

<https://web.archive.org/web/20030702172317/http://www.westernfuels.org/pdf/wfar1999.pdf>

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Coal is king among fossil fuels in terms of its generation of CO2 per unit of energy output ...' (false)

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GES itself had an excellent first year. We premiered The Greening of Planet Earth Continues: The Promise for the 21st Century and Beyond at the Basin Electric annual meeting last November. It was very well received and many people believe it is superior to our earlier video, The Greening of Planet Earth. We view the videos as bookends and part of the same story. While Big Media and Big Government give no credence to either “Greening” video, the science they depict has the **advantage of being right**. We have no doubt that the American people, at the end of the day, will agree with our perspective.

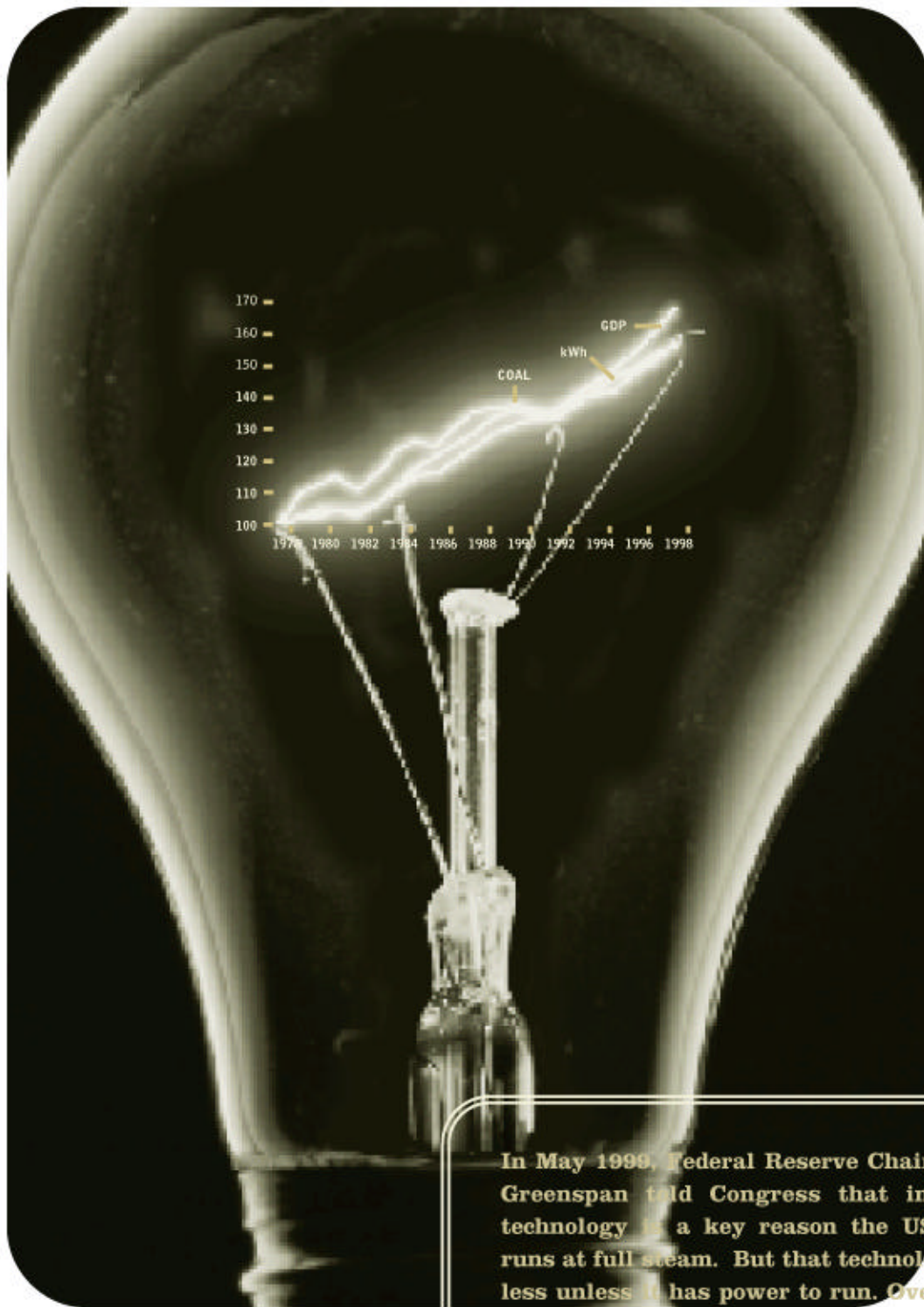
We continue to take our carbon dioxide story wherever we can, whenever we can. ...

NMA concluded EPA has no jurisdiction in part based on the fact that CO2 emissions are beneficial and not harmful. In current parlance, **positive environmental externalities swamp speculative, negative ones**. For the same reason, it is our view that **Congress can’t pass laws restricting CO2 emissions without paying just compensation to the owners of every carbon dioxide emissions source in the United States**, including owners of coal-fired power plants.

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**COAL FIRED ELECTRICITY  
ENERGIZES THE U.S. ECONOMY**  
**Western Fuels Association**  
**Annual Report 1999**



In May 1999, Federal Reserve Chairman Alan Greenspan told Congress that information technology is a key reason the US economy runs at full steam. But that technology is useless unless it has power to run. Over the past two decades, the steady growth of the US Gross Domestic Product (GDP) has also depended upon an increase in Kilowatt hours (kWh) of electricity consumption and, as a result—a corresponding increase in demand for coal.

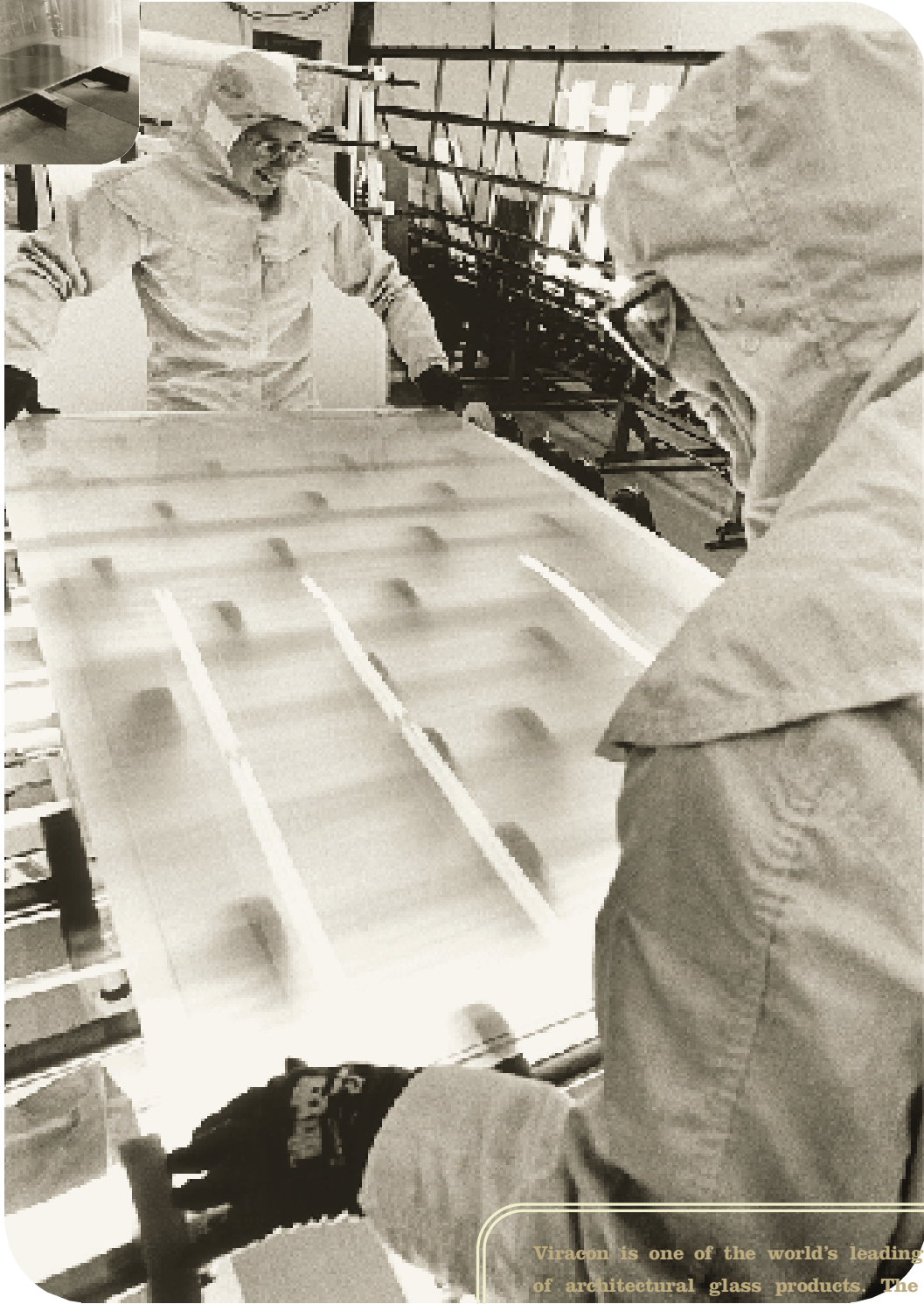
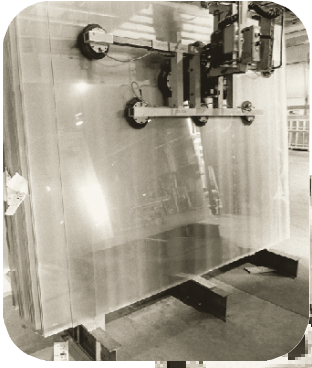
**O**ur front cover light bulb is “on” for Federal Reserve Chairman Alan Greenspan. It was May 1999 when Greenspan told Congress information technology is a key reason the US economy runs at full steam. But that bulb first lit for us in October 1992.

That’s when Western Fuels Association, Inc., published Sustainable Development and Cheap Electricity: An Evaluation of the Impact of Lower Electricity Prices on the U.S. Economy and U.S. Carbon Dioxide Emissions. That report by Mills-McCarthy & Associates contained the first iteration of an electricity/energy/GNP graph revised by January 1995’s publication of Does Price Matter?: The Importance of Cheap Electricity for the Economy. The graph reached its present economy/electricity/coal configuration with publication of Coal: Cornerstone of America’s Competitive Advantage in World Markets in March 1997.

The point made in each report is that today’s high technology is, for the most part, electric technology. More often than not, myriad electrotechnologies are wed to information technology. This melding and synthesis, only now, is beginning to be generally perceived as the key to the high productivity and incredible efficiencies fueling the U.S. economy. But no information technology runs on anything but electricity. And most electricity in the USA comes from coal.

Western Fuels Association’s member consumer-owned electric utilities serve America’s heartland, the area between Canada and the Gulf of Mexico bounded by the Rocky Mountains and Mississippi River. In our part of the country, reliance on coal-fired electricity is far beyond the 56% national average. It exceeds 80% and approaches 90% in some places.

The businesses and communities pictured in this year’s report are direct beneficiaries of America’s most abundant domestic energy resource: coal. They represent the palpable strength and diversity of an economy that rises in tandem with demand for electricity and production of coal – whether most people realize it or not. They are the consumers who own the electric utilities that serve them. They are the faces of public power and rural electrification. They, and we, are participants in a revolution.



Viracon is one of the world's leading fabricators of architectural glass products. The one-million square foot Viracon factory in Owatonna, Minnesota annually produces more than 25 million tons of high-performance glass products. The local municipally-owned utility is a member of the Southern Minnesota Municipal Power Agency.

**Peabody Coal Company's** North Antelope/Rochelle complex uses state-of-the-art electrically driven surface mining equipment to supply coal for the generation of electricity by ninety of the nation's utilities. With Basin Electric members supplying the electricity, the Powder River Basin has become the world's most productive coalfield.



Here, on the cusp of a millennium, it is fitting to recall that it was the dawn of the 20th century when the light bulb and electric motor ignited the second stage of the Industrial Revolution. Electric lighting and the electric motors that drive industrial equipment, pump fluids, refrigerate food, and condition indoor environments created the infrastructure and electric industry we know and enjoy.

By the middle of the century, growth in electricity use slowed and generally began to track growth in the economy, the number of office buildings and factories, population, and variety in electrical devices.

The energy price shocks of 25 years ago rocked that landscape. Events in the Middle East put the spurs to a nascent drive toward energy efficiency. Subsequent government and industrial investment in energy efficiency and conservation produced refrigerators cooling with 60% less electricity, HVAC systems with 33% greater efficiency or better, and freezers gobbling 70% less energy. Today, the ubiquitous Environmental Protection Agency "Energy Star" pops up on CRTs across the land while the agency credibly claims its "Green Lights" program saves billions of dollars in lighting costs.

Yet, even while conservation mavens stood on desktops replacing 100-watt incandescents with 50-watt fluorescents, the people working at those desks ten years ago began connecting 150- and 350-watt (and greater) InfoAge devices and peripherals, and plugging them into wall sockets with no doubt that electricity would be there. And it was. Soon InfoAge desktops consumed kilowatt hours, and – with the click of a mouse – began gobbling megawatt hours as America logged on to the Internet.

Mr. President, Members of Congress, Chairman Greenspan, and Messrs Case, Gates and Wetherell: Western Fuels' message this year is "the Internet begins with coal."

Consider. Demand for electricity outpaces the number of houses, people and commercial buildings despite extensive efforts to stifle load growth. This is a consequence of fuel switching at its most fundamental level: electrotechnologies are substituting for combustion technologies in

making steel, drying automobile finishes, welding, dye-cutting, getting “mail” from place-to-place, mowing the lawn, and so on.

American coal has played its part, supplying 60% of the growth in electric supply over the last decade (see our cover). On the basis of a report commissioned by Greening Earth Society from Mills-McCarthy & Associates (*The Internet Begins With Coal: A Preliminary Exploration of the Impact of the Internet on Electricity Consumption* available at <http://www.fossilfuels.org>), we are now convinced that information technologies are driving Wall Street, GDP, and the growing demand for kilowatt hours. In the digital revolution that's underway, the twenty-something dot.com entrepreneur's next best friend ought to be his or her electricity service provider. And vice versa.

Frontline utility executives interacting with business customers hear of a concern for reliability not there before. It's nothing to do with the still-remarkable feat of delivering electricity from remote locations over thousands of miles of exposed wires through a thicket of complex electrical engineering challenges – something at which our member-owners excel. Rather, it's about “24-by-7” uninterruptible power source solutions – the heart of e-commerce, high tech InfoAge industrial processes, and lifeblood of the Internet.

While some of these trends are only getting under way, Western Fuels' experience as fuel supplier to eleven coal-fired power plants is testimony to this emergent economic reality. During 1998, a year that generally saw a warmer winter and cooler summer (seasonal profiles that typically shave electricity demand), our members ran their power plants flat-out. We supplied a record 24-million ton volume of coal even after selling a coal mine that in years past contributed 1.5-million tons to our annual delivery total.

If we're right about the contours of this second epoch in the Electric Age, then government policies that seek to restrict the use of the hundreds of billions of dollars in coal mining, coal-hauling railroad, and coal-fired power plant investment made in good faith response to President Carter's Project Energy Independence not only will negate the

More cattle are fed within 60 miles of Garden City, Kansas than anywhere else in the world. Local farms produce wheat, corn, sorghum, soybeans, alfalfa and sunflowers. With Sunflower Electric supplying the electricity, the robust Garden City area economy and quality of life attract a growing number of manufacturing and service businesses.





Nambé creates elegant tableware and decorative pieces from a unique alloy containing no silver, lead or pewter. Located in Plains Electric's service territory, the Nambé factory in Española, New Mexico employs highly skilled artisans and craftsmen whose creations grace the Museum of Modern Art and shelves of the world's finest department stores.

wisdom and necessity of a call to the “moral equivalent of war,” they will deny the American people and the world’s economy the harvest of a well-deserved peace dividend.

The global-climate-change issue is about the wisdom of reducing emissions of carbon dioxide: a greenhouse gas, primary nutrient for plant life, and unavoidable consequence of humans using fossil fuels. Western Fuels’ advocacy since 1988 reflects our understanding of this fundamental fact.

Coal is king among fossil fuels in terms of its generation of CO<sub>2</sub> per unit of energy output and its role in creating electricity, the primary source of energy used in the residential, commercial and industrial sectors of the economy. No other energy resource, whether a fossil fuel or a “renewable,” can touch coal’s contribution to a quality of life and economic vitality which are the envy of every nation on earth. There is no feasible plan for supplanting coal in America’s energy mix. Nor is there reason for there to be, in our estimation.

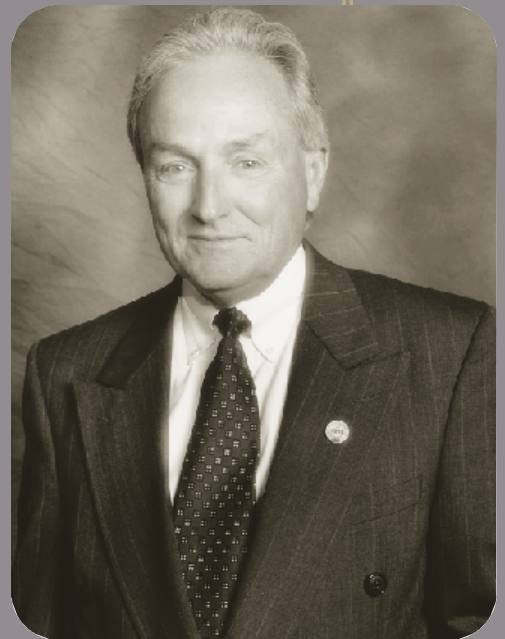
So that honest segment of the environmental community that recognizes that “sacrifice, struggle, and a wrenching transformation of society” are required to resolve this issue is correct. We’re at a juncture. In one direction, the bright side traversing the Information Superhighway toward a wired, interconnected, interdependent world where billions of people and tens of millions of businesses are on-line, interacting, and raising living standards for all in fulfillment of Abraham Lincoln’s exalted vision of life as it should be for the common man. In the other, the dark side, a foot path back to Walden Pond toward a darker place where there is ongoing hunger, poverty, and deprivation for billions of have-nots in the Third World.

On the threshold of Y2K, Western Fuels Association is confident where the people whose interests we represent want to go and where the American people, in their wisdom, will go.

**Letter from the President and  
General Manager/Chief Executive Officer**



ROBERT L. MCPHAIL



FREDRICK D. PALMER

**W**estern Fuels Association is a cooperative business created by consumer-owned electric utilities for the benefit of the farmers, ranchers, and residents of the communities they serve. No segment of America's population lives closer to the land and is more in tune with their environment. The places they call home encompass Cajun country, Tornado Alley, the Red River Valley, the Rocky Mountains, the banks of the Missouri and Mississippi, and the mainline of the Siberian Express. They know the importance of a healthy environment.

As consumer-owners of their local electric utilities, people served by municipal utilities and rural electric cooperatives know that electricity doesn't come with a wave of the Tooth Fairy's magic wand, even though that seems to be what extremists in the environmental community and some officials in the current Administration believe. The people of public power know firsthand that here in the USA, electricity comes from coal-fired power plants. Only someone who believes in the Tooth Fairy Theory of Electricity would want to shut down such magnificent machines.

**Some environmental extremists believe electricity consumption and production is a problem.** We know it to be a positive good and our best hope for a bright future. The correlation between electricity consumption, people's health, their wealth, economic growth and, now, the Internet is as plain as the rising sun. Yet, those who want to put the coal plants out of business ignore this correlation.

**American coal is the most important energy resource on earth because it is the most important energy resource for the most important economy on earth – ours.** Close to 500 American power plants burn close to one billion tons of American coal and bless us with a low-cost, essential resource: electricity. The coal plants are not only under-appreciated by our government; they are under assault from it.

Not-for-profit municipal utilities and rural electric cooperatives invested billions of dollars in coal-fired electricity in the 1970s and 1980s at the federal government's request. These coal-fired generating assets should represent a competitive advantage for public power, but if their use is capped or restricted by the current Administration's assault on our coal-fired electricity-generating base, public power will be severely damaged.

Western Fuels Association was created to supply public power with coal for the state-of-the-art power plants that evolved under President Carter's Project Energy Independence. We are proud of our service to the utilities that own us and to the electric consumers they serve. We know our business activity and advocacy work is in the public interest. We are secure in the knowledge that what we do today will bear positive results for those whom we serve and those who will be served in the future from the assets with which we are involved.

Western Fuels' success in 1998 is something of which we also are proud. **We set a new record in shipping 24-million tons of coal to eleven power plants.** We accomplished this even after selling

our interest in the Deserado Mine in 1997 and removing that tonnage from our total. Many people working together – from our organization, our member utilities, and the coal companies and railroads with which we do business – were responsible for this fine achievement.

The year was positive overall, but not without bumps and sharp curves in the road.

We settled separate lawsuits with the Union Pacific, Southern Pacific and Burlington Northern Santa Fe railroads. The UP/SP litigation stemmed from severe service problems the railroad experienced in late 1997 and early 1998. It involved coal deliveries to the Sikeston Power Station, owned and operated by the Sikeston, Missouri, Board of Municipal Utilities. The BNSF litigation concerned application of price escalation provisions in two of our rail transportation contracts for coal deliveries to Sherco III on behalf of the Southern Minnesota Municipal Power Agency and to the Laramie River Station, owned by Basin Electric Power Cooperative, Tri-State Generation and Transmission Association, Lincoln Electric System, Missouri River Energy Services, Heartland Consumers Power District and the Wyoming Municipal Power Agency.

We are delighted to say that our railroad relationships have never been better. Both the UP and BNSF are providing all the coal needed by our power plants and we work closely with these railroads in our coal advocacy programs. While we remain part of Consumers United for Rail Equity (CURE), a shipper coalition pushing for changes in the laws governing the relationship between carriers and shippers, the legislative change CURE advocates is not revolutionary.

The fact is our members' coal-fired power plants and the viability of the coal mines where we are either the owner-operator or purchaser require robust, well-run, efficient railroads. Most of our business is in western coalfields and the investment made by both carriers in the West is truly impressive. If you have an opportunity to visit Wyoming's Powder River Basin, do so. It's worth it just to see the rail operations themselves, to say nothing of the always impressive coal mining operations.

Cajun Electric Power Cooperative's bankruptcy continues. The bankruptcy judge issued an opinion approving large parts of the Trustee's plan – a plan that we support. But Judge Gerald H. Schiff refused to approve any single plan. Instead, the Parties unsuccessfully tried to negotiate an overall settlement and the matter is back before the judge. It is anticipated Judge Schiff will rule late this summer or early in the fall. It is our belief that the plan initially proposed by the Trustee will be adopted.

If that happens (and once such a plan becomes final), Western Fuels will no longer be coal supplier to Cajun Electric. As in the case of the Deserado Mine, we will sell our contract. While the proceeds from the sale will give us impressive and record net worth, such a sale will remove a substantial chunk of our operating income. We have no doubt of Western Fuels' ability to evolve further

under these new circumstances in order to fulfill our ongoing mission in the new millennium.

Other notable events in 1998 include a major outage at Plains Escalante Generating Station due to a failure in the chimney liner at the power plant. The chimney itself was greatly weakened because of the failure. Had normal, seasonal strong winds coincided with the failure, the power plant could have been lost. Instead, in short order, Plains Electric Generation and Transmission Cooperative was able to stabilize the chimney and PEGS today operates as it should.

We reopened our contract with Kennecott Energy Company for coal deliveries to Sunflower Electric Power Corporation's Holcomb Station. The fuel costs Sunflower reported to the Federal Energy Regulatory Commission reflect our success in that reopener.

In the midst of the Cajun bankruptcy, we also reopened our contract with Triton Coal Company for coal deliveries to Big Cajun #2. This was no mean feat given the "fishbowl" nature of that controversy. It was not fun for any of the parties. We were very successful, however, as can be gleaned from Big Cajun #2 fuel costs as reported to FERC.

We placed a new trainset into service for the Kansas City, Kansas, Board of Public Utilities. KCBPU now receives 100% of its coal from Wyoming's Powder River Basin. The Nearman Creek Station has always been a PRB burner, but now the Quindaro Station takes coal from Arch Coal's Black Thunder Mine (previously owned by ARCO Coal Company).

Merger discussions have been completed between Tri-State and Plains Electric. The merger will not impact Western Fuels. Our members are taking steps to ensure that Plains does not lose its representation on the Board of Directors as a result of the merger. The exact nature of this guarantee will be worked out by the membership. But we have no doubt it will happen.

In our litigation with Colowyo Coal Company over deliveries to Tri-State's Craig Station, the trial judge entered an order dismissing large portions of our claims against Colowyo and Kennecott. The opinion accompanying the order is puzzling because the

#### **DELIVERIES**

as of December 31, 1998

Basin Electric Power Cooperative  
Tri-State Generation & Transmission Association  
Laramie River Station **7,845,133 tons**

Cajun Electric Power Cooperative  
Big Cajun No. 2 **6,549,390 tons**

Tri-State Generation & Transmission Association  
Craig Station **1,545,689 tons**  
Nucla Station **321,755 tons**

Board of Public Utilities of Kansas City, Kansas  
Nearman Creek Station **1,180,505 tons**  
Quindaro Station **492,002 tons**

Sunflower Electric Power Corporation  
Holcomb Station **1,602,045 tons**

Southern Minnesota Municipal Power Agency  
Sherco III **1,524,784 tons**

Sikeston, Missouri, Board of Municipal Utilities  
Sikeston Power Station **1,046,300 tons**

Plains Electric Generation & Transmission Cooperative  
Plains Escalante Generating Station **767,220 tons**

Basin Electric Power Cooperative  
Leland Olds Station **60,689 tons**

Marion Coal Sales  
Brushy Creek Mine **955,057 tons**

Western Fuels-Wyoming  
Dry Fork Mine **121,645 tons**

**TOTAL DELIVERIES**  
**24,012,396 TONS**

judge finds for us on most key issues. Apparently the judge believes that the various wrongs we alleged (which he found had a basis in fact) have no consequences. Our understanding of the law is that where there is a wrong (and there are many here), there is a remedy. The judge's order will be appealed.

The Laramie River Station near Wheatland, Wyoming is once again the lowest-cost coal-fired power plant in the country. While the mantle passed to the Gerald Gentleman Generation Station in western Nebraska for a brief period last year, our advantageous rail contract with BNSF and portfolio of coal supply for LRS – including Dry Fork Mine – have reasserted their worth. Delivered coal costs at LRS are now almost 10% below those at the Gentleman Station, and LRS coal costs definitely are going lower still.

We are Y2K-compliant and ready for the new millennium. That task was completed several months ago and was well underway before the federal government urged industry action. Based on our review and our discussions with utilities that we are involved with, we perceive there is less here than meets the eye when it comes to scare stories over Y2K compliance insofar as the coal-chain industries are concerned.

Our advocacy work was robust last year. First (and unfortunately) we need to report that Marianne Brewster suffered a disability. While she is well and recuperating, she is not able to return to her duties as Executive Director of Greening Earth Society. Marianne was instrumental in creating GES – she actually named it. While we miss her support and enthusiasm, we are in contact with her and wish her the best.

GES itself had an excellent first year. We premiered The Greening of Planet Earth Continues: The Promise for the 21st Century and Beyond at the Basin Electric annual meeting last November. It was very well received and many people believe it is superior to our earlier video, The Greening of Planet Earth. We view the videos as bookends and part of the same story. While Big Media and Big Government give no credence to either “Greening” video, the science they depict has the advantage of being right. We have no doubt that the American people, at the end of the day, will agree with our perspective.

We continue to take our carbon dioxide story wherever we can, whenever we can. As Chairman of the Legal Committee of the National Mining Association, the General Manager co-authored a report on the U.S. Environmental Protection Agency's jurisdiction to regulate CO2 under the Clean Air Act. NMA concluded EPA has no jurisdiction in part based on the fact that CO2 emissions are beneficial and not harmful. In current parlance, positive environmental externalities swamp speculative, negative ones. For the same reason, it is our view that Congress can't pass laws restricting CO2 emissions without paying just compensation to the owners of every carbon dioxide emissions

source in the United States, including owners of coal-fired power plants. We will make this argument wherever and whenever we can.

The Western Fuels Association staff is focused and is dedicated to providing value to our members in the supply of low-cost coal to the power plants we serve and in protecting the coal-fired generating assets in which our members made good-faith investment. We have said it before; we will say it again: One consequence of effective advocacy work for our members is a broader public benefit. Despite the environmental community's wish it was otherwise, electricity does not come with a wave of the Tooth Fairy's magic wand. It comes from coal-fired power plants burning American coal transported on American railroads.

America's power plants, coal mines and railroads are operated by hundreds of thousands of hard-working men and women who work every day for the benefit of every American. It is sad that the current regime seeks to marginalize such a large and important part of our society, and such a critical cog in our domestic economy, by treating this great industry as pariah. But Administrations come and go. Coal will survive the onslaught. Western Fuels will continue to grow its business because the coal-chain industry will continue to thrive.



Robert L. McPhail

President/Board of Directors



Fredrick D. Palmer

General Manager & Chief Executive Officer



CHRIS HAUCK



BOB MCPHAIL



HUB THOMPSON



LARRY ADAIR



JIM FRENCH



JAY COX



BOB GILLESPIE



JIM BROWNLEE



DAN MACLEOD



PERRY RUBART



BILL KELLER



ED THROOP



JIM SOEHNER

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Chief Executive Officer &  
General Manager  
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Bismarck, ND

L. Christian Hauck  
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President & Chief Executive Officer  
Sunflower Electric Power  
Corporation  
Hays, KS

Harold J. (Hub) Thompson  
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President  
Tri-State Generation & Transmission  
Association, Inc.  
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Power Agency  
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General Manager & Chief Executive  
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Sunflower Electric Power Corporation  
Hays, KS

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Tri-State Generation & Transmission  
Association, Inc.  
Westminster, CO

## MEMBER DIRECTORY

### CLASS A MEMBERS

Basin Electric Power Cooperative  
URL: [www.basinelectric.com](http://www.basinelectric.com)  
Bismarck, ND

Cajun Electric Power Cooperative, Inc.  
Baton Rouge, LA

Plains Electric Generation &  
Transmission Cooperative, Inc.  
URL: [www.plainsgt.org](http://www.plainsgt.org)  
Albuquerque, NM

Sunflower Electric Power Corporation  
URL: [www.sunflower.net](http://www.sunflower.net)  
Hays, KS

Tri-State Generation & Transmission  
Association, Inc.  
URL: [www.tristategt.org](http://www.tristategt.org)  
Westminster, CO

### CLASS B MEMBERS

Board of Public Utilities of  
Kansas City, KS  
URL: [www.bpu.com](http://www.bpu.com)

Board of Municipal Utilities  
URL: [www.sikestonbmu.org](http://www.sikestonbmu.org)  
Sikeston, MO

Southern Minnesota Municipal  
Power Agency  
Rochester, MN

### CLASS C MEMBERS

Arizona Electric Power  
Cooperative, Inc.  
URL: [www.aepnet.com](http://www.aepnet.com)  
Benson, AZ

Arkansas Electric Cooperative  
Corporation  
URL: [www.aecc.com](http://www.aecc.com)  
Little Rock, AR

Associated Electric Cooperative, Inc.  
URL: [www.aeci.org](http://www.aeci.org)  
Springfield, MO

Black Diamond Energy, Inc.  
(a wholly-owned subsidiary of  
Oglethorpe Power Corporation)  
URL: [www.opc.com](http://www.opc.com)  
Tucker, GA

Department of Utilities  
Fremont, NE

Great River Energy  
URL: [www.GREnergy.com](http://www.GREnergy.com)  
Elk River, MN

Heartland Consumers Power District  
URL: [www.hcpd.com](http://www.hcpd.com)  
Madison, SD

Lincoln Electric System  
URL: [www.les.lincoln.ne.us](http://www.les.lincoln.ne.us)  
Lincoln, NE

Missouri River Energy Services  
URL: [www.mbmpa.org](http://www.mbmpa.org)  
Sioux Falls, SD

Nebraska Public Power Agency  
URL: [www.nppd.com](http://www.nppd.com)  
Columbus, NE

Platte River Power Authority  
URL: [www.prpa.org](http://www.prpa.org)  
Fort Collins, CO

Silicon Valley Power  
URL: [www.alphais.com/santa\\_clara](http://www.alphais.com/santa_clara)  
Santa Clara, CA

City Utilities  
URL: [www.cityutil.com](http://www.cityutil.com)  
Springfield, MO

Turlock Irrigation District  
URL: [www.tid.org](http://www.tid.org)  
Turlock, CA

# **CONSOLIDATED BALANCE SHEET**

Combined 1998 financial statements of Western Fuels Association, Inc.,  
Western Fuels-Illinois, Inc., and Western Fuels-Wyoming, Inc.  
(in thousands)

	1998	1997
<b>ASSETS</b>		
Cash & Short-Term Investments	\$16,143	\$17,326
Restricted Cash	0	2,172
Accounts Receivable		
Member	17,662	17,057
Non-Member	8,318	9,378
Total Accounts Receivable	25,980	26,435
Inventory	1,141	492
Costs Recoverable Under Coal Purchase Agreements	19,003	13,648
Prepayment for Deferred Coal Shipments	7,028	7,028
Prepaid Expenses	1,962	2,407
Coal Resource Acquisition Costs	0	340
Plant & Property	121,882	121,866
Less: Accumulated Depreciation	86,333	81,532
	35,549	40,334
Furniture & Equipment At Cost	464	451
Less: Accumulated Depreciation & Amortization	262	200
	202	251
Investments	31,811	32,746
<b>TOTAL ASSETS</b>	<b>\$138,819</b>	<b>\$140,667</b>
<b>LIABILITIES</b>		
Accounts Payable	\$30,344	\$29,383
Accrued Interest Payable	2,552	3,293
Post Retirement Benefits Obligation	10,490	11,086
Advance Payments for Transportation & Coal Purchases	15,057	14,698
Notes Payable	24,668	25,251
Long-Term Debt	11,258	8,410
Capital Lease Obligations	39,097	43,167
Deferred Income	137	25
	133,603	135,293
<b>MEMBERS' EQUITY</b>		
Initial Member Fees	45	45
Patronage Capital Certificates	2,625	2,457
Per Unit Retain Certificates	2,564	2,564
Accumulated Margin	(18)	308
	5,216	5,374
<b>TOTAL LIABILITIES &amp; MEMBERS' EQUITY</b>	<b>\$138,819</b>	<b>\$140,667</b>

## CONSOLIDATED STATEMENT OF OPERATIONS

Combined 1998 financial statements of Western Fuels Association, Inc.,  
Western Fuels-Illinois, Inc., and Western Fuels-Wyoming, Inc.  
(in thousands)

	1998	1997
Coal Sales to Members	\$233,308	\$218,714
Less: Cost of Coal Sold		
Acquisition	132,612	131,448
Transportation & Delivery	94,793	80,223
	227,405	211,671
	5,903	7,043
Contract Buy-Out	0	2,300
Interest Income	893	786
Annual Membership Fees	9	9
Total Revenue Less Described Costs	\$6,805	\$7,838
General & Administrative Expenses	3,381	3,820
Interest Expense	3,163	4,024
Net Operating Margin	261	(6)
Non-Operating Margin:		
Other	(428)	(426)
Income Taxes	6	(151)
Net Margin	(\$161)	(\$583)

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Western Fuels Association, Inc., is a cooperative enterprise operating on a not-for-profit basis to provide coal for the generation of electricity by consumer-owned utilities throughout the Great Plains, Rocky Mountain, and Southwest states, and in Louisiana. Western Fuels' 22 member/owners are rural electric generation & transmission cooperatives, municipal utilities, and other public power bodies.

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