. Those two prices have held steady now for the past 4 weeks and 6 weeks, respectively. 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.



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

¹Prior 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.

In the latest week, near-quarter over-the-counter (OTC) coal prices mostly held steady or moved down by small percentages (graphic above). Although NYMEX trade volumes are erratic, trading on Tuesday, May 14, reached a new high as 264 trades were settled. Prices for NYMEX trades for calendar year 2003 rose to $28.95 per short ton, from $28.50 per short ton, and some OTC trades for Appalachian bituminous broke above $29 per short ton for calendar year 2003. On average, however, settled prices since early February 2002 have been relatively level, in the $25 to $28 per short ton range with generally low daily volumes.

Coal Mining Legal Rulings
On May 13, the Federal Government filed to stay a recent court order that it says "casts a tremendous cloud of uncertainty over all future coal mining in Appalachia." The motion by the Department of Justice (DOJ) predicts that effects in the region would include suspension of future coal mining projects, laying off existing workers, and suspending plans for hiring new workers. The ruling ordered the U.S. Army Corps of Engineers to cease issuing permits to fill valleys and bury streambeds adjoining coal mining projects. Chief U.S. District Judge Charles H. Haden II issued the 44-page opinion on May 8, 2002, in Charleston, West Virginia, in a suit filed by Kentuckians for the Commonwealth, Inc., a citizens group, against the Corps' Huntington, West Virginia, District.

The National Mining Association warned that Haden's ruling would threaten more than 15,000 jobs in the region. Although the ruling was prompted by practices largely associated with mountaintop removal coal mining, the DOJ contends that it is broad and, if fully implemented, would stop all new surface coal mining in steep terrain, because some valley filling is necessary even in less expansive operations. The DOJ also contemplates possible impacts on underground mining in steep terrain, which generally requires preparation plants, with waste impoundments in valleys, and may use valley fill for mine roads. Further, the DOJ motion questions whether the ruling might be applied to other mining besides coal. As of May 24, at least 30 permit actions in West Virginia and eastern Kentucky have been reported on hold by the Corps, most of which are for amendments at active operations. On May 20, the Kentucky Coal Association also filed a motion to stay Judge Haden's ruling, and to seek clarification whether coal slurry ponds are in fact covered and as to the geographic area implicated. If the ruling is interpreted broadly, said one Kentucky coal operator, "we are going to be losing a lot of coal."

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, as well as at many traditional contour surface mines in steep lands. 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 as the Government was taking steps to remove regulatory impediments to mountaintop mining and to shift all permitting to individual States. On May 9, the Corps had published a final rule in the Federal Register that would allow mine overburden to be dumped in streams regulated under Section 404 of the Clean Water Act.

In a separate issue mostly affecting Appalachian coal mining, on April 24 the National Mining Association filed a motion to stay a March 28 ruling restricting land subsidence associated with certain underground coal mining. On April 25, Secretary of the Interior and co-defendant Gale Norton filed for a stay of the same decision. The ruling by U.S. District Judge James Robertson of the federal district court in Washington, DC, would restrict underground coal mining that may cause subsidence in national parks and beneath inhabited residences and other protected areas. The court sided with the Citizens Coal Council, an environmental advocacy group, which challenged how the Department of the Interior permits underground coal mining in protected areas--especially "longwall" mining, which often causes ground subsidence. The ruling would negate long-standing permit practices that have regularly been challenged almost since the inception of the Surface Mining Control and Reclamation Act of 1977.

In one respect, any disruptions to coal supplies due to these two rulings are well timed. Currently coal demand is low because coal stockpiles are high at electricity generators. Stockpiles are high owing to the slow rate of recovery of the U.S. economy and the dampening of electricity demand because of extended mild weather. Consequently, coal producers have temporarily shut down unneeded mine capacity and hastened the permanent closure of some marginally competitive mines. In the long term, EIA expects domestic coal supplies to be 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 30, 2002)

Selected Wholesale Electricity Prices: Western U.S. wholesale electricity prices have begun to increase as higher temperatures have caused an increase in demand across the region. For example, wholesale prices at the COB increased 27 percent going from $17.10 per megawatthour on May 24 to $21.75 per megawatthour on May 29.

Prices in the Northeast region have been mixed over the past seven days. At the NEPOOL, price fluctuations have been small, ranging from a high of $43.03 per megawatthour to a low of $41.04 per megawatthour. On the other hand, prices at the New York Zone J, New York City, ranged from a high of $55.25 per megawatthour on May 24 to a low of $46.50 per megawatthour on May 21.

Over the past few days, the average price at all trading centers has trended upward from a low of $24.37 per megawatthour on May 23 to a high of $29.79 per megawatthour on May 29.

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

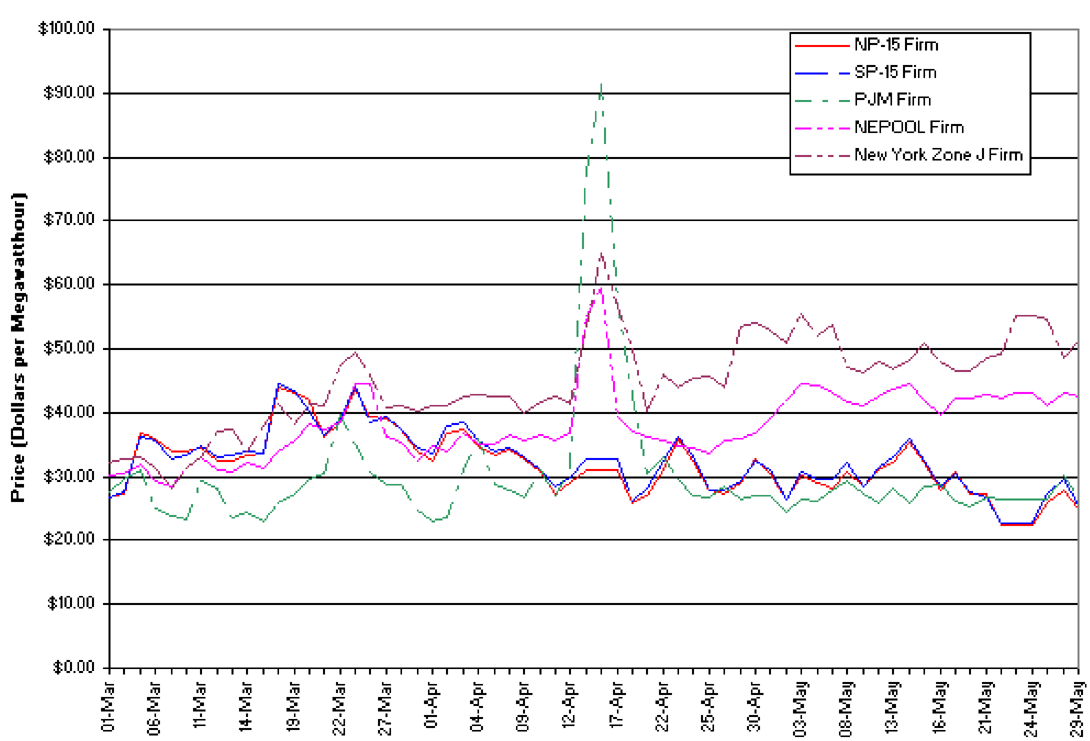
Trading Centers	Date							Price Range		
	5/21/02	5/22/02	5/23/02	5/24/02	5/27/02	5/28/02	5/29/02	Max	Min	Average
COB	24.25	24.02	17.10	17.10	n.q.	20.14	21.75	24.25	17.10	20.73
Palo Verde	25.79	24.34	20.22	20.22	n.q.	25.49	28.93	28.93	20.22	24.17
Mid-Columbia	20.89	17.17	10.82	10.82	n.q.	16.48	14.76	20.89	10.82	15.16
Mead/Marketplace	26.94	25.29	21.33	21.33	n.q.	27.13	29.84	29.84	21.33	25.31
4 Corners	25.95	24.30	19.79	19.79	n.q.	25.46	29.42	29.42	19.79	24.12
NP 15	27.41	27.41	22.45	22.45	n.q.	25.72	27.97	27.97	22.45	25.57
SP 15	27.55	26.63	22.84	22.84	n.q.	27.17	29.68	29.68	22.84	26.12
PJM West	25.43	26.63	26.35	26.35	n.q.	26.45	30.28	30.28	25.43	26.92
NEPOOL	42.38	42.78	42.25	43.03	n.q.	41.04	43.00	43.03	41.04	42.41
New York Zone J	46.50	48.44	49.25	55.25	n.q.	54.50	48.50	55.25	46.50	50.41
Cinergy	16.15	15.41	15.69	15.69	n.q.	18.96	23.51	23.51	15.41	17.57
Average Price	28.11	27.49	24.37	24.99	n.q.	28.05	29.79	29.79	24.37	27.13

Sources: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, NEPOOL, New York Zone J, and Cinergy trading centers. Used with permission from Bloomberg L.P. (www.bloomberg.com).

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 Nepool.
New York Zone J: Average price of electricity traded at the New York Zone J - New York City.
Cinergy: Average price of electricity traded into the Cinergy control area.

Average Wholesale Electricity Prices in the U.S.



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