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Buck Creek leases to be given up

A last-ditch effort to buy the assets of **Buck Creek Coal** out of an Indiana bankruptcy court has failed, and the leases for Buck Creek's coal reserves are about to be given up.

On Aug. 15, just before a court deadline for bids, a company called **WP Coal** out of Illinois lodged a bid for those assets. But on Aug. 19, just before a court hearing on the bid, it was withdrawn. According to the bid the person behind WP Coal is Terry Watson. No information is available on whether Watson was acting as an agent for another party.

No other bids were lodged. Earlier bidders **Koester Companies** and **Sullivan Coal** already dropped out. Lori Yarbor, who is with the law firm representing Buck Creek, said the intent now is to file a liquidation plan with the court that includes a return of the leases on Buck Creek's coal reserves to the landholding companies, including **Peabody Coal**. The court has set a Sept. 16 hearing to review the plan.

Kentucky begins two truck studies

The **University of Kentucky**'s transportation studies center and **Kentucky Transportation Cabinet** will do separate studies of overweight trucks in the state.

Gov. Paul Patton pushed for the studies after citizens complained overweight coal trucks pose a danger to motorists and highway bystanders.

UK's transportation center will examine truck accident data and the study will run until June 1999. Researchers plan field tests to help them check the braking characteristics of various types of trucks that have been loaded beyond an 80,000 pound limit required by Federal Motor Carrier Safety regulations. Coal trucks moving on state highways often exceed that limit.

The cabinet study, which runs until June 1998, looks at whether increased loads in a representative sample of trucks decreases the braking capability of those trucks.

In an Aug. 12 letter to the **Kentucky Coal Assn.** Center official Jerry Pigman said there will be close coordination between the two studies and that coal industry help is needed.

Peabody loses court ruling

Three **Peabody Holding** subsidiaries lost a lawsuit against the **UMW** that could have required the union to pay $400,000 in damages.

On Aug. 15, a federal jury in the U.S. District Court for southern West Virginia ruled that **Pine Ridge Coal** and **Colony Bay Coal,** which are **Eastern Associated Coal** operations, did not prove the UMW planned the picketing that shut down mining operations in Boone and Wyoming counties between July 31 and Aug. 2, 1995 *(CO 8/7/95)*. Those miners were picketing due to a complaint over the hiring of **Appalachian Trucking Co.,** an independent trucker.

Correction

Contrary to a passage in an August 18 *Supplement* story, **Westmoreland Coal** does not anticipate entering into a successor agreement to its 1993 contract with the **UMW**. The company said it has entered talks with the UMW about Westmoreland's obligations to the union after the 1993 contract expires.

union workers to operate the facility *(CO 7/14)*.

Hall-Buck Marine, which will operate the ship loading portion of the terminal, already has a contract in place with ILWU.

The city Environmental Affairs Department interviewed the South Coast Air Quality Management District, Cal-OSHA, the Harbor Department, the Regional Water Quality Control Board and the Bureau of Engineering. It found that the terminal has complied with all environmental permits issued to date.

One source close to the situation said LAXT and PCS have been under political pressure to resolve matters with the union. "PCS has made the union a number of offers, but it looks like they have reached an impasse," the source said. "Most people in LAXT feel PCS made a good compromise offer, but the union was not responsive."

A union spokesperson, however, claimed the city has a 14% financial interest in the terminal, creating a conflict of interest. "The **National Treasury Employees Union** did a study of the terminal that came to different conclusions from the city's," said Kevin Schroeder. "We have asked for an independent study, and two council members agreed to present that request to the mayor."

The union claims the Harbor Department authorized several design changes in the facility to cut costs. "The Harbor Department obtained permits for LAXT on the premise that the facility would use the best available technology," said union spokesman Peter Peyton. "That technology was never installed."

Schroeder said the union still is talking to PCS.

Sierra Pacific, Idaho file complaint on UP rates

Sierra Pacific Power and **Idaho Power** have filed a complaint with the **Surface Transportation Board** regarding rates charged by **Union Pacific Railroad.**

The utilities asked the STB to prescribe a rate for hauling coal from the Sufco mine in Utah to their jointly owned North Valmy plant in northern Nevada. They also seek reparations for the difference between the current rate and the rate to be established by the STB. The utilities claim the current rates provide revenue to UP that is more than 300% of variable costs.

North Valmy received 730,000 tons from Sufco in 1996, as well as 300,000 tons from other Utah sources. Sufco deliveries continue at about 60,000 tons/mo in 1997. North Valmy is on UP, but **Burlington Northern Santa Fe** has trackage rights to the plant under the terms of the **UP/Southern Pacific** merger.

According to the complaint, UP handled all the coal to North Valmy under a contract that expired July 31. The most economical way of shipping the Sufco coal, the complaint said, is to truck it 80 miles from the mine to the Sharp loadout on UP.

In May, the utilities sent out an RFP for a six-year contract based on their desire to "obtain competitive bids from UP and BNSF for the transportation of coal to North Valmy in excess of the Sufco coal contract minimum which must
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competitive access concerns tied to the UP/SP merger. They claim that two-line rates proposed by **Utah Railway** and BNSF were higher than UP's single-line rate.

ACT/007/020 #2

Kiscadens work MMS deal, develop at Horizon

Scott and Todd Kiscaden's **White Oak Mining & Construction** reached agreement with the federal **Minerals Management Service** on catching up with past-due royalty payments *(CO 7/28 Supplement)*.

MMS collects royalties for the **Bureau of Land Management**. A BLM

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In May, the utilities sent out an RFP for a six-year contract based on their desire to "obtain competitive bids from UP and BNSF for the transportation of coal to North Valmy in excess of the Sufco coal contract minimum which must be shipped via UP," said the STB filing. They claim UP proposed rates "substantially above appropriate rates" and refused to enter a contract covering less than the full Sufco tonnage.

The utilities requested common carrier rates, and UP quoted rates of $10.53/ton in steel cars and $9.00/ton in aluminum cars, the complaint said. The utilities maintain the variable cost is not more than $2.89/ton in steel cars and $2.71/ton in aluminum cars, producing revenue-to-variable-cost ratios of 364% and 332%, respectively.

The utilities also have another case pending before the STB regarding competitive access concerns tied to the UP/SP merger. They claim that two-line rates proposed by **Utah Railway** and BNSF were higher than UP's single-line rate.

ACT/DDD/020 #2

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Duke goes after industrial market

Duke Energy, like a lot of other utilities, has formed a subsidiary to seek plant operation and/or fuel supply deals with industrials that have or need on-site steam plants.

Duke Energy Industrial's first president is Edgar "Bobby" Abrams, who most recently was with **Duke Engineering & Services** as a senior vice president. In the coal area, Duke will be trying to leverage its experience in operating and buying fuel for coal-fired plants into doing that work for industrials nationwide.

Duke also named Bruce Williamson as president of **Duke Energy International**. This subsidiary is developing worldwide power projects, including a 450-MW coal plant in Indonesia. Williamson was senior v.p. at **Duke Energy Corporation Energy Services**. Williamson replaces Steven Gilliland, who becomes president of **Duke Energy International Industrial Asset Development**.

The shuffling of names and divisions follows **Duke Power**'s recent merger with gas company **PanEnergy** *(CO 6/2)*.

People in Coal

Rick Clonch has joined coal operator Chris Cline's **Cline Resource & Development Co.** to handle sales and marketing. CR&D sells its met coal through **Panther Coal** and its steam coal through **Direct Coal Sales**. Clonch formerly was with **Orion Resources** and before that with **Cannelton Coal Sales**.

Clonch still maintains his own company, **Clonch Coal Sales**, but it concentrates on unrelated coal projects *(CO 3/31/97)*. Clonch emphasized that he works full time and exclusively for Cline.

Clonch can now be reached at CR&D, Suite A, 430 Harper Park Dr., Beckley, WV 25801, 304-255-7458 (voice) and 304-255-4908 (fax).

Clonch replaced ***Bruce Washburn***, who could not be reached.

Larry Miller, formerly senior VP of marketing and contract administration for **Pittston Coal**, is assessing opportunities in the coal or power marketing fields, particularly in southwest Virginia.

Miller also has headed Pittston's **Pyxis Coal Sales** unit and served as senior VP in charge of all domestic steam coal sales. He earlier worked for **Paramont Coal** under **W.R. Grace** and **Barber Paramont Coal**. Before that he was in charge of fossil contract administration for **Carolina Power & Light**.

Miller can be reached at 540-628-4110 or 19161 Amelia Dr., Abingdon, VA 24211.

Martin White, the senior V.P. of corporate development at **MDU Resources**, will become president and CEO of MDU in April 1998 upon the retirement of ***H.J. Mellen Jr.*** White has experience in mining, including through past jobs at **Montana Power**. MDU is a North Dakota-based utility company that counts among its assets lignite producer **Knife River Corp.**

official said that with the royalty situation cleared up, the agency will be able to move ahead with a lease sale for another of the Kiscadens' Utah operations, **Horizon Coal** in Carbon County.

The environmental assessment on the Horizon tract should be complete in about a month, and the lease sale is likely in December. Horizon will be able to mine about 1 million tons of coal before needing the federal reserves, so the timing of a BLM lease sale is considered not to be a problem.

The Horizon mine is being faced-up and is expected to be producing in the next 30 days out of the Hiawatha seam. The coal will move in a different market than the coal from nearby White Oak, which works the Upper and Lower O'Connor seams. Horizon's coal will move on **Utah Railway**, while White Oak ships on **Union Pacific**. The Horizon and White Oak coals are both represented by **Commonwealth Coal Sales**, which is part owned by the Kiscadens.

The Kiscadens recently took a look at some BLM data related to **PacifiCorp**'s Des-bee-dove deep mine in Emery County, Utah. The mine, which is part of PacifiCorp's Deer Creek mine complex, has been shut for years, and indications are PacifiCorp might be close to selling it.

Some estimates say the reserves there are about 6 million tons of federal coal, and maybe a total of up to 12 million tons with fee-owned coal included. There had been an underground fire in the area years ago, a BLM official noted, so any mine operator will have to work around the fire areas. The mine's unusual name is because the operation was a combination of three older mines: Deseret, Bee Hive, and Dove.

Last week Scott Kiscaden declined to comment on matters relating to White Oak, Horizon and Des-bee-dove.

Kentucky looks at feasibility of IGCC project

State officials in Kentucky are looking at developing a project using gasified coal to produce power and chemical by-products.

Gov. Paul Patton told a recent meeting of the Kentucky **Coal Marketing and Export Council** that such a project would be a key economic development tool for eastern Kentucky. The so-called Kentucky Pioneer Power Project features a 400-MW, integrated gasification, combined-cycle power plant. Some of the syngas will be used to create chemical products.

Patton said coal companies in eastern Kentucky should work together to develop the project, which will use higher-sulfur/higher-ash coals that are having trouble finding markets.

Project cost is estimated at up to $600 million. The first stage is a $600,000, one-year feasibility study. The state is putting up $50,000 for the study, while the federal **Dept. of Energy** is adding $200,000 and the **University of Kentucky**'s **Center for Applied Energy Research** (CAER) is adding up to $150,000 of in-kind research work.

In a recent article in its *Energeia* publication, CAER noted a key benefit of the project is that alternative motor fuels produced in a syngas process are cleaner-burning than conventional motor fuels, thus helping the nation meet increasingly tough auto tailpipe standards. Natural gas also could be co-processed into those cleaner fuels.

CAER said at 400-MW of power output and 6,000 barrels/day of diesel equivalent produced, coal consumption could be 3,200 tons/day if natural gas were co-processed with syngas, and 4,761 tons/day if only syngas were used.

Marketscoop

Coal supplies remain tight in both the Utah and Colorado coalfields of the Uinta Basin, a condition now exacerbated by **Union Pacific**'s service problems throughout the West *(see story, Page 1)*.

"It has been tight for most of 1997, and we hope to see some easing but haven't yet," said one buyer who recently opened bids for 1998 coal supplies. Average coal prices in the Uinta Basin Index below reflect *Coal Outlook*'s