ENERGY SITUATION ANALYSIS REPORT

June 4, 2002

next scheduled update: June 6, 2002
Note: report updated twice weekly

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 June 4, 2002)

NYMEX West Texas Intermediate crude oil futures for July delivery fell by $0.23 per barrel on Monday, to $25.08 per barrel, and were up slightly this morning (Tuesday) as markets drifted somewhat on a lack of major developments. Meanwhile, oil traders awaited new U.S. oil stock information from the American Petroleum Institute (API) and Energy Information Administration (EIA). Last week, 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 perceived 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:

- Only days after Iraq exchanged letters with the United Nations formally extending the oil-for-food humanitarian program for another six months, tanker loadings of Iraqi oil were stopped for a second straight day on Tuesday, with Baghdad blaming the U.N.'s retroactive pricing policy aimed at preventing the payment of surcharges to Iraq.
- OPEC's largest oil producers agree that members should leave output quotas unchanged when they meet in Vienna later this month. Saudi Arabia's Oil Minister, Ali Naimi, said on Saturday that "supply and demand are well balanced" with oil inventories "considered normal." UAE Oil Minister Obaid al-Nasseri echoed Naimi, stating that "under present circumstances there is no reason to change OPEC's current production ceiling."
- Russian data on Monday showed an apparent uptick in Russian crude oil exports during May. The Transneft state pipeline system reportedly is operating at close to full capacity. Russia agreed in December 2001 to cut its oil shipments by about 150,000 barrels per day beginning in January 2002, but said last month that it would begin to ease these curbs.
- London's International Petroleum Exchange was closed Monday and today for the Queen's Golden Jubilee celebration.

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

- As of June 4, the U.S. Strategic Petroleum Reserve (SPR) contained 570.7 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.
- EIA reported Monday, June 3 that U.S. retail gasoline prices increased last week for the first time in two weeks, rising 0.5 cents per gallon to a national average of $1.392 per gallon. Prices for regular gasoline remain about 29 cents per gallon lower than last year.
- After having fallen sharply on Friday, May 31, natural gas spot prices moved up only slightly in trading on Monday, June 3, despite warmer-than-normal temperatures that prevailed throughout most of the nation over the weekend.
- U.S. coal prices in recent months have either fallen or held relatively steady. Year-to-date, western U.S. coal production is 1.6% 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 average electricity price at all U.S. trading centers has trended upward, from $24.99 per megawatthour on May 24, to $34.11 per megawatthour on June 3.

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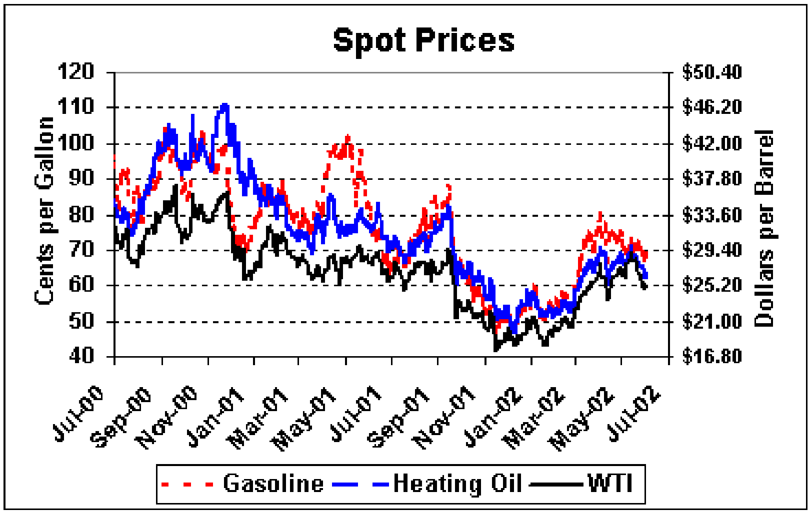
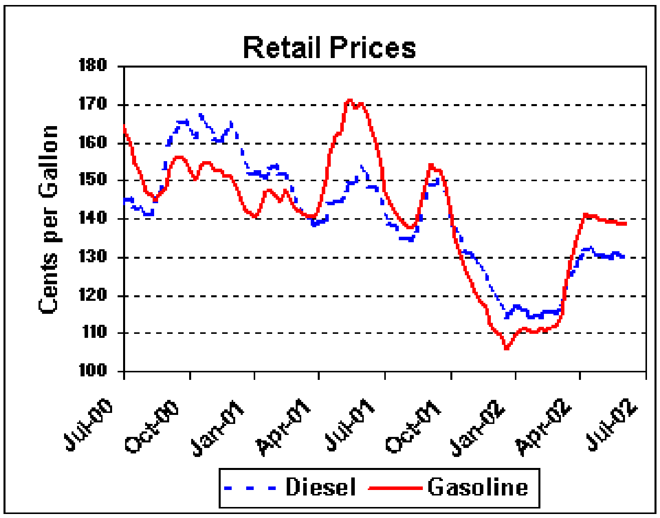
U.S. Petroleum Prices

(updated June 4, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

Crude Oil and Oil Products Prices

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
4/16/2002	$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		
5/30/2002	$24.78	$24.67	66.86	73.36	62.20	62.15	65.40	37.88	35.38		
5/31/2002	$25.37	$25.31	68.50	73.83	63.00	62.97	66.20	38.13	35.38		
6/3/2002	$25.10	$25.08	68.87	74.64	62.77	63.50	65.82	38.07	35.13	139.2	130.0

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.

Retail Gasoline Prices Edge Up 0.5 Cents (Updated June 4, 2002)

The retail price for regular gasoline rose 0.5 cents per gallon last week, ending at 139.2 cents per gallon as of June 3. This price is 28.7 cents per gallon lower than last year. Prices were mixed throughout the country, with decreases occurring in the East Coast, Gulf Coast, and Rocky Mountain regions, and increases happening in the Midwest and West Coast. The largest decrease occurred on the East Coast, where prices fell 0.7 cents per gallon to end at 135.8 cents per gallon. The largest increase took place in the Midwest, with prices jumping 2.0 cents per gallon to end at 139.8 cents per gallon. Prices have remained relatively flat over the past eight 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 0.8 cents per gallon to a national average of 130.0 cents per gallon as of June 3.

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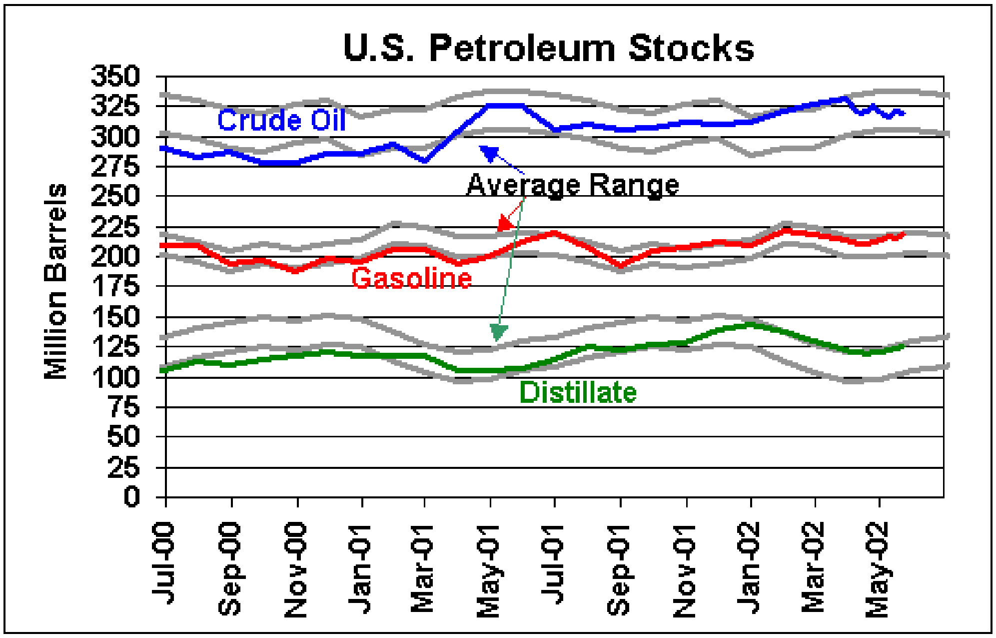
U.S. Petroleum Supply

(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*

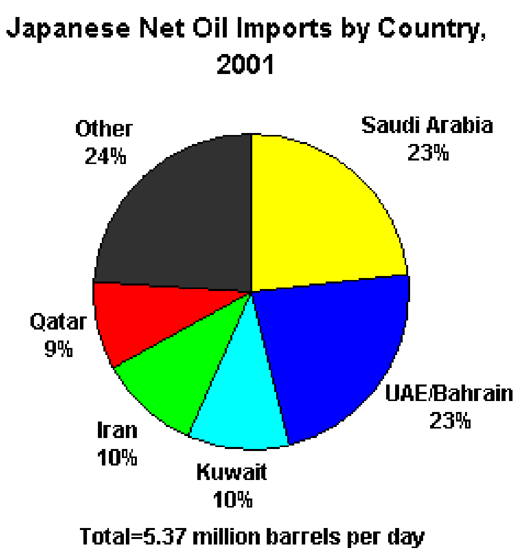
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	7.38
2)	Russia	4.76

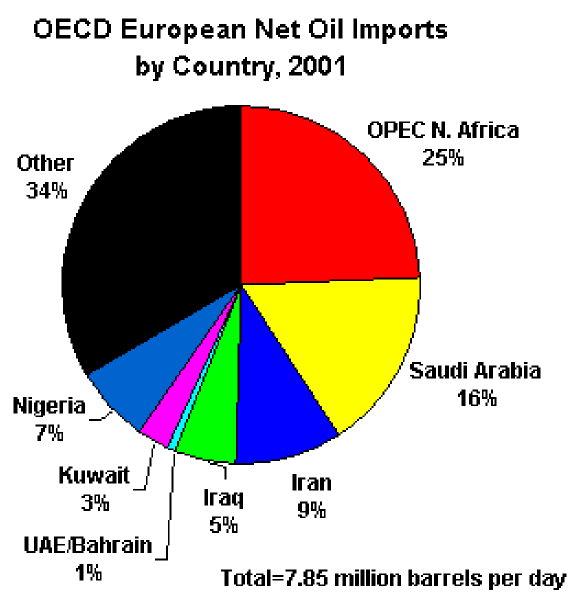
3)	Norway	3.22
4)	Iran	2.74
5)	Venezuela	2.60
6)	United Arab Emirates	2.09
7)	Nigeria	2.00
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24
12)	Algeria	1.24

**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 June 4, 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.

Storage

According to the EIA *Weekly Natural Gas Storage Report*, net injections into storage in the Lower 48 States were 71 billion cubic feet (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.

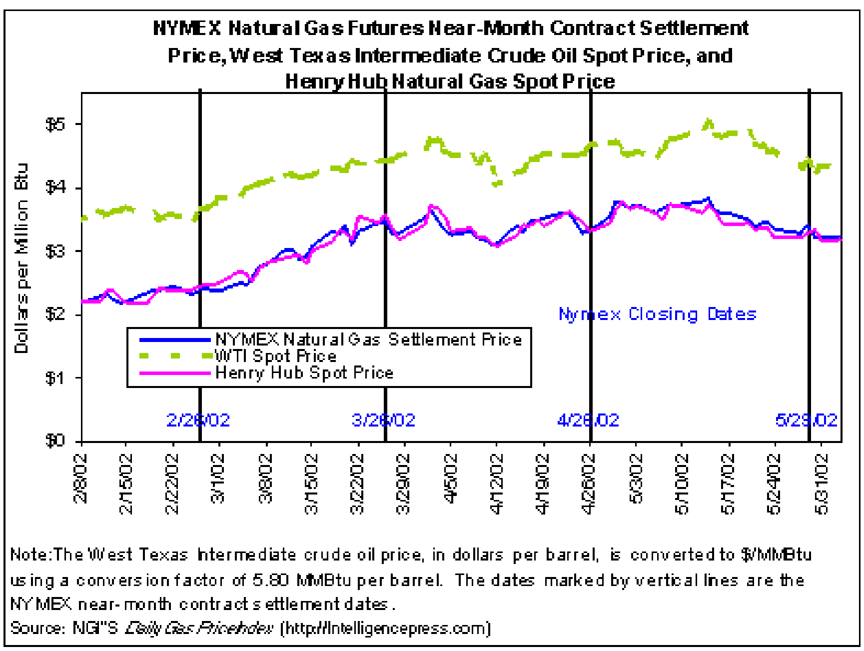
All Volumes in Bcf	Current Stocks (Fri,5/24)	Estimated Prior 5-Year (1997-2001) Average	Percent Difference from 5 Year Average	Net Change from Last Week	One-Week Prior Stocks (Fri, 5/17)
East Region	848	787	7.8%	35	813
West Region	267	213	25.4%	8	259
Producing Region	681	476	43.1%	28	653
Total Lower 48	1,796	1,477	21.6%	71	1,725

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

Prices

After having fallen sharply on Friday, May 31, spot prices moved up only slightly in trading on Monday, June 3, despite warmer-than-normal temperatures that prevailed throughout most of the nation over the weekend. At the Henry Hub, the average price regained just 3 cents per million Btu (MMBtu) from Friday's 19-cent-per-MMBtu drop, to $3.18 per MMBtu. Elsewhere, price increases were mostly less than a dime; the Chicago citygate price was flat at $3.13 per MMBtu. The major exception occurred at most Rocky Mountains locations, as a one-day maintenance action on Transwestern Pipeline's system led to price declines of 8 to nearly 40 cents per MMBtu, leaving the regional average price at $1.64 per MMBtu on the day. Despite consistent 90-plus temperatures and the reinstatement of an Overage Alert Day notice on Sunday and Monday, the Florida Gas Transmission citygate price nudged up just pennies to around $3.76 per MMBtu. However this was the highest spot price in the country.

On the NYMEX, the near-month contract (July delivery) gained $0.025 per MMBtu to settle at $3.242 per MMBtu. Futures contracts for August and September delivery also moved up slightly, but contracts for delivery beyond September through the end of the next heating season fell by less than a penny per MMBtu. The highest-priced gas over this period is for January 2003 delivery, at $3.939 per MMBtu.



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	Southern California Bdr. Average	Henry Hub	New York	Chicago	NYMEX futures contract-July delivery	NYMEX futures contract-August delivery
5/6/02	3.23	3.61	3.81	3.58	3.639	3.680
5/7/02	3.19	3.49	3.74	3.49	3.719	3.756
5/8/02	3.31	3.74	4.01	3.74	3.794	3.830
5/9/02	3.39	3.72	4.05	3.74	3.768	3.803
5/10/02	3.15	3.71	4.00	3.73	3.800	3.835
5/13/02	3.32	3.61	3.91	3.64	3.831	3.866
5/14/02	3.44	3.75	4.06	3.79	3.912	3.948
5/15/02	3.26	3.62	3.92	3.63	3.715	3.761
5/16/02	3.13	3.44	3.73	3.49	3.689	3.735
5/17/02	2.98	3.42	3.76	3.50	3.681	3.727
5/20/02	3.18	3.44	3.80	3.53	3.570	3.623
5/21/02	3.09	3.33	3.69	3.39	3.473	3.530
5/22/02	3.12	3.38	3.75	3.42	3.537	3.594
5/23/02	3.02	3.38	3.73	3.43	3.521	3.574
5/24/02	2.41	3.22	3.55	3.24	3.446	3.506
5/28/02	2.90	3.21	3.52	3.21	3.373	3.436
5/29/02	2.92	3.29	3.64	3.32	3.505	3.557
5/30/02	3.11	3.34	3.72	3.39	3.222	3.290
5/31/02	2.79	3.15	3.44	3.13	3.217	3.280
6/3/02	2.99	3.18	3.46	3.13	3.242	3.295

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

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Latest U.S. Coal Information

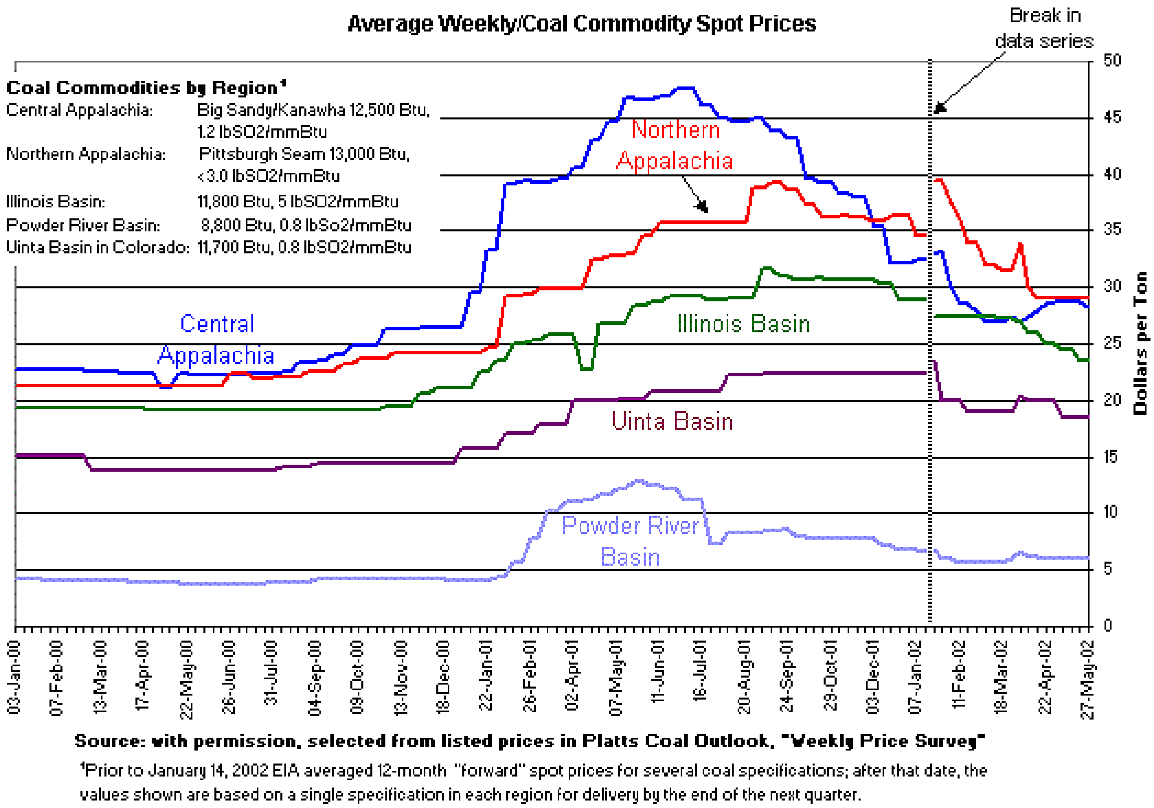
(updated May 30, 2002)

Coal Production

For the week ending May 25, rail car loadings of coal and national coal production have fallen by 4.9% and 5.6%, respectively, compared to their levels a year ago. Year-to-date, western U.S. coal production is 1.6% 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.



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 June 4, 2002)

Selected Wholesale Electricity Prices: Western U.S. wholesale electricity prices have been mixed over the past seven days. For example, wholesale prices at the COB ranged from a high of $27.28 per megawatthour on May 30 to a low of $17.10 per megawatthour on May 24. Prices at Palo Verde ranged from a high of $34.46 per megawatthour on June 3 to a low of $20.22 per megawatthour on May 24.

Prices in the Northeast region have also been mixed over the past seven days. At the NEPOOL, price fluctuations have been small, ranging from a high of $43.30 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 $55.75 per megawatthour on June 3 to a low of $48.50 per megawatthour on May 29.

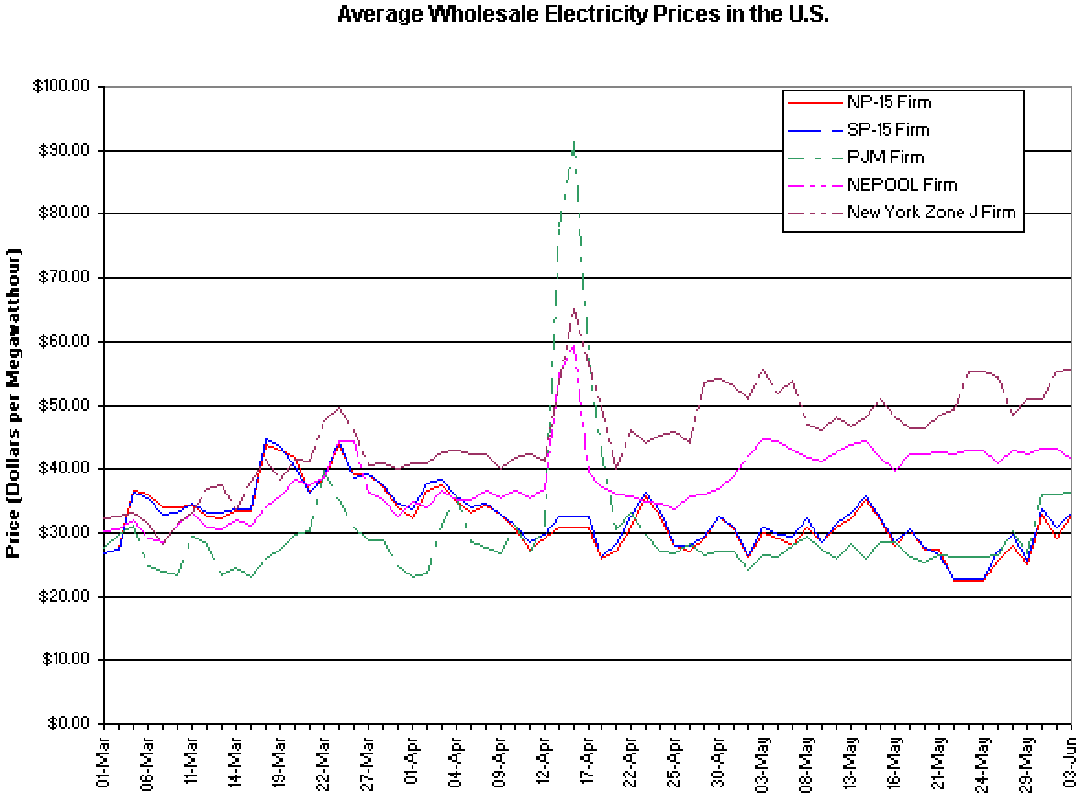
The average price at all trading centers has trended upward from $24.99 per megawatthour on May 24 to $34.11 per megawatthour on June 3.

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

Trading Centers	Date							Price Range		
	5/24/02	5/27/02	5/28/02	5/29/02	5/30/02	5/31/02	6/3/02	Max	Min	Average
COB	17.10	Memorial Day Holiday-No price quotes	20.14	21.75	27.28	20.08	22.00	27.28	17.10	21.39
Palo Verde	20.22		25.49	28.93	34.40	32.76	34.46	34.46	20.22	29.38
Mid-Columbia	10.82		16.48	14.76	17.89	12.71	16.59	17.89	10.82	14.88
Mead/Marketplace	21.33		27.13	29.84	36.91	36.33	36.64	36.91	21.33	31.36
4 Corners	19.79		25.46	29.42	35.00	33.00	34.75	35.00	19.79	29.57
NP 15	22.45		25.72	27.97	32.95	29.20	32.99	32.99	22.45	28.55
SP 15	22.84		27.17	29.68	33.62	30.82	33.07	33.62	22.84	29.53
PJM West	26.35		26.45	30.28	36.00	36.05	36.39	36.39	26.35	31.92
NEPOOL	43.03		41.04	43.00	43.30	43.20	41.63	43.30	41.04	42.53
New York Zone J	55.25		54.50	48.50	50.88	55.38	55.75	55.75	48.50	53.38
Cinergy	15.69		18.96	23.51	28.06	25.83	30.95	30.95	15.69	23.83
Average Price	24.99		28.05	29.79	34.21	32.31	34.11	34.21	24.99	30.57

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).

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.



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