



# ENERGY SITUATION ANALYSIS REPORT



November 27, 2001

Energy Information Administration  
U.S. Department of Energy  
Washington, DC 20585  
(202) 586-8800

Petroleum   Natural Gas   Coal   Electricity

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## Latest Energy Market Developments

Oil prices, near \$19, continue to hover around two-year lows, although prices appeared to be rising during the day on Tuesday, November 27. The current phase of the United Nations' Oil-for-Food program for Iraqi oil exports will end on November 30. It remains unclear whether a standard six-month renewal of the program will be approved, or whether the United States will press for a four-month renewal to allow for renewed discussions of Iraqi sanctions alterations. On Monday, November 26, President Bush called on Iraq to allow United Nations weapons inspections to resume. On Tuesday, November 27, an Iraqi government spokesman rejected President Bush's demand.

In an effort to prop up world oil prices without losing market share, OPEC continues to seek output restraint from major non-OPEC oil exporters such as Russia, Mexico, and Norway. OPEC announced that it would cut production by 1.5 million barrels per day, effective January 1, 2002, contingent upon a non-OPEC production cut totalling 500,000 barrels per day. So far, Mexico (the fourth largest non-OPEC oil producer) has agreed to cut production by 100,000 barrels per day, effective January 1, and Oman has offered to cut oil output by 50,000 barrels per day. Norway has promised to cut 100,000-200,000 barrels per day, contingent upon Russia's agreement to cooperate. Russia has not yet issued a definitive statement regarding potential production cuts, with its most recent offer to cut 50,000 barrels per day falling short of OPEC requests.

Attorney General John Ashcroft confirmed on Monday, November 26 that the Federal Bureau of Investigation had received "an uncorroborated report of undetermined reliability" of possible terrorist threats to the natural gas infrastructure. The Attorney General noted that the advisory was intended to avert a possible terrorist attack, and was not an alert to imminent danger. Natural gas facilities have been in a heightened state of security since the events of September 11, 2001.

U.S. petroleum product (e.g., motor gasoline, jet fuel, heating oil) prices are significantly below levels at the same time last year, while demand for some products is stronger than anticipated. Meanwhile, national electricity prices rose in the week ending November 26, led by price increases in the West. Coal supplies are ample, with production above last year's levels.

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## World Oil Market Highlights

### International Oil Supply and Demand

World oil demand has fallen since September 11, in part due to sharply lower jet fuel demand. Increased jet fuel requirements as a result of military action against targets in [Afghanistan](#) are not expected to offset the decline in commercial jet fuel demand. World oil demand growth of 400,000 barrels per day now is expected in 2001, less than half of early September's growth projections.

To date, no oil supply shortages have materialized in connection with terrorist attacks or ongoing military operations. Decreased world oil demand as a result of reduced economic growth, combined with OPEC overproduction, have resulted in building inventories and sharply lower oil prices in world markets.

### World Excess Oil Production Capacity

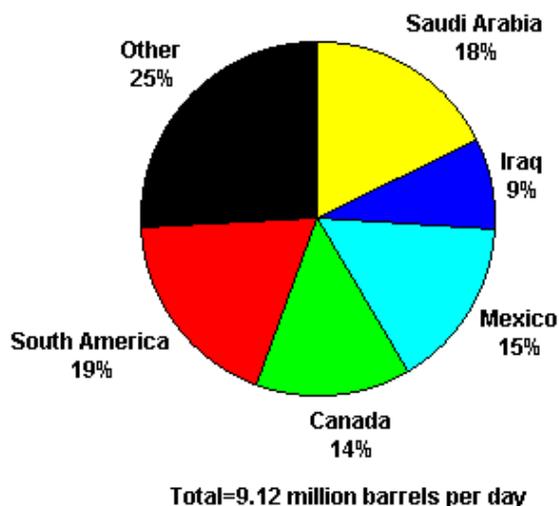
The world holds over 5 million barrels per day of excess oil production capacity, about 90% of which lies in OPEC countries. Around two-fifths of the world total is in [Saudi Arabia](#) alone.

### U.S. and other OECD Oil Import Sources

During the first eight months (January-August) of 2001, the United States imported around 9.2 million barrels per day of crude oil. Of this, 47% came from within North and South America (15% from Venezuela, 14% from Canada, 14% from Mexico, 3% from Colombia), while 28% came from the Persian Gulf region (19% from Saudi Arabia, 7% from Iraq, 3% from Kuwait), and the remainder mainly from three other countries -- Nigeria (9%), Norway (3%) and the United Kingdom (2%). All in all, 89% of U.S. crude oil imports during January-August 2001 came from the 10

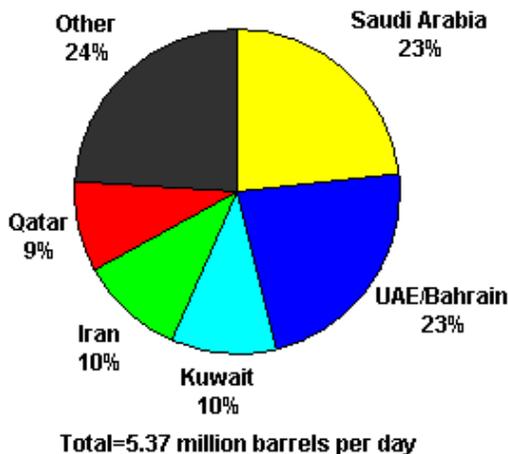
countries cited above.

### U.S. Crude Oil Imports by Country, 2001

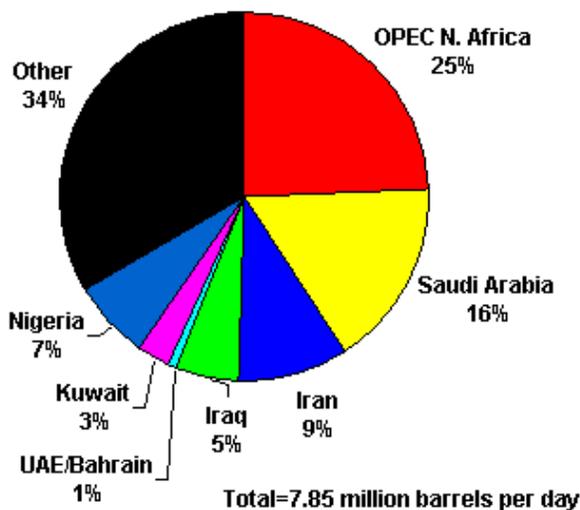


In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for its oil imports than does the United States. During the first six months of 2001, approximately 40% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), 35% from Africa (mainly Libya, Algeria, and Nigeria), and much of the remainder from Russia. Japan receives around 80% 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.

### Japanese Net Oil Imports by Country, 2001



### OECD European Net Oil Imports by Country, 2001



## Latest U.S. Weekly Petroleum Information

### U.S. Oil Markets

The average world crude oil price on November 16, 2001 was \$17.35 per barrel, down \$0.65 per barrel from the previous week and \$14.23 per barrel less than last year at the same time. As of November 21, 2001, WTI stood at \$18.38 per barrel, up \$0.29 per barrel from the previous Friday and \$17.16 per barrel less than a year ago. The spot price for conventional gasoline in the New York Harbor was 50.20 cents per gallon, up 2.15 cents per gallon from the previous Friday and 46.55 cents lower than a year ago. The spot price for heating oil in the New York Harbor on November 21, 2001 was 53.10 cents per gallon, up 2.00 cents per gallon from the previous Friday and 56.09 cents per gallon less than a year ago.

Falling to the lowest level since July 5, 1999, the national average retail regular gasoline price was 112.7 cents per gallon on November 26, 2001, down 4.0 cents per gallon from last week and 38.3 cents per gallon lower than a year ago. The national average retail diesel fuel price fell for the tenth consecutive week to 122.3 cents per gallon on November 26, 2001, lower by 2.9 cents per gallon from last week and 42.2 cents less per gallon than a year ago.

Although U.S. crude oil refinery inputs increased by nearly 200,000 barrels per day last week, the moving 4-week average was slightly lower than last year's comparable 4-week average. Crude oil inputs at Midwest (PADD II) refineries last week were below 3 million barrels per day for the second week in a row, the first time this has happened since March 1999. U.S. jet fuel refinery production fell for the second week in a row, with the most recent 4-week average at 89% of the 4-week average ending September 7, the week just prior to the September 11 attacks. Motor gasoline and distillate fuel refinery production were both a little higher last week.

Motor gasoline demand remained strong, with the 4-week moving average at 8.7 million barrels per day last week, or 3.8% above the same period last year. Jet fuel demand last week (defined as how much was supplied into the jet fuel market) fell to just 1.3 million barrels per day, with the most recent 4-week average nearly 12% below the comparable period last year. Distillate fuel oil demand averaged over 3.9 million barrels per day over the most recent 4 weeks (3.6% above the comparable period last year), while demand for other oils over the same time span averaged 4.1% above last year's level.

### U.S. Oil Imports

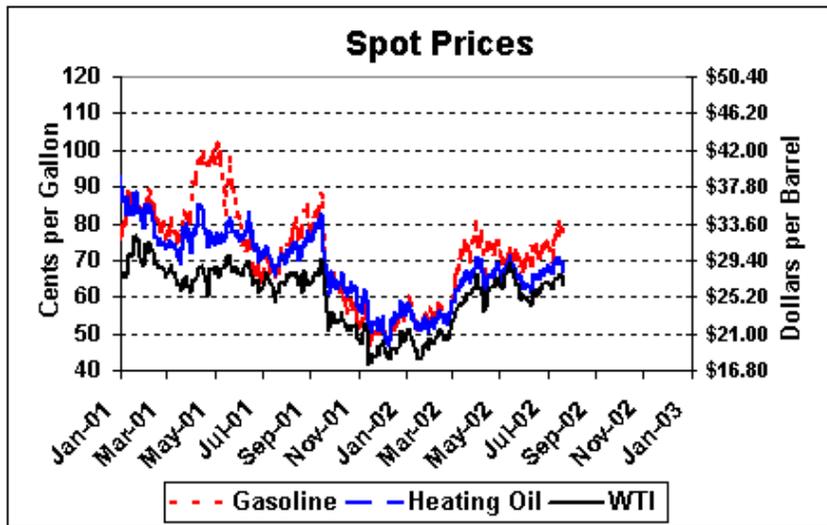
U.S. crude oil imports (excluding imports into the Strategic Petroleum Reserve) last week fell over 900,000 barrels per day from the high levels imported in the previous week. Crude oil imports dropped in all regions except for the Midwest (PADD II). However, the most recent 4-week average was only 151,000 barrels per day lower than the previous 4-week average. Total product imports increased last week to 2.3 million barrels per day, with motor gasoline imports reaching above 800,000 barrels per day for the first time since the week ending September 28. Distillate fuel imports declined last week for the second week in a row.

### U.S. Oil Inventories

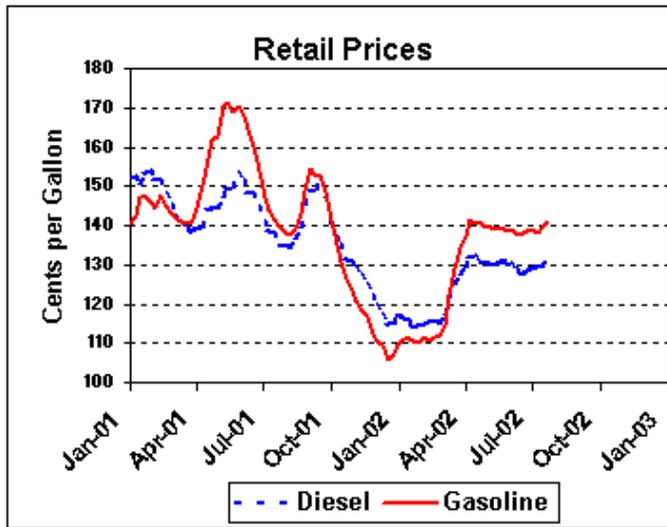
With crude oil refinery inputs increasing last week while imports decreased, crude oil inventories dropped by 1.3 million barrels. Motor gasoline inventories increased by 1.4 million barrels, the first such weekly increase after 3 consecutive weeks of declining inventories. Distillate fuel oil stocks remained relatively flat, with an increase in low-sulfur distillate fuel inventories nearly offsetting a decline in high-sulfur inventories.

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## U.S. Petroleum Prices



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		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail US Average	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	Gasoline	Diesel
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway	cents per gallon	
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		¢/gal	cents per gallon		cents per gallon	
6/4/2002	\$25.32	\$25.33	70.50	75.34	63.25	64.28	66.15	38.01	35.00		
6/5/2002	\$25.02	\$24.89	71.57	75.13	63.03	63.60	65.58	37.26	34.32		
6/6/2002	\$24.89	\$24.79	71.40	75.70	62.70	63.48	65.43	36.94	34.32		
6/7/2002	\$24.72	\$24.75	70.82	75.09	62.65	63.17	65.38	37.07	34.25		
6/10/2002	\$24.24	\$24.29	68.78	73.79	61.65	62.33	64.15	36.38	33.57	137.5	128.6
6/11/2002	\$24.21	\$24.12	68.36	73.29	61.70	61.86	65.07	34.76	33.25		
6/12/2002	\$24.79	\$24.64	69.20	75.10	62.93	63.07	66.33	36.75	33.63		
6/13/2002	\$25.54	\$25.64	72.43	77.85	65.40	66.03	68.80	37.82	35.19		
6/14/2002	\$25.90	\$25.94	73.65	78.70	65.80	66.40	69.63	37.82	35.19		
6/17/2002	\$25.98	\$26.09	73.90	79.10	66.05	66.49	69.77	38.50	36.50	137.8	127.5
6/18/2002	\$25.36	\$25.43	73.15	77.66	65.18	65.49	68.50	37.57	36.50		
6/19/2002	\$25.57	\$25.31	72.05	76.84	65.03	65.24	68.23	37.75	36.13		
6/20/2002	\$25.62	\$25.53	71.60	76.96	65.75	66.03	69.48	37.44	35.63		
6/21/2002	\$25.51	\$25.82	70.30	75.57	64.80	64.89	68.53	37.38	35.94		
6/24/2002	\$26.31	\$26.47	73.50	77.77	66.75	66.64	70.80	37.88	36.00	138.4	128.1
6/25/2002	\$26.06	\$26.32	72.13	77.32	65.68	65.89	69.28	38.25	36.13		
6/26/2002	\$26.67	\$26.76	73.57	78.51	66.33	66.63	70.82	38.00	35.50		
6/27/2002	\$26.77	\$26.86	74.04	79.37	67.00	67.29	70.38	37.88	35.63		
6/28/2002	\$26.79	\$26.86	73.82	79.38	67.50	67.96	70.88	37.63	35.50		
7/1/2002	\$26.79	\$26.81	74.82	79.19	67.60	68.02	70.93	37.38	35.76	139.2	128.9
7/2/2002	\$26.83	\$26.77	74.07	78.98	67.98	68.71	71.28	37.13	35.75		
7/3/2002	\$26.82	\$26.80	73.63	78.60	68.38	68.77	71.82	37.01	35.19		
7/4/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
7/5/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
7/8/2002	\$26.14	\$26.07	69.60	76.14	66.15	66.80	69.65	36.19	34.38	138.2	129.4
7/9/2002	\$26.16	\$26.09	71.63	76.96	66.40	67.05	69.50	36.25	34.44		
7/10/2002	\$26.73	\$26.77	74.30	78.99	67.70	68.67	70.70	36.94	34.88		
7/11/2002	\$27.01	\$26.83	75.53	79.83	68.90	69.01	71.85	36.50	34.63		
7/12/2002	\$27.48	\$27.48	78.20	82.44	69.72	70.54	72.92	37.19	35.07		
7/15/2002	\$27.23	\$27.07	76.68	80.85	69.20	69.55	72.25	37.07	34.88	139.4	130.0
7/16/2002	\$27.68	\$27.75	79.95	84.53	69.99	71.09	73.04	37.19	34.88		
7/17/2002	\$27.88	\$27.88	80.43	84.84	70.08	70.98	73.13	36.75	34.88		
7/18/2002	\$27.50	\$27.57	78.25	83.35	69.43	70.18	72.81	37.44	34.88		
7/19/2002	\$27.83	\$27.83	78.85	83.86	69.45	70.14	73.10	37.13	35.25		
7/22/2002	\$26.61	\$26.60	76.13	81.14	66.60	67.11	70.38	37.13	35.13	141.0	131.1

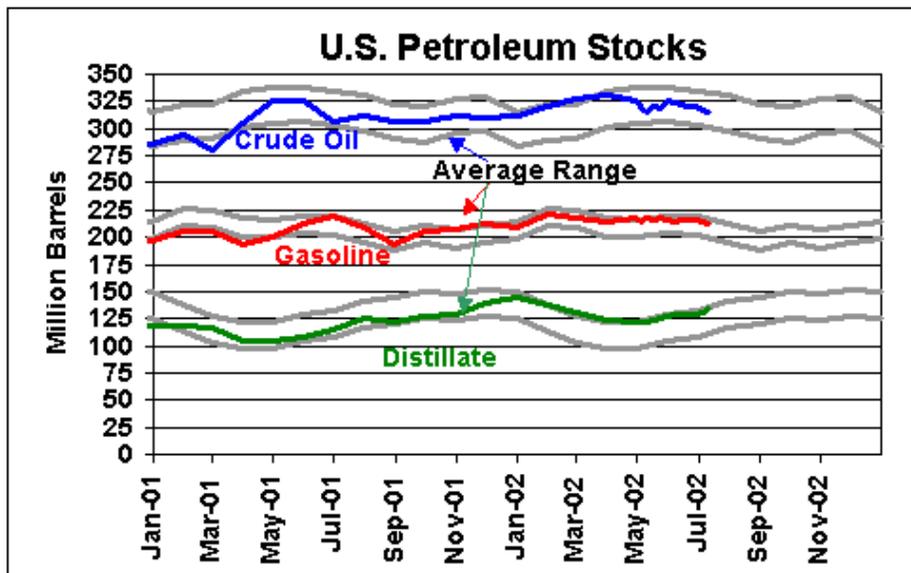
Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

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## Energy Situation Analysis Report

### U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	7/12/2002	7/12/2001	Diff.	% Diff.
<b>Refinery Activity</b>				
Crude Oil Input	15,470	15,540	-70	-0.5%
Operable Capacity	16,800	16,641	159	1.0%
Operable Capacity Utilization (%)	93.3%	94.9%	-1.6%	
<b>Production</b>				
Motor Gasoline	8,520	8,576	-56	-0.6%
Jet Fuel	1,528	1,635	-107	-6.6%
Distillate Fuel Oil	3,713	3,755	-42	-1.1%
<b>Imports</b>				
Crude Oil (incl. SPR)	9,050	9,281	-231	-2.5%
Motor Gasoline	862	796	66	8.3%
Jet Fuel	93	148	-55	-37.3%
Distillate Fuel Oil	227	265	-38	-14.5%
Total	11,323	11,743	-420	-3.6%
<b>Exports</b>				
Crude Oil	30	13	17	123.4%
Products	940	924	16	1.7%
Total	970	938	32	3.4%
<b>Products Supplied</b>				
Motor Gasoline	8,978	8,821	157	1.8%
Jet Fuel	1,626	1,756	-130	-7.4%
Distillate Fuel Oil	3,642	3,624	18	0.5%
Total	19,686	19,702	-16	-0.1%
<b>Stocks (Million Barrels)</b>				
	7/12/2002	7/12/2001	vs. Year Ago	
			Diff.	% Diff.
Crude Oil (excl. SPR)	315.0	309.9	5.1	1.6%
Motor Gasoline	213.2	216.4	-3.2	-1.5%
Jet Fuel	40.3	42.8	-2.5	-5.8%
Distillate Fuel Oil	133.5	117.9	15.6	13.2%
Total (excl. SPR)	1,032.6	1,021.5	11.1	1.1%



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

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## Latest U.S. Weekly Natural Gas Information

### Industry/Market Developments

**Winter weather outlook.** In the November 15 update to its [Winter Outlook 2001-2002](#), the National Weather Service (NWS) reiterated its forecast for a repeat of last winter. The forecast, covering the period from December 2001 through February 2002, continues to call for colder-than-normal temperatures throughout most of the northern one-third of the country, despite the unusually warm weather experienced thus far in November, which sharply contrasts with the early-winter frigid temperatures experienced during November 2000. Through November 24, heating degree-days for the nation as a whole were 22 percent less than for the same period last year. Cumulative heating degree-days for all Census Divisions through November 24 ranged from 7 to 40 percent lower than last year at this time. Of the nine Census Divisions, only the South Atlantic had experienced colder-than-normal temperatures through November 24. Nonetheless, the NWS's revised Winter Outlook still foresees a winter with sharp swings in temperature and precipitation, with heavy lake-effect snows in the Midwest and Northeast, cold snaps in the South, and potential for Nor'easters along the East Coast.

**Gas drilling activity.** Rigs drilling for natural gas numbered 814 according to the Baker-Hughes rig count report released on Wednesday, November 21. This is a decline of 6 rigs, or roughly 1 percent from the prior week. Since reaching its record-setting peak of 1,068 rigs during the week ended July 13, 2001, rigs drilling for gas have declined at an average weekly rate of roughly 1.3 percent. As a result of this steady decline in rig counts, during the week ended November 9, the number of rigs drilling for natural gas slipped below the level recorded during the same report week in the previous year for the first time since September 1999. Rig counts have remained below this threshold for three straight weeks. The rig count is almost 1 percent below the level recorded during the same week last year, and a little over 2 percent below the average number of gas rigs since 2000. Natural gas supplies are expected to be more than adequate for the upcoming winter; however, continued declines in drilling for natural gas prospects could jeopardize gas supplies in the longer-term.

### Natural Gas Storage

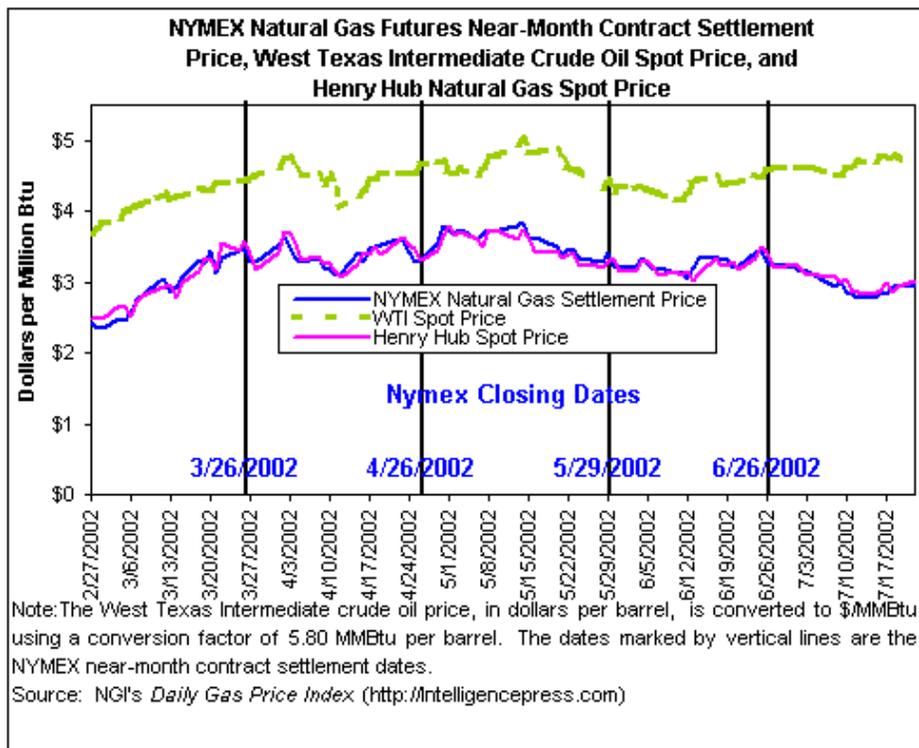
Net injections into working gas storage were 15 billion cubic feet (Bcf) during the week ended Friday, November 16, according to the most recent American Gas Association (AGA) estimates. This is the first time in the 8-year history of AGA weekly data collection that total net additions occurred during this week, and it stands in marked contrast to the 94 Bcf drawdown this time last year. In addition, the AGA revised its storage estimates upward for the prior week (ended Friday, November 9), reporting that the Consuming East region had net injections of 10 Bcf instead of zero, which increased the total net injections for that week from 7 to 17 Bcf. The continued addition of gas to storage despite the start of the heating season brings working gas levels as of November 16, 2001, to an estimated 3,136 Bcf, which exceeds the volume in storage at this time last year by more than 500 Bcf.

All Volumes in Bcf	Current Stocks 7/12/2002	Estimated Prior 5-year (1997-2001) Average	Percent Difference from 5-Year Average	Implied Net Change from Last Week	One- Week Prior Stocks 7/5/2002
East Region	1,296	1,169	10.9%	53	1,243
West Region	338	284	19.0%	9	329
Producing Region	788	603	30.7%	7	781
Total Lower 48	2,422	2,056	17.8%	69	2,353

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

**Prices**

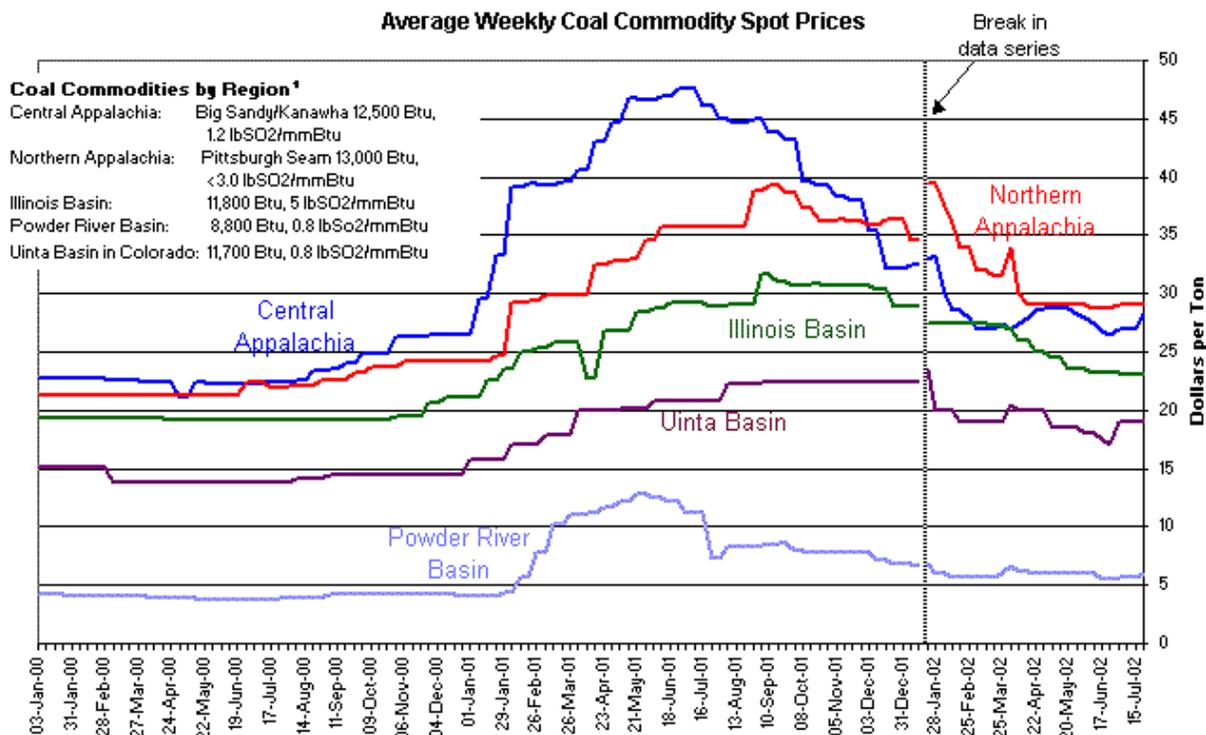
After trending up most of last week in an abbreviated week of trading, prices resumed a downward trend last Wednesday that continued through yesterday. At the NYMEX, the settlement price of the futures contracts for winter months' delivery at the Henry Hub all declined on Monday, November 26. The price of the futures contract for December delivery settled at \$2.696 per million Btu, and the price of the contract for January delivery settled at \$2.935. Prices on the spot market were mixed following the holiday weekend, gaining strength in the West, the Midwest, and the Rockies as winter storms loomed on the horizon, and declining in the East where warmer-than-normal temperatures persisted. At the Henry Hub, the spot price closed at \$1.79 per million Btu on Monday, November 26, down 12 cents from last week's closing price. Since October 25, the spot price has been consistently lower than the futures price for December delivery. This factor combined with mild temperatures and weak demand indicate that the unusual pattern of November weekly net injections into storage is likely to continue through tomorrow's storage report. The futures contract for December delivery closes tomorrow, November 28.



**Latest U.S. Coal Information**

For the week ending November 10, EIA estimates [U.S. coal production](#) at 22.3 million short tons, about the same as in the previous week. Production for all of 2001 is running about 4.7% above last year's production. From their highs in June, there has been a steady erosion of spot prices for Central Appalachia and Powder River Basin coal, although prices for the latest weeks are still 50% above year-ago spot prices. The other major coal basins--Northern Appalachia, Illinois Basin, and Uinta Basin--have seen an almost steady increase in their spot prices starting in January 2001. The overall increase for all basins to the latest date has been about a 50% increase over last year's spot prices. With the exception of coal from the Powder River Basin, much of the coal produced in each major coal basin is consumed at sites that are in or close to those coal basins. The same relative change in

spot prices everywhere of about 50% expands the area within which Powder River Basin coal is cost competitive because a 50% increase in fob price of the Powder River Basin's low price (on an equal calorific value basis) produces a smaller increase in delivered price than does a 50% fob price increase elsewhere. Market prices may be out of balance and further adjustment may occur as producers adjust to maintain market share. Declining oil and natural gas prices continue to put downward pressure on coal prices. The current trend seems to be towards lower prices [on the NYMEX](#).



<sup>1</sup> Prior to January 14, 2002, EIA averaged 12-month "forward" spot prices for several coal specifications; after that date, coal prices shown are for a relatively high-Btu coal selected in each region, for delivery in the "prompt" quarter. The "prompt quarter" is the next calendar quarter, with quarters shifting forward after the 15th of the month preceding each quarter's end. Source: with permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey"

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 2001 and 2020. Customers choose coal because of its abundance and dependable availability, its relatively high Btu content, its [low prices relative to other fossil fuels](#), and, compared with natural gas, much less price volatility.

## Latest U.S. Electricity Information

**Selected Wholesale Electricity Prices (November 20 - November 26):** Western U.S. wholesale electricity prices have been rising over the past 7 days. At the California Oregon Border (COB) for example, prices rose from \$16.46 per megawatthour on November 20 to \$22.11 per megawatthour on November 26, 2001. Other trading locations in the West experienced similar price increases. Slightly cooler weather caused increased heating demand and higher natural gas prices contributed to the increase in electricity prices. In contrast, mild weather has helped to keep prices in the Midwest and Eastern regions relatively stable over the past 7 days.

Nationally, the combined average price at major trading centers over the past seven days has increased from \$19.16 on November 20, 2001 to \$23.01 on November 26, 2001.

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

Trading Centers	Date							Price Range		
	7/12/02	7/15/02	7/16/02	7/17/02	7/18/02	7/19/02	7/22/02	Max	Min	Average
COB	22.83	15.33	13.63	26.75	17.75	22.50	21.70	26.75	13.63	20.07
Palo Verde	46.95	37.14	35.81	39.55	34.99	43.57	37.72	46.95	34.99	39.39
Mid-Columbia	8.93	5.90	5.31	5.25	5.94	14.49	17.75	17.75	5.25	9.08
Mead/Marketplace	53.40	42.05	39.46	45.46	41.32	48.86	40.50	53.40	39.46	44.44
4 Corners	46.50	37.14	37.25	42.63	37.47	43.00	40.42	46.50	37.14	40.63
NP 15	36.00	30.25	28.13	33.42	29.43	33.23	31.35	36.00	28.13	31.69
SP 15	38.87	32.52	32.42	36.97	33.31	40.21	36.00	40.21	32.42	35.76
PJM West	45.60	47.23	57.72	57.79	43.25	49.60	61.33	61.33	43.25	51.79
NEPOOL	43.65	42.25	46.64	45.50	34.45	45.67	52.60	52.60	34.45	44.39
New York Zone J	70.50	65.33	78.50	82.70	60.00	73.38	80.00	82.70	60.00	72.92
Cinergy	35.40	38.18	40.25	34.41	30.38	41.89	38.48	41.89	30.38	37.00
<b>Average Price</b>	40.78	35.76	37.74	40.95	33.48	41.49	41.62	41.62	33.48	38.83

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.

### Special Topic -- Strategic Petroleum Reserve

The [U.S. Strategic Petroleum Reserve](#) (SPR) contains 544.7 million barrels of oil, equal to 51 days of oil imports. 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. On November 13, 2001, President Bush ordered that the SPR be filled to its current physical capacity of 700 million barrels. Oil shipments into the SPR are expected to begin in April 2002 and to be completed by 2005.

**Projected Maximum Drawdown Capability  
(As of December 31, 2000)**

