SNL Energy DAILY COAL REPORT

Volume 6 Issue 10 **Monday, January 16, 2012**

Patriot idling Appalachia met coal production in response to weak market

by Dan Lowrey

Patriot Coal Corp. on Jan. 13 said it will idle some production at its Rocklick and Wells complexes in Appalachia in the face of softening global metallurgical coal demand.

Patriot did not provide specifics about how much production would be idled, saying only that it is idling one contractor-operated mine and two subsidiary-operated production units at Rocklick and two contractor-operated mines at Wells.

"Metallurgical coal demand has trended steadily downward in recent weeks, most notably in the export market," Patriot President and CEO Richard Whiting said in a news release. "These production cuts, in conjunction with other cost-reduction measures being implemented concurrently, are aimed at lowering our mining costs, aligning production with identified sales, and preserving high-quality reserves for a stronger market."

Patriot was in the midst of a met coal build-out program that boosted production in 2011 to meet market needs. Whiting said the "modular nature" of the build-out program allows it the flexibility to "dial production up or down in line with market circumstances." He said the production cuts were coming from the company's highest cost sources.

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SNL Daily OTC Coal and Emissions Assessments

Jan 13, 12 Product	Price ($/ton)	Change (%) 1 day	1 week
NYMEX Big Sandy			
February 2012	63.03	-0.71	-8.16
Q2 2012	62.78	-1.68	-8.72
CSX/Rail			
February 2012	61.75	-1.48	-8.76
Q2 2012	61.40	-1.76	-9.04
PRB 8,800			
February 2012	10.55	-1.86	-12.81
Q2 2012	10.50	-0.47	-14.15
PRB 8,400			
February 2012	8.70	-5.43	-13.86
Q2 2012	9.05	-2.16	-13.40

Jan 13, 12 Product	Price ($/credit)	Change (%) 1 day	1 week
SO2			
2010	1.63	0.00	-18.50
2011	1.38	0.00	-31.00
2012	1.38	0.00	-15.34
2013	0.81	0.00	0.00
2014	0.81	0.00	0.00
2015	0.81	0.00	0.00
NOx			
2012	25.00	0.00	488.24

Data provided by Evolution Markets and Amerex Brokers

EME hopes to begin Homer City scrubbers by April, but still needs financing

by Dan Lowrey

Edison Mission Energy hopes to begin initial construction this spring of new pollution controls at the Homer City coal-fired power station, but the company is still trying to finalize financing for the $700 million project.

According to a recent report in the *Blairsville* (Pa.) *Dispatch*, EME officials on Jan. 10 met with citizens in an informational meeting to discuss plans to bring the plant into compliance with new federal air pollution regulations. The company plans to add new scrubbers to the plant's two oldest units. The third unit at the plant, unit 3, had a scrubber installed last decade.

EME spokesman Doug McFarlan said the company would like to begin construction in April and have the project finished by early 2014, the *Dispatch* reported. He added that the company is seeking out third-party financing to help pay for the improvements.

Financial backers of the plant had submitted an application with Pennsylvania environmental regulators in 2011 for an air

Continued on p 14

OTC markets: US thermal coal pricesdive to new 52-week lows

by Everett Wheeler

The metallurgical coal market has begun to soften, and that's not good news for domestic steam coal producers. Nor is the state of the natural gas market. Coal prices continued last week's decline, and fell to new 52-week lows during the week ended Jan. 12.

In response to a weak coal demand outlook, analysts have lowered estimates for coal producers, as mine operators begin idling metallurgical coal production in response to the weakening market. Market sources have said that stronger metallurgical coal demand has supported demand for so-called cross-over coal — high-Btu bituminous sourced from Appalachia that can also be sold as a lower-grade met coal. But

Note to subscribers

SNL Energy Daily Coal Report will not publish Tuesday, Jan. 17.
Your next issue will be dated Wednesday, Jan. 18.

Prompt quarter coal prices						1-day change		1-week change	
Region/Transport	Btu/lb	SO2 lb	01/12/12	01/11/12	01/05/12	($)	(%)	($)	(%)
Central Appalachia									
NYMEX Big Sandy	12,000	1.67	63.85	65.13	68.78	-1.28	-2.0	-4.93	-7.2
CSX/Rail	12,500	1.6	62.50	63.75	67.50	-1.25	-2.0	-5.00	-7.4
Powder River Basin									
Wyoming/Rail	8,800	0.8	10.55	11.13	12.23	-0.58	-5.2	-1.68	-13.7
Wyoming/Rail	8,400	0.8	9.25	9.75	10.45	-0.50	-5.1	-1.20	-11.5

Source: SNL Energy

as metallurgical coal demand falls, producers will likely have to find a home for their cross-over coals in the steam coal market, adding more supply to a market where demand in already weak.

On the week, eastern U.S. coal prices for delivery both in February and the second quarter fell by roughly $5 per ton. NYMEX-spec coal prices for delivery in February fell 7.5% to $63.48/ton, while prices for the 12,500 Btu/lb, less-than-1% sulfur product dropped 7.4% to $62.68. For delivery in the second quarter, NYMEX-spec coal prices fell 7.2% to $63.85/ton, while prices for the rail product fell 7.4% to $62.50. Prices for the 2013 strip were not as hard-hit, but still saw larger declines than in weeks past. The 2013 price dropped 4.1% and 5.7%, respectively, for the NYMEX-spec and eastern rail product, to $71.00/ton and $70.33/ton.

And as natural gas becomes a comparative bargain to even western coal, Powder River basin markets posted even larger losses on a percentage basis. Prompt-quarter prices for 8,800 Btu/lb coal dropped 13.7% to $10.55/ton, while prices for 8,400 Btu/lb coal dropped 11.5% to $9.25/ton. For February delivery, 8,800 Btu/lb and 8,400 Btu/lb prices fell 11% and 9.4%, respectively, to $10.75/ton and $9.20/ton.

Amid expectations that natural gas supply will outpace rising consumption, analysts have slashed 2012 gas price forecasts and expect sub-$5/MMBtu gas through 2015. On the week, 2013 strip prices for 8,800 Btu/lb coal fell 12.7% to $12.33/ton, while prices for 8,400 Btu/lb coal dropped 12.2% to $10.75/ton.

E-mail this story.

Sources expect tepid trade in CSAPR SO2, NOx allowance markets

by Amanda Luhavalja

Although the EPA has reportedly reinstated the electronic transfer of NOx and SO2 allowances under the Cross-State Air Pollution Rule, according to market sources, allowance prices under the rule remain under pressure.

As of Jan. 12, CSAPR seasonal NOx 2012 allowances were quoted in a bid-and-offer spread of $50 to $200. This compares to a range of $150 to $300 a few days earlier. CSAPR annual NOx 2012 allowances were quoted last at $75 to $150, down from a range of $100 to $200 earlier in the week. As of Jan. 12, CSAPR Group 1 SO2 allowances saw bids at $50 and offers at $150, with CSAPR Group 2 SO2 allowances seeing bids at $75 and offers as high as $200.

Following a Dec. 30, 2011, court decision to stay the implementation of CSAPR, the EPA in early January suspended the transfer of CSAPR allowances in the Clean Air Markets Division, or CAMD, electronic business system, essentially grinding physical allowance trading to a halt. The CAMD system provides a final confirmation to entities that allowances have been transferred from one account to another.

Despite the recent turnaround by the EPA, market sources still expect that trading of CSAPR allowances will be scant in light of the ongoing legal uncertainty.

"Mostly only hedge funds and pure speculators will likely participate at this time. Naturals (utilities) are much too conservative, and many, subject to after the fact regulatory oversight, will be reluctant to trade," Gary Hart, emissions market analyst at ICAP Energy Inc., said.

CSAPR was slated to go into effect Jan. 1, replacing the Clean Air Interstate Rule, which was overturned by the U.S. Court of Appeals for the District of Columbia Circuit in July 2008.

In the CAIR markets, seasonal NOx 2012 was pegged in a bid-and-offer spread of $10 to $40. Annual NOx 2011 was bid at $60 and offered as high as $80, while annual NOx 2012 was seen bid at $60 to offered at $70.

While CAIR is back in place, due to an oversupply situation, prices are not expected to trade at levels much higher than they already are, Steve Fine, vice president at consulting firm ICF International's Environmental Markets Group, said during a Jan. 12 webinar.

"CAIR is oversupplied, and there just won't be a lot of action there," Fine said.

Sources continue to agree that the recent court action preventing the implementation of CSAPR leaves the rule on ice at least until the beginning of 2013. Either way, liquidity is going to be truncated, Fine said.

"Once the CSAPR stay was announced, basically the bottom fell out of the market. And in fact, it is unclear, in some instances why the prices just didn't completely fall to zero. The only reason that we can figure is that some people are putting some weight in the possibility that CSAPR will actually be reinstated in 2012. Because if it's not, as we understand it those 2012 allowances that can't be banked forward into 2013 become a worthless currency," Fine said.

NJ energy year 2012 solar RECs slide after S. 2371 falls to wayside

Legislation in New Jersey that would have increased the state's renewable portfolio standard in an effort to sop up existing solar supply fell by the wayside Jan. 9, the final voting session of the legislative year.

The much-anticipated legislation, S. 2371, sponsored by state Sen. Bob Smith, would have accelerated the state's solar renewable portfolio standard. The bill would have increased the SREC requirement in 2013 to 772 MW and would advance the SREC requirements by one year in each year after 2012.

"The main intention of this legislation was to increase the amount of SRECs that the power companies in New Jersey have to purchase. This is needed to soak up the excess amount of SRECs because developers installed 3 times more than the amount of solar required in the present year due to dropping installed costs of solar and large solar installations," Michael Flett, president and CEO of Flett Exchange wrote Jan. 10.

While New Jersey Gov. Chris Christie signaled his overall agreement with the majority of the bill in his energy master plan released in December 2011, several last-minute changes were made to the bill in the final two days of the session. The bill reportedly never came up for a vote due to disagreements among solar advocates, who were not in lockstep over issues such as the mix between distributed net-metered and larger utility scale projects.

Christie's office submitted changes Jan. 8 for the Legislature to consider. While supporting an increase in the RPS to stabilize the SREC market, the Christie administration suggested having all non-net-metered projects seek New Jersey Board of Public Utilities approval. These projects would not be approved if it is determined they would have a detrimental impact on the SREC market. Smith's bill would have required facilities with a capacity of 10 MW or higher to get NJBPU approval.

"The complexity of these changes was apparently too great to digest given the limited time available. The view of the new legislature on this issue should not change appreciably with the start of the next session and the governor's support is clear," a Jan. 11 blog post from SRECTrade said.

In response to the news that the bill was not passed in the Garden State, SREC prices for 2012 dropped like a rock, from a bid-and-ask level of $230/MWh to $260/MWh during the week ended Jan. 6 to about $200/MWh, sources said. Most recently, the 2012 SREC market in New Jersey was quoted bid at $220 per MWh and offered at $240/MWh. Bids and offers for energy year 2013 solar RECs in New Jersey were assessed at $220/MWh to $235/MWh.

New Jersey energy year SREC prices saw a tumultuous year in 2011, starting in the $600s/MWh before indications that solar installations were being built at such a rapid clip in the state that supply would soon outpace demand sent prices spiraling lower in the $400s/MWh.

Following a brief stabilization, energy year 2012 SREC prices resumed their downtrend over the summer, reaching a bottom by the middle of August 2011, when values tumbled to below $200/MWh. However, expectations for the passage of a bill that would increase the RPS in New Jersey goosed New Jersey SREC prices slightly higher near year's end to sit near $300/MWh by the end of December 2011.

Unless demand is ratcheted higher, the oversupply situation is expected to continue to grow as the state has averaged 32.0 MW installed per month since the beginning of the compliance period, adding downside pressure to prices.

"If the legislation is not passed it is expected that the SREC market will continue its crash and the amount of installations will have to virtually cease for the next few years before the State mandates catch up. Investors in solar will suffer from low SREC prices and solar business in New Jersey may have to close down," Flett said.

Evolution Markets to hold auction Jan. 25 for University of New Hampshire

In other news, Evolution Markets Inc. will conduct a REC auction for the University of New Hampshire on Jan. 25. The sale will include 15,000 RECs produced in calendar year 2011 that will be sold in two lots, one of 10,000 and another of 5,000. The auction will also offer for sale 10,000 RECs to be produced during the 2012 calendar year that will be sold in two lots of 5,000 each, as well as 5,000 RECs to be produced during the calendar year of 2013 that will be sold in one lot.

The credits meet renewable portfolio standards in Massachusetts, Connecticut, New Hampshire and Maine.

"There has been a surge in New England REC prices of late, reflecting a general need for more supply," Andrew Kolchins, managing director, renewable energy markets at Evolution Markets Inc., said. "The University of New Hampshire REC auction therefore comes at an interesting time. We anticipate the supply offered by the university's auction will be met with considerable bid interest."

As of Jan. 12, Massachusetts class I 2011 RECs were quoted in a bid-and-offer range of $39.00/MWh to $41.00/MWh, while the Massachusetts class I 2012 market was pegged between $34.50/MWh and $36.50/MWh. Class I 2013 RECs in Massachusetts were assessed at $33.00/MWh to $36.00/MWh.

Connecticut class I 2011 RECs were quoted last in a bid-and-offer range of $38.00/MWh to $39.50/MWh, with the Connecticut class I 2012 market running from $32.50/MWh to $33.50/MWh. Connecticut class I 2013 was bid at $31.50/MWh and offered at $33.00/per MWh.

Most recently, the New Hampshire class I 2011 market was bid at $35/MWh and offered at $42/MWh, while the class I 2012 market was pegged at $33/MWh to $39/MWh.

Market prices and included industry data are current as of the time of publication and are subject to change.

Industry Document: SNL RECs Index 1/13/12

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Energy Pricing Trends

PEAK ELECTRICITY INDEX (Day Ahead prices for Delivery on Jan 17, 12)

Delivery Point	Volume Wgtd. Average ($/MWh)	Change From Jan 13, 12 ($/MWh)	Volume Wgtd. Average %△ 1 Day	Volume Wgtd. Average %△ 1 Year	Trade ($/MWh) Median	Trade ($/MWh) Low	Trade ($/MWh) High	Trading Volume (MWh)	All Peak Hours Volume (MWh)
MIDWEST									
A.D.	35.50	-1.75	-4.70	-15.48	-	-	-	-	-
Cinergy	29.25	-5.25	-15.22	-28.66	-	-	-	-	-
Michigan	31.25	-3.75	-10.71	-20.89	-	-	-	-	-
Minnesota	29.50	-1.00	-3.28	-11.94	-	-	-	-	-
N. Illinois (CE)	31.50	-3.75	-10.64	-21.25	-	-	-	-	-
NORTHEAST									
NY Zone A	40.50	6.00	17.39	-10.00	-	-	-	-	-
NY Zone G	62.75	20.00	46.78	-8.06	-	-	-	-	-
NY Zone J	66.50	21.50	47.78	-19.88	-	-	-	-	-
Nepool-Mass	66.50	22.75	52.00	1.53	-	-	-	-	-
Ontario	38.00	9.25	32.17	5.56	-	-	-	-	-
PJM West	42.75	3.20	8.09	-24.26	42.75	42.75	42.75	50	800
OTC BROKER									
Broker ERCOT-Hou.	24.75	-5.75	-18.85	-33.56	24.75	24.75	24.75	200	3,200
Broker ERCOT-North	24.19	-6.68	-21.64	-34.62	24.25	23.95	24.50	900	14,400
Broker ERCOT-S.C.	-	-	-	-	-	-	-	-	-
Broker ERCOT-South	24.25	-5.75	-19.17	-36.18	-	-	-	-	-
Broker ERCOT-West	17.00	-13.25	-43.80	-53.42	-	-	-	-	-
SOUTH									
ERCOT-Hou.	23.50	-7.00	-22.95	-36.91	-	-	-	-	-
ERCOT-North	24.38	-6.68	-21.51	-34.11	24.25	24.00	24.50	1,350	21,600
ERCOT-NE	-	-	-	-	-	-	-	-	-
ERCOT-S.C.	-	-	-	-	-	-	-	-	-
ERCOT-South	24.25	-5.75	-19.17	-36.18	-	-	-	-	-
ERCOT-West	17.00	-13.25	-43.80	-53.42	-	-	-	-	-
Entergy	25.00	-3.25	-11.50	-41.18	-	-	-	-	-
Fla. In-State	30.25	-4.00	-11.68	-36.32	-	-	-	-	-
Fla.-Ga. Bdr.	29.50	-4.00	-11.94	-39.80	-	-	-	-	-
Southern	29.50	-1.25	-4.07	-35.87	-	-	-	-	-
WEST*									
COB	29.50	2.75	10.28	-11.94	29.50	29.50	29.50	90	1,440
Mead	29.00	0.50	1.75	-20.55	-	-	-	-	-
Mid-C	28.50	3.12	12.29	-2.56	28.50	28.50	28.50	25	400
NP-15	30.00	2.25	8.11	-19.46	-	-	-	-	-
Palo Verde	27.75	1.44	5.47	-20.53	27.75	27.75	27.75	75	1,200
SP-15	29.75	2.25	8.18	-20.13	-	-	-	-	-

* For WEST Delivery Points these are Day Ahead Prices for Delivery on Jan 17, 12 with the change data from Jan 14, 12

Additional delivery points and other energy pricing information are available at [http://www.snl.com/interactivex/marketdata.aspx.](http://www.snl.com/interactivex/marketdata.aspx)

Stock Highlights

Friday

Company	Ticker	Close	Volume	Price % Chng
RANKED BY PRICE GAIN				
Hallador Energy	HNRG	9.87	17,094	0.8
Oxford Rsc Ptnrs	OXF	17.29	34,115	-0.1
Alliance Hldgs GP	AHGP	53.00	49,922	-0.4
RANKED BY PRICE LOSS				
Patriot Coal	PCX	7.87	15,702,145	-12.7
Alpha Natural Rsrc	ANR	20.19	14,050,129	-10.5
Arch Coal Inc	ACI	14.13	15,523,200	-9.8

Company	Ticker	Price % Chng	Volume	Volume as % of Avg (1 Year)
VOLUME HIGHLIGHTS				
James River Coal	JRCC	-9.6	4,412,618	266.8
Arch Coal Inc	ACI	-9.8	15,523,200	256.6
Patriot Coal	PCX	-12.7	15,702,145	240.7

Note: Institutions ranked in the above tables must be traded on a major exchange, have a closing price greater than $3, and daily volume greater than 1,000 shares.

Past Week

Company	Ticker	Close	Volume	Price % Chng
RANKED BY PRICE GAIN				
Oxford Rsc Ptnrs	OXF	17.29	192,259	0.8
Walter	WLT	58.75	23,482,055	0.0
Rhino Resource	RNO	20.79	164,505	-0.5
RANKED BY PRICE LOSS				
Patriot Coal	PCX	7.87	41,258,620	-12.7
James River Coal	JRCC	6.68	11,229,847	-12.3
CONSOL Energy	CNX	34.33	27,697,792	-11.0

Company	Ticker	Price % Chng	Volume	Volume as % of Avg (1 Year)
VOLUME HIGHLIGHTS				
Walter	WLT	0.0	23,482,055	173.7
CONSOL Energy	CNX	-11.0	27,697,792	147.7
James River Coal	JRCC	-12.3	11,229,847	135.8

Note: Institutions ranked in the above tables must be traded on a major exchange, have a closing price greater than $3, and daily volume greater than 1,000 shares.

Daily Index Values

		Percentage Change			
	Value	1 Day	1 Week	YTD	52 Week
All Energy	252.6	-0.28	-1.11	-2.29	4.29
Lg Diversified	146.2	-0.15	-0.81	-3.16	9.20
Sm Diversified	229.0	-0.61	-0.69	-2.47	8.47

		Percentage Change			
	Value	1 Day	1 Week	YTD	52 Week
Coal Companies	337.6	-5.15	-4.71	0.21	-40.69
Electric Companies	290.9	0.04	0.90	-1.81	13.21
Merchant Generators	128.3	-0.18	-0.70	-3.32	-10.97

Willmar Utilities negotiates contract renewal with Westmoreland

by Will Fitzgerald

Willmar Municipal Utilities in Minnesota has negotiated a one-year renewal of its coal contract with Westmoreland Coal Co.

Willmar expects to take approximately 50,000 tons of coal in 2012 from the Absaloka mine in Montana. It has been supplied in recent years from the Rosebud mine. Base price is $16.87/ton f.o.b. railcar for the first half of the year and $17.36/ton for the second half. Base price a year ago was $16.38/ton.

Willmar burns coal spec'd at 8,550 Btu/lb, 0.7% sulfur and 9.5% ash. The coal is transported on BNSF Railway Co. Westmoreland has supplied the city for several years.

COMPANIES REFERENCED IN THIS ARTICLE:

BNSF Railway Co.	
Westmoreland Coal Co.	**WLB**
Willmar Municipal Utils Comm	

E-mail this story.

Air Products and Chemicals evaluates coal needs for cogeneration facility

by Will Fitzgerald

Officials at Air Products and Chemicals Inc. have begun discussions regarding the coal needs at their Stockton, Calif., cogeneration facility.

The facility burns about 120,000 tons of Western bituminous coal per year, supplied on a two-year contract with Arch Coal Inc. from its North Lease mine in Utah. The contract runs through March. Air Products burns a blend of coal, petroleum coke and biomass at the facility. It traditionally burned about 160,000 tons of coal and 30,000 tons of petcoke per year, but it has increased biomass in the blend in recent years.

At issue is the company's contract to sell power from the plant to PG&E Corp. An Air Products official said the company hopes to reach an agreement soon with PG&E, following which it will line up fuel for the plant. The Stockton facility burns coal spec'd at 11,500 to 3,500 Btu/lb, 0.35% to 0.7% sulfur, 6% to 12% ash and 5% to 11% moisture, sized 2 x 0, delivered on Union Pacific Corp.

Arch over the years has been the most frequent supplier to Stockton, with coal coming from its Canyon Fuel operations in Utah and West Elk properties in Colorado.

COMPANIES REFERENCED IN THIS ARTICLE:

Air Products and Chemicals Inc.	
Arch Coal Inc.	**ACI**
PG&E Corp.	**PCG**
Union Pacific Corp.	

E-mail this story.

Purdue awards 1-year contract to Peabody's COALSALES

by Will Fitzgerald

Purdue University has awarded a contract to COALSALES LLC, a unit of Peabody Energy Corp., to supply 80,000 tons of stoker coal to the West Lafayette, Ind., campus in 2012.

Base price is $76.65/ton, delivered, for coal produced at the Bear Run mine in Sullivan County, Ind. Purdue burns coal spec'd at 11,000-11,500 Btu/lb, 2.0% sulfur, 10% ash, 16% moisture, 33% vols and 52 grind, sized 1-1/4 x 1/4, delivered by truck.

Peabody won the contract in 2006 for two years with extensions through 2011. The price for 2011 was set at $112.45/ton, also produced at Bear Run.

Purdue took bids in September 2011, and the new contract goes into effect in January. Purdue initially expected to award a contract for 30 months, through June 2014, with options for up to three one-year extensions through June 2017.

Purdue also takes 60,000 to 80,000 tons per year of fluidized-bed coal from COALSALES on a contract that runs through June 2012, with options for three additional years. Base price for 2011-2012 was set at $57.40/ton, delivered.

COMPANIES REFERENCED IN THIS ARTICLE:

COALSALES LLC	
Peabody Energy Corp.	**BTU**
Purdue University	

E-mail this story.

AFL-CIO's Trumka calls for dialogue on coal

by Bill Reilly

AFL-CIO President Richard Trumka on Jan. 12 called for a dialogue between unions that want to retrofit coal-fired power plants and clean air and public health advocates who want to shut them down. "Surely through dialogue common ground can be found," he told the 2012 Investor Summit on Climate Risk & Energy Solutions in New York City. In coalfields, among many other places, there is fear that the "green economy" will work only for the 1%, not the other 99%, he said.

The investor summit promotes "large-scale investment needed to reduce carbon emissions and mitigate potentially catastrophic climate impacts." Participants include state treasurers, pension fund fiduciaries, asset managers, foundation leaders and corporate and financial executives.

Speaking for the labor movement, Trumka — a former coal miner and president of the United Mine Workers — believes those who care about climate change must engage with people whose livelihoods are tied up with carbon emissions. "All of us — investors, companies, workers, environmental activists and governments — need to be part of this dialogue. Any other approach to addressing climate risk is not just fundamentally unfair, it simply won't work in our democracy," he said.

Trumka worked these themes of fairness and dialogue in making his case. "First, what do I mean by unfairness? Half of the electrical power in the United States comes from coal. This has been true for years. People I grew up with dig the coal that lights the lights and heats the buildings all across this country today. The world we know exists because coal miners go down to the mines. But the carbon emissions from that coal, and from oil and natural gas, and agriculture and so much other human activity causes global warming, and we have to act to cut those emissions, and act now."

Like the union he used to represent, he dismissed the movement to "End Coal." "Never mind that such a thing is simply not going to happen — there is no substitute now for metallurgical coal, and if we stopped burning coal this afternoon and cut the power in the U.S. grid by 50 percent, as Mayor [Michael] Bloomberg advocates, he'd be reading handwritten memos by candlelight this evening." Instead, he asked opponents to think about how their message is heard in places like his home town of Nemacolin in the southwestern corner of Pennsylvania. "When these folks hear 'End Coal,' it sounds like a threat to destroy the value of our homes, to shut our schools and churches, to drive us away from the place our parents and grandparents are buried, to take away the work that for more than a hundred years has made us who we are."

All of the AFL-CIO unions want coal fired power plants to be retrofitted to reduce mercury and sulfur emissions, Trumka went on. The retrofit projects create good jobs and save lives. For that reason, "we oppose anyone who would take away the Environmental Protection Agency's authority to keep our air and water clean. But power plant and mine workers want to know that, if their employers commit to doing the retrofits, they will get the time to complete them."

Trumka made the same point about TransCanada Corp.'s controversial Keystone XL oil pipeline. The AFL-CIO has not taken a position on the project, given disagreement among its members. "But we cannot have a trust building conversation about it unless opponents of the pipeline recognize that construction jobs are real jobs, good jobs, and supporters of the pipeline recognize that tar sands oil raises real issues in terms of climate change."

Trumka closed with a plea for dialogue, particularly among environmentalists and workers and communities, about the future of coal and what the labor movement calls a "Just Transition" to a low-carbon economy. The AFL-CIO "is ready to host that dialogue," he said.

The biennial investor summit is sponsored by Ceres, a U.S.-based nongovernmental organization; the U.N. Foundation; and the U.N. Office for Partnerships. The UNF describes itself as "a platform for connecting people, ideas and resources to help the United Nations solve global problems." The AFL-CIO is the federation of 57 autonomous national and international unions.

COMPANIES REFERENCED IN THIS ARTICLE:

AFL-CIO

TransCanada Corp.	**TRP**

Industry Document: Remarks by AFL-CIO President Richard Trumka UN Investor Summit on Climate Risk

E-mail this story.

NC muni agency considers putting $704M portfolio on block to ease debt burden, rates

by Amy Poszywak

The North Carolina Eastern Municipal Power Agency told a state legislative committee Jan. 10 that it would consider selling its ownership stakes in four North Carolina power plants in an effort to pare some $2.1 billion of debt incurred related to nuclear plant development.

The agency shares ownership stakes in four power plants with Carolina Power & Light Co. According to SNL Energy data, North Carolina Eastern owns 353.4 MW of the 1,928-MW, two-unit Brunswick nuclear plant; 45.2 MW of the 936-MW, single-unit Shearon Harris nuclear plant; 117.6 MW of the 727-MW, single-unit coal-fired Mayo facility; and 92 MW of the 2,454-MW, four-unit Roxboro coal-fired plant.

The current book value for the generation assets is $704 million, according to a presentation given to the committee.

North Carolina Eastern — along with North Carolina Municipal Power Agency No. 1, which shares ownership of the 1,129-MW unit 2 Catawba nuclear plant in South Carolina with Duke Energy Corp. — is a member of and managed by ElectriCities of North Carolina.

ElectriCities told the state Municipal Power Agency Relief Committee during a Jan. 10 meeting that if a buyer would pay a value for the plants that would allow it to retire North Carolina Eastern's debt, it would consider the offer. Notably, if the assets are sold and the debt is eventually retired, North Carolina Eastern would no longer exist, according to Ken Raber, senior vice president of member services at ElectriCities.

"The cities would then be free to purchase power from whomever they choose, whether that be Progress Energy or Duke Energy or [Dominion Resources Inc.] or someone else," Raber said Jan. 12. "But if they are no longer in the agency and they're no longer able to purchase power from the agency, then they would have to pursue whatever other options are out there to meet their power supply needs."

North Carolina Eastern has lowered its debt by $1.5 billion since 1993, but about 35 cents for every dollar on customer bills among agency member cities still goes toward the agency's debt, which has lead to a notable disparity between its rates and those paid in other parts of the state. For example, ElectriCities said North Carolina Eastern customers end up paying about $1 more per day than Progress Energy customers, based on average monthly consumption of 1,000 kWh using 2010 data from the U.S. Energy Information Administration.

The relief committee was formed by the North Carolina General Assembly in the second half of 2011 and has been tasked with studying potential options to relieve municipal power agency customers of high electric rates, either through refinancing or restructuring the agencies' debt or selling assets burdened by heavy debt loads. Raber said a 2010 refinancing is expected to save North Carolina Eastern $35 million over the next 12 years.

The committee is co-chaired by North Carolina Sen. Buck Newton and Rep. Jeff Collins.

"What we've been trying to demonstrate to the committee is that the agency has been prudent in administering the debt," Raber said Jan. 12. "We've refinanced when appropriate, we've reduced our interest rate from 12% to a little over 5%. We've taken advantage of everything we can do." - ElectriCities and North Carolina Eastern have also been considering restructuring the debt, but found that option to be uneconomical in the long-term. Restructuring, North Carolina Eastern's board discovered, would provide a small amount of short-term relief but would actually increase costs for ratepayers over the long-term, according to the presentation.

Based on current power cost estimates, ElectriCities expects that once North Carolina Eastern's debt is paid off in 2026, rates will actually drop below the regional average. If the debt is restructured, the wholesale electric rate will be 21% higher than it would be otherwise post-2026, according to the presentation.

A third option would be to seek a federal or state bailout, though Raber said Jan. 12 that ElectriCities and North Carolina Eastern have rejected the idea.

"We have been looking for solutions to the debt for many years," Raber said. "If somebody has a solution, we'll certainly look at it. If that involved selling the assets, we'll consider that also. And I think that's what the committee is reviewing: What's out there? What are the opportunities? What have we already looked at, and are there other things we should be looking at? And right now, we haven't found other things we should be looking at."

North Carolina Eastern, consisting of 32 cities and towns that own and operate their own electric systems, was formed in 1982 as a result of state legislation passed in the 1970s allowing cities to own generation with the aim of addressing reliability and cost concerns during the ongoing energy crisis. The legislation also aimed to provide help for struggling utilities to finance new power plants.

North Carolina Eastern purchased its stakes in Brunswick, Harris, Mayo and Roxboro in 1982, and planned to build four more units at the Harris facility. Instead, as a result of increased government regulation, construction delays and significant cost overruns at Harris in the wake of the Three Mile Island disaster, just one unit was built and North Carolina Eastern was strapped with $3.6 billion of debt.

"Forming the power agencies and purchasing ownership in four CP&L plants was the right decision at the time, but it has created significant challenges for today's ratepayers," ElectriCities said in a Jan. 10 news release. "We continue to explore all opportunities to reduce the debt, including debt restructuring and the potential sale of our power generation assets."

Carolina Power & Light is a Progress Energy Inc. subsidiary and does business as Progress Energy Carolinas.

COMPANIES REFERENCED IN THIS ARTICLE:

Carolina Power & Light Co.	
Dominion Resources Inc.	**D**
Duke Energy Corp.	**DUK**
ElectriCities of NC	
North Carolina Eastern M P A	
North Carolina Muni Power Agency Number 1	
Progress Energy Inc.	**PGN**

Industry Document: Presentation to Joint Municipal Power Agency Relief Committee

E-mail this story.

Group sues SCE&G over alleged pollution from Wateree coal ash ponds

by Dan Lowrey

South Carolina Electric & Gas Co. says demands put forth by environmentalists in a federal lawsuit seeking to force the company to clean up coal ash ponds at its Wateree power station have already or are currently being addressed.

In an email statement to SNL Energy on Jan. 13, SCE&G spokesman Robert Yanity said the company "for some time" has been removing ash from the ash ponds and moving it to a new landfill and will continue to do so until all ash is removed. "SCE&G is committed to removing the ash ponds in their entirety and is actively engaged in accomplishing that goal," he said.

Additionally, he said the company monitors groundwater and surface water for signs of contamination and is working towards the elimination of any elevated groundwater concentrations that "might be contributed to by preexisting, stored wet ash even though the constituents of the ash are located entirely on SCE&G property."

On Jan. 12, the company was sued in the U.S. District Court for the District of South Carolina by the Catawba Riverkeeper Foundation, which alleges the plant's coal ash impoundments have been discharging toxic pollutants such as arsenic into adjacent waters without a permit for years. The group also claims a 2001 agreement reached between SCE&G and South Carolina environmental regulators is not sufficient to address the contamination.

"Further, because SCE&G entered into a private agreement instead of seeking a permit, it closed out of the process the people who live near the coal ash impoundments and near the Wateree River, the people of Eastover, the people of South Carolina, the plaintiff, and its members," the suit said.

Catawba Riverkeeper is seeking preliminary and injunctive relief to ensure SCE&G ceases disposal of coal ash at the impoundment site, utilizes dry disposal of coal combustion byproducts in a lined landfill outside the floodplain, removes all coal ash from the ponds and stores them in an approved landfill and prevents any further flow of contaminated water into the Wateree River.

Yanity said the company has or is addressing the concerns and that "historic seepage from the pond's embankments has been stopped." Moreover, he said, the structural integrity of the ash ponds has been confirmed through inspection and engineering evaluation and by federal environmental regulators. A final report prepared on behalf of the U.S. Environmental Protection Agency in October 2010 on the integrity of the Wateree ash ponds concluded that they were satisfactory for continued safe and reliable operation.

The Catawba River becomes the Wateree River, where the coal-fired power plant is located, a few miles upstream from Congaree National Park.

"SCE&G's coal ash impoundments are located dangerously close to the Wateree River on its banks, such that a natural or man-made disaster, accident, or other failure of the impoundments would result in a catastrophic discharge of tons of coal ash into the Wateree River," the lawsuit said. The suit said the impoundments contain more than 2.4 million tons of coal ash.

Wateree is a coal-fired electricity generating facility on the Wateree River near Eastover, S.C. According to SNL Energy data, it has an operating capacity of 684 MW. The two units of the plant were put into service in 1970 and 1971, respectively.

SCE&G is a unit of SCANA Corp.

COMPANIES REFERENCED IN THIS ARTICLE:

SCANA Corp. **SCG**

South Carolina Electric & Gas Co.

Misc: South Carolina Electric & Gas

Industry Document: Coal Combustion Waste Impoundment Round 5 - Dam Assessment Report

E-mail this story.

Timing of EPA rules could force utilities to move other CapEx to back burner

by Abby Gruen

A main concern of regulated utility investors in 2012 is the timing of U.S. Environmental Protection Agency rules for carbon and other pollutants, according to a Standard & Poor's Ratings Services investor report. Depending on when they are implemented, the new rules could force power companies to delay other capital expenditures to prevent jumps in customers' bills, the rating agency said.

The new EPA rules will have the most significant impact on utilities and their generation plants since the acid rain programs of the 1990s, according to a Jan. 6 report, "The Top 10 Investor Questions for U.S. Regulated Electric Utilities in 2012."

The ability of regulated power companies to pass compliance costs through to ratepayers underpins S&P's stable outlook of the industry, but if environmental costs come too fast, public service commissions may balk at causing rate shock to their citizens. A possible delay in implementing the EPA rules, combined with slow growth in electricity demand, are among the industry's primary credit themes.

"It is not certain how much of the [environmental compliance] spending will come in 2012, especially since some of the rule making is being litigated in terms of how quickly it will come into play. Those are all of the questions investors are asking about," S&P analyst John Whitlock said on S&P CreditMatters TV on Jan. 9.

In calculating the credit impact of the rules, S&P focuses on the pace of compliance, S&P analyst Todd Shipman said.

"On the regulatory side, I am not aware of any significant, or insignificant, instance of regulators not allowing a utility to fully recover environmental compliance costs," Shipman said. "It is the timing. This is what we look to the utility and their management to do. We refer to the whole idea of a 'crowding out' theory. There is only so much higher cost that you can pass through at any given time, in a politically palatable way."

Utility managements balancing investments in smart grid, new generation, storm preparedness and transmission and distribution upgrades are not trying to "elude the consequences" of the EPA rulemaking, they are just asking for more time and flexibility so they can comply at the lowest cost and at a pace that doesn't cause rate shock, Shipman said.

"If you are trying to do all that, and all of a sudden much more onerous and expensive environmental costs come along, then it could lead to a point where something has got to give. And we all know on the regulatory side when something has to give, it is usually the utilities that are doing the giving," Shipman said.

While S&P has not "detected any whiff of backlash or resistance from regulators," the timing of when utilities can recover their costs could be put under pressure by the EPA rules.

"When the industry gets back on a growth path there is going to be a lot of spending going on and we think it is going to be difficult to keep customer bills tamped down. It is going to be a difficult environment with customer bills rising and median incomes flat to falling — it is not a recipe for contentment for consumers. We are concerned about regulatory fatigue, and we will continue to watch for signs that regulators are having pause to pass along some of these costs. These are top themes that we looked at," Whitlock said.

Fully regulated utilities owned by Southern Co., Wisconsin Energy Corp. and Xcel Energy Inc. are expected to ultimately recover compliance costs from ratepayers through rate cases.

Southern's Alabama Power Co., Progress Energy Inc.'s Florida Power Corp. d/b/a Progress Energy Florida and AES Corp.'s Indianapolis Power & Light Co. will recover their environmental investments through riders, instead of full rate cases, the S&P report said.

Ameren Corp., Dominion Resources Inc., FirstEnergy Corp. and PPL Corp., with both regulated and merchant businesses, are expected to have some weakening of their consolidated financial measures, which possibly could translate to a lower credit rating, S&P said.

Despite low demand growth, S&P expects 2012 capital spending of about $85 billion in the sector, up slightly from 2011. Environmental spending in 2012 and 2013 is projected to top $10 billion. American Electric Power Co. Inc., Dominion, PPL and Southern are all expected to spend more than $1 billion in CapEx in the next two years, Whitlock said in the report.

Companies such as Alliant Energy Corp., which has a high proportion of environmental spending relative to its net property plant and equipment, a ratio of greater than 9%, could face lower ratings if recovering costs proves to be difficult, according to the report, but S&P has not seen anyone run into trouble with the regulators yet, Shipman said.

"It is really on the utilities to match their spending, and there are some very large capital expenditure programs out there with some utilities," Shipman said. "If they don't slow down on that a little bit, to make sure they can manage the expectations of everybody, and to manage what rate increases are going to be palatable, that's when they can run into trouble on the regulatory side. But we don't see any of that."

COMPANIES REFERENCED IN THIS ARTICLE:

AES Corp.	**AES**
Alabama Power Co.	
Alliant Energy Corp.	**LNT**
Ameren Corp.	**AEE**
American Electric Power Co. Inc.	**AEP**
Dominion Resources Inc.	**D**
FirstEnergy Corp.	**FE**
Florida Power Corp.	
Indianapolis Power & Light Co.	
PPL Corp.	**PPL**
Progress Energy Inc.	**PGN**
Southern Co.	**SO**
Wisconsin Energy Corp.	**WEC**
Xcel Energy Inc.	**XEL**

E-mail this story.

Sierra Club launches major ad campaign in Ohio, defends EPA rules

by Jonathan Crawford

In what the Sierra Club is billing as its biggest advertising buy in recent history, the environmental group on Jan. 12 went on the offensive, launching a "high saturation" television ad campaign targeting major Ohio media markets.

The advertisement, dubbed "It's that Simple," calls on Congress to support public health protections and thanks President Barack Obama for "standing up to polluters."

"With lobbyists and their friends in Congress railing against air pollution standards … it's time to clear the air," a narrator states in the beginning of the segment. The ad is planned to run through Jan. 17, with high-saturation broadcasts in Cleveland, Cincinnati and Columbus, Ohio. According to the Sierra Club, the "750 point buy" in each Ohio media market will mean that the average television viewer will see the ad a minimum of eight times in less than a week.

The Sierra Club's aggressive media campaign received a major boost after New York City Mayor Michael Bloomberg in 2011 announced he would donate $50 million to the group's Beyond Coal Campaign, which has a goal to cut coal energy production by 30% by 2020.

The ad appears to make the case that stronger environmental regulations are necessary to protect public health. Set against dramatic music, the ad opens with a scene of spewing smokestacks and then transitions to children, suffering from what appear to be respiratory ailments, who are wearing oxygen masks or other such breathing apparatus.

"Ohio is a vitally important swing state in the November presidential election. It is not surprising to me that they would have a media buy in Ohio. It is probably a good place to have an influence," Steve Mitnick, a one-time chief energy adviser to former New York Gov. Eliot Spitzer, said in a Jan. 12 interview. Mitnick now serves as president of an organization called Build Energy America, which promotes infrastructure investment.

Mitnick added that the Sierra Club probably realizes that it can "get the most bang for its buck" in Ohio, a "swing state of swing states," with the upcoming elections.

"If you're a Sierra Club, you probably want to show the Democrats you can have a big impact on the elections and make a big difference in the presidential elections," he said. "If you can show that, that only increases your influence with the administration going forward. That would be true for them."

Ohio is also probably a major draw, he maintained, because of the presence of multiple major power companies. American Electric Power Co. Inc., for instance, is based in Columbus, while Duke Energy Corp. has a major service territory in the state.

The power industry has grudging respect for certain environmental groups that oppose them on permits and policy issues, with many industry members calling the Sierra Club, as well as the Environmental Defense Fund and the Natural Resources Defense Council, "effective." The Sierra Club has been known to be very effective in stopping permits.

Sierra Club spokeswoman Maggie Kao noted in a Jan. 12 email that the Sierra Club has been working in Ohio for several months, talking to residents about their concerns about their families' health and pollution.

"We have done several telephonic town halls in the state, and we recently did an ad in Columbus and Cincinnati to celebrate the president's landmark action to clean up toxic mercury pollution, and we want to continue those conversations with those mothers, fathers and concerned residents," she said, adding that Ohio is the "second worst" state, next to Texas, for mercury pollution.

COMPANIES REFERENCED IN THIS ARTICLE:

American Electric Power Co. Inc.	**AEP**
Duke Energy Corp.	**DUK**

Industry Document: New TV Ad Thanks President Obama for Standing Up to Polluters

E-mail this story.

ACEEE: Efficiency measures could cut US energy consumption nearly 60% by 2050

by Kathleen Hart

By putting policies in place to promote significant investments in energy efficiency, the U.S. could cut energy consumption by nearly 60% by 2050, the American Council for an Energy-Efficient Economy said in a new report.

The report, "The Long-Term Energy Efficiency Potential: What the Evidence Suggests," outlines scenarios under which the nation could either continue on its current path or cut energy consumption by almost 60%, add nearly 2 million jobs in 2050 and save consumers as much as $400 billion per year.

"The first critical aspect of policy is a better understanding of how energy works its way through the economy," John Laitner, ACEEE's director of economic and social analysis and a co-author of the report, told reporters Jan. 12. For example, Laitner noted that on average, power plants in the U.S. have remained at only about 31% efficiency since 1960, leaving vast room for improvement.

"What they waste in the generation of electricity is more" than Japan uses to power its entire economy, Laitner said, adding that it is important for U.S. policymakers to understand that energy efficiency "is the critical linchpin to overall economic activity."

Steven Nadel, ACEEE's executive director and a co-author of the report, said the efficiency of the power sector could be increased from 31% to 47% by 2050 by reducing transmission losses; putting in place better controls; and replacing many of the older power plants with newer, more efficient units. Another important factor in increasing the efficiency of the electric power sector includes reducing overall demand for electricity through efficiencies that could be achieved in the residential and industrial sectors, he noted.

Laitner cautioned that three "jokers," or wild cards, may threaten the future robustness of the U.S. economy. First, there are many uncertainties surrounding the availability of conventional and relatively inexpensive energy supplies. Second, the rate of energy productivity gains is slowing in the nation. And third, a variety of potential climate constraints may create further economic impacts. Given those factors, large-scale energy efficiency advances are "the smartest investment for America," he said.

The report considers three potential energy consumption scenarios: a "reference" case, which would continue trends projected by the U.S. Energy Information Administration for the 2030-2035 period; an "advanced" scenario, which would include greater adoption of known and advanced technologies; and a "Phoenix" scenario, which would include greater infrastructure improvements and adoption of advanced technologies. In the report, electricity generation is divided into fossil fuels, including coal, natural gas and petroleum; nonfossil sources, including nuclear and renewables; and combined heat and power.

Fossil fuels now account for about two-thirds of electricity generation, according to the report. In the reference case, the authors project that total reliance on fossil fuels for electric generation will increase modestly in 2050. However, under the advanced technology and Phoenix scenarios, demand for electricity is projected to fall significantly. In turn, "we anticipate that the generation mix will shift from a fossil fuel dominated mix to a more balanced mix" in the Phoenix case, the authors said.

"We assume a significant decline in fossil generation as coal plants retire," resulting in natural gas assuming a dominant role in fossil generation, the report added. The share of non-fossil utility generation is projected to increase from about 23% in the 2050 reference case to 32% in the advanced case and to 40% in the Phoenix case.

The report also anticipates increases in the efficiency of generation technologies. "We project modest improvements in delivered electricity efficiency will occur in the reference case, with efficiency levels rising from slightly above 32% in 2010 to about 36% in 2050. We suggest that even greater efficiencies could be obtained, with the best individual power plants expected to push design efficiency levels to 55-60% by 2050," the report said.

In addition, the authors said they expect modest decreases in transmission and distribution losses due to improved transmission system equipment "through the deployment of technologies such as super conductors and high-efficiency transformers."

Industry Document: The Long-Term Energy Efficiency Potential: What the Evidence Suggests

E-mail this story.

Patriot Coal unit seeks to permit mine in West Virginia

by Dan Lowrey

Eastern Associated Coal LLC, a unit of Patriot Coal, is seeking to permit an almost 26-acre underground coal mine in southern West Virginia called the Gateway No. 3 mine, according to an application filed with the West Virginia Department of Environmental Protection.

The company plans to use room-and-pillar mining techniques to extract coal from the No. 2 gas coal seam. The mine is in Boone County near Kopperston. The application was submitted Jan. 10.

Eastern Associated Coal has one other mine application pending before the WVDEP for the Gateway No. 2 room-and-pillar mine, also in Boone County, which is a 36-acre property.

On Jan. 13, Patriot said it was idling met coal production at its Rocklick and Wells complexes in southern West Virginia due to softening global metallurgical coal demand.

COMPANY REFERENCED IN THIS ARTICLE:

Eastern Associated Coal LLC

E-mail this story.

Feds sue W.Va.-based Resurrection Coal for unpaid safety fines

by Dan Lowrey

The federal government filed suit Jan. 12 against West Virginia coal operator Resurrection Coal Co. Inc. to collect about $42,657 in unpaid fines for mine safety and health violations.

The suit, filed in U.S. District Court for the Southern District of West Virginia, is seeking judgment for the amount plus interest and legal fees in addition to further penalties the court may consider appropriate.

According to the U.S. Mine Safety and Health Administration, Resurrection operates one active underground mine and one new underground mine. The active mine, No. 2, produced 8,731 tons of coal during the first two quarters of 2011, the only production listed for 2011. Resurrection also has one mine listed as temporarily idled. All the mines are in West Virginia.

According to the lawsuit, MSHA has cited the company with 245 violations of the Mine Act. In 2011 alone, MSHA data indicate that mine No. 2 received 50 citations under Section 104(a) of the federal Mine Act for violations of safety and health standards.

Ownership of one of the mines cited in the lawsuit, the No. 4 mine in Wyoming County, W.Va., was transferred in 2009 to Chief Mining Inc. It is currently listed as temporarily idled by MSHA.

COMPANIES REFERENCED IN THIS ARTICLE:

Chief Mining Inc

Resurrection Coal Co. Inc.

Misc: Resurrection Coal Co. Inc.

E-mail this story.

Grande Cache Coal gets nods for buyout by China-Japan venture

by Dan Lowrey

Canadian metallurgical coal producer Grande Cache Coal Corp. said it received approval from the Court of Queen's Bench of Alberta and its own shareholders for a buyout by China's Winsway Coking Coal Holdings Ltd. and Japan's Marubeni Corp.

Winsway has offered C$10 per share for each outstanding share of Grande Cache, for total cash consideration of about C$1 billion (US$982.7 million).

Grande Cache shareholders approved the deal at a special shareholder meeting Jan. 12, the company said.

Closing of the transaction remains subject to Investment Canada Act approval and the approval of the Hong Kong Stock Exchange, it said. Grande Cache expects the arrangement will be completed in February.

Winsway is a Hong Kong-listed company that supplies coking, or met, coal to the Chinese steel industry. Marubeni is a Japan-based trader of commodities.

Alberta-based Grande Cache holds coal leases covering more than 22,000 hectares with more than 300 million tonnes of coal resources in the Smoky River Coalfield in west-central Alberta, according to its website.

COMPANIES REFERENCED IN THIS ARTICLE:

Grande Cache Coal Corp. **GCE**

Marubeni Corp.

E-mail this story.

NS claims record coal tonnage loaded at Pier 6

by Will Fitzgerald

Norfolk Southern Corp. announced Jan. 13 that it had loaded the largest coal cargo at Pier 6 in the history of the Lamberts Point facility in Norfolk.

NS said it finished loading 159,941.45 tons of metallurgical coal on the morning of Jan. 12 into the *M/V Cape Dover*, destined for China. "That quantity can be used to make about 207,000 tons of steel," NS said. The coal was shipped by Xcoal Energy & Resources, which markets coal into Asia for CONSOL Energy Inc., from mining operations in Virginia. T. Parker Host was the ship agent/broker.

NS said its employees loaded the 951-foot vessel in less than 48 hours. "This is the kind of capacity and service that makes Pier 6 the preeminent coal transloading facility on the East Coast," said Mark Bower, NS group vice president for export, metallurgical and industrial coal marketing. "Worldwide demand for U.S. coal for utilities and coke plants continues to grow, and the railroad is the reliable and safe link that, with our coal production and sales partners, brings that energy to market around the globe."

The loading broke the former record of 157,645 tons for the *M/V Irongate* in 1998, as well as the 155,522 tons loaded into the *M/V Cape Provence* in 2010.

NS said it has been loading coal and coke at Lamberts Point since 1884, when a predecessor company opened Pier 1. Pier 6 opened in 1962, and the facility dumped its billionth ton of coal in 1999, becoming the only terminal in the world to have reached that milestone. Most of the coal originates in Virginia, West Virginia, eastern Kentucky and Pennsylvania.

COMPANIES REFERENCED IN THIS ARTICLE:

CONSOL Energy Inc. **CNX**

Norfolk Southern Corp.

Xcoal Energy & Resources

PR: Norfolk Southern's Pier 6 handles largest coal loading in its 50-year history

E-mail this story.

Report: Mongolian met coal miner targets May for IPO

by Dan Lowrey

Mongolia's Erdenes Tavan Tolgoi Co., the state-run operator of a massive metallurgical coal project, is targeting May for the date of its IPO, according to Reuters.

Reuters reported that the company no longer plans to list initially in Hong Kong but will conduct its IPO in London and in the Mongolian capital city Ulan Bator. The London listing would be done through global depositary receipts. BNP Paribas, Deutsche Bank, Goldman Sachs and Macquarie were retained to handle the listing, Reuters reported.

B. Enebish, executive director at state-run Erdenes MGL, told Reuters that the deal would probably be done in May. "We still intend to list in Hong Kong," Enebish said.

The Tavan Tolgoi deposit in Mongolia's South Gobi region contains an estimated 6.5 billion tonnes of reserves, mostly coking coal for steelmaking, and is one of the largest undeveloped coal reserves in the world, according to the Tavan Tolgoi Inc. Co. website.

Mongolia is the largest and fastest-growing exporter of metallurgical coal to China. U.S.-based coal producer Peabody Energy Corp. is among those negotiating with the Mongolian government for a lucrative contract to mine a portion of the deposit.

COMPANY REFERENCED IN THIS ARTICLE:

Peabody Energy Corp. **BTU**

E-mail this story.

Russia's Mechel completes construction of rail link to coking coal deposit

by Rohan Somwanshi

Russian steelmaker Mechel OAO on Jan. 11 said it has completed laying tracks from the Ulak station to the Elga coking coal deposit in southeast Yakutia, Russia.

According to Mechel's website, the Elga coal deposit contains an estimated 2.19 billion tonnes of Joint Ore Reserves Committee-compliant reserves. Mechel's subsidiary Yakutugol Holding Co. OAO is developing the Elga coal deposit.

Mechel said construction of the last segment of track of the railway link to Elga was completed in December 2011, opening traffic along the entire route from Baikal-Amur Mainline's Ulak station to the Elga deposit, the company said.

Mechel has spent about 40 billion Russian rubles on the construction of the rail link, which involved laying 321 kilometers of railway tracks.

The company began construction of the rail line in February 2008, and Mechel's Metallurgshakhtspetsstroy ZAO was employed as the project's general contractor.

"The railway's completion is one of the most complicated and important stages in implementing the unique project of developing the Elga coal deposit, which is one of the world's largest coking coal fields. The launch of direct railway access to Elga Coal Complex will in 2012 significantly facilitate delivery of materiel necessary to increase production at Elga, as well as allow rail transportation of coal mined at the deposit," Mechel OAO Chairman Igor Zyuzin said in a statement.

As of Jan. 11, 1 Russian ruble was equivalent to 3.15 U.S. cents.

COMPANY REFERENCED IN THIS ARTICLE:

Mechel OAO

Industry Document: Mechel Reports Finishing Laying Railway Tracks to Elga Coal Complex

E-mail this story.

Report: 2011 output falls at ND lignite mines

by Rohan Somwanshi

Coal production at North Dakota's four large lignite mines fell for the second straight year in 2011 due to scheduled outages at power plants and an increase in hydroelectric power generation at the Garrison Dam on the Missouri River, the *Devils Lake* (N.D.) *Journal* reported.

The Freedom, Falkirk, Center and Beulah mines produced a total of 28.2 million tons of lignite coal in 2011, down about 600,000 tons from 2010 levels, according to the Lignite Energy Council. The four mines produced 28.8 million tons of lignite in 2010, down by about 1 million tons from 2009.

Since 1988, lignite production in North Dakota has remained at roughly 30 million tons per year, according to the council.

Most of the lignite produced in 2011 was used to generate electricity, while smaller amounts were used to produce synthetic natural gas and fertilizer products.

The Center and Beulah mines are operated by BNI Coal Ltd. and Westmoreland Coal Co., respectively. Falkirk Mining Co. operates the Falkirk mine, and the Freedom mine is owned by Coteau Properties Co.

The North Dakota Public Service Commission plans to seek $3.9 million in federal grant money to reclaim two lignite mines abandoned decades ago in the western part of the state, according to a media report.

COMPANIES REFERENCED IN THIS ARTICLE:

BNI Coal Ltd.

Coteau Properties Company

Falkirk Mining Co.

Westmoreland Coal Co. **WLB**

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Report: Strike averted at Exxaro's coal mine in South Africa

by Rohan Somwanshi

South African coal miner Exxaro Resources Ltd. narrowly avoided a strike action at its Arnot coal mine after it reached an agreement with the labor union Jan. 12, Reuters reported.

The day before, more than 1,000 miners at Arnot had threatened to go on strike Jan. 13 to protest conditions of employment. The workers are represented by South Africa's National Union of Mineworkers.

The Arnot mine produces 5 million tonnes of thermal coal per year, according to Exxaro's website.

Exxaro, a major supplier to state-run power utility Eskom, operates eight coal mines in South Africa. The mines produce a total of 46.8 million tonnes of thermal and coking coal per year, Exxaro's website said.

COMPANY REFERENCED IN THIS ARTICLE:

Exxaro

E-mail this story

EME *continued*

permit to allow installation of flue gas desulfurization scrubbers on Homer City units 1 and 2. The application was filed by "Homer City OL1—OL8 LLC," which is an overall name for several financial entities that own the plant and lease it to EME Homer City Generation LP, a unit of EME parent company Edison International. Those entities have names such as Homer City OL1 LLC and Homer City OL2 LLC.

In its most recent Form 10-Q, however, the company warned that it does not have enough capital or expect to generate sufficient funds from operations at the plant to complete air emissions retrofits effectively required by phase two of a new air emissions rule.

Susan Olavarria, an EME spokeswoman contacted by SNL Energy, declined to provide any further details about the financing the company is seeking, but said financing arrangements would be handled in conjunction with permitting. She also said the company had selected a contractor to install the pollution controls, but a contract had not yet been finalized.

EME Homer City had been evaluating the pollution controls as well as alternative options, including reduced dispatch and fuel switching, for complying with phase one of the Cross-State Air Pollution Rule, or CSAPR, which was recently stayed in a federal legal action initiated by the company.

Some environmental activists attending the meeting said they would prefer the company develop renewable energy facilities such as wind turbines rather than to continue investing in coal-fired power generation, the *Dispatch* reported.

A community relations coordinator with the Pennsylvania Department of Environmental Protection said environmental controls at the Homer City plant would dramatically improve local air quality, according to the paper. Olavarria said the scrubbers would reduce sulfur dioxide and mercury emissions by about 90%.

COMPANIES REFERENCED IN THIS ARTICLE:

Edison International **EIX**

Edison Mission Energy

EME Homer City Generation LP

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Patriot *continued*

"As world economies return to normal growth rates, we expect a resumption of the longer-term growth trend for metallurgical coal demand that should allow us to bring much of this production back on line," he said.

In recent weeks, analysts have been lowering their forecasts for met coal prices based on weaker demand from overseas markets.

According to Patriot's most recent annual report, the Wells complex, consisting of the Rivers Edge and contractor mines, sold more than 3 million tons of met coal in 2010. Rocklick, which consists of the now-closed Harris No. 1, Black Oak and contractor mines, sold 691,000 tons, according to the 10-K. Harris No. 1 was permanently closed in June 2010 due to sudden adverse geologic conditions.

Patriot said it plans to provide guidance for 2012, including anticipated met coal volume, in conjunction with its fourth quarter earnings announcement.

COMPANY REFERENCED IN THIS ARTICLE:

Patriot Coal Corp. **PCX**

PR: Patriot Coal to Reduce Metallurgical Coal Production

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