

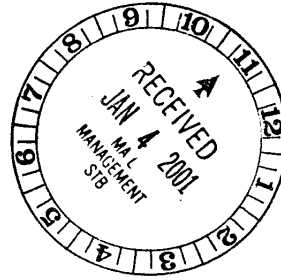
201180

1 of 17

December 28, 2000

Office of the Secretary
Case Control Unit
STB Finance Docket No. 33407
Surface Transportation Board
1925 K. Street NW
Washington DC 20423-0001

ENTERED
Office of the Secretary
JAN - 4 2001
Part of
Public Record



Attention: Victoria Rutson

Subject: Dakota Minnesota and Eastern Extension and Upgrade – Environmental Comments

Dear Mrs. Rutson

I wish to register my support for extension of the Dakota, Minnesota & Eastern Railway into the Wyoming coalfields of the Powder River Basin. I believe that approval of this project is in the overwhelming best interest of our nation and the many communities and industries the railway will serve both directly and indirectly. Of the many beneficial environmental impacts the extension project would have, the following stand out in my mind:

1. **Improving U. S. Energy Independence, Price Stability, and Security by improving industry access to economical low sulfur Powder River Basin Coals.**
2. **Sustain and Improve Rail Transportation Options for farm and industrial economies in Wyoming, Nebraska, South Dakota, Minnesota and Iowa.**

I live in Lake Charles, Louisiana and work in the petroleum coke calcining industry as a reliability engineer. The industry I work in supplies carbon products to the aluminum and titanium dioxide industries. I have no ownership or affiliation with the Dakota, Minnesota & Eastern Railway. I have included several articles from the Houston Chronicle and Tulsa World Newspapers that highlight current energy price and availability issues affecting consumers and industry throughout the United States.

1. Improving U. S. Energy Independence, Price Stability, and Security.

Working in heavy industry and also as a consumer, I am concerned with the energy price instability that has plagued both consumers and industry this past year. During the past year, prices for oil products, natural gas, and now electricity have all dramatically increased. Energy price instability has affected everyone in the United States, and is now disrupting many basic industries as well.

I have recently read several articles concerning shutdown and cutback of an aluminum smelting plants in the Pacific Northwest due to high electrical costs. Current electric rates make some smelting plants uneconomic to operate. One article stated that for the next year the aluminum manufacturer was selling previously purchased power back to the utility grid, and may never restart its plant. I am concerned that high-energy costs could eventually eliminate the aluminum smelting industry in the United States.

I have recently read an article in the Houston Chronicle concerning temporary shutdown of a fertilizer plant in eastern Texas. High natural gas prices made the fertilizer plant uneconomic to operate. With natural gas prices not expected to drop until spring, I'm concerned a fertilizer shortage could develop, or that farm prices for fertilizer could skyrocket with the price of natural gas.

I have recently read that the Exxon Refinery in Billings Montana is cutting back operations due to high electrical rates. Other refineries in the Billings area are also struggling with current electric rates and are considering how to cope.

The coke calcining plant I work at in Lake Charles Louisiana is currently struggling with high natural gas costs that are impairing plant profitability.

As a consumer my November 2000 natural gas bill of \$101.00 was nearly three times higher than my November 1999 bill. This is something most consumers in the United States will be forced to deal with this winter.

Increased use of Low Sulfur Wyoming Coal can help stabilize US Energy Prices by allowing some industries to switch from scarce natural gas and fuel oil to low sulfur coal. The stabilizing effect coal use can have on energy prices will be beneficial to everyone in the United States, not just local industries served by the DM&E RR. Improving market access to Wyoming coals is a key part of making this abundant US energy source more useful and beneficial to the nation as a whole. Extension of the Dakota, Minnesota and Eastern Railway into the Powder River Basin will improve Wyoming coal access to various eastern markets and thus can benefit all consumers in the United States.

Extending and Upgrading the DM&E RR with its shorter route to selected eastern industrial markets is very desirable. Proposed DM&E route to the upper Mississippi River area is 11% and 21% shorter than existing rail routes provided by other carriers. Proposed DM&E route to the Twin Cities area is 29% and 30% shorter than existing rail routes. The significance of the shorter DM&E routes is realized when considering that all coal train cycles are round trips, not just one-way moves. The shorter DM&E routes should provide many benefits including: lower fuel consumption, reduced emissions, fewer roadway grade crossings, and shorter coal train cycle times. The benefits of the shorter routes can provide subsequent cost savings to both industry and consumers. DM&E routes also travel through less populated areas of the country thus reducing public exposure to coal train traffic. DM&E Extension and Upgrade is more desirable than the alternative of adding additional capacity to longer and already overloaded rail routes that travel through more populated areas of the country to reach the same markets.

Adding rail capacity directly to the east of the Powder River Basin can free up existing rail routes out of the basin to better serve industries where these routes provide the shortest distance and best transportation value. It is academic to realize that additional rail capacity is needed to transport Wyoming coal to markets. This is driven by many factors including the significant price increases for oil and natural gas fuels this past year. With current high-energy prices and potential energy shortages, it is of the utmost importance that additional rail capacity be added in the most efficient routes, to limit energy consumption and maximize transportation efficiency.

Adding a third railroad to the Powder River Basin will also improve transportation reliability by providing a new rail route to markets. Currently an extended closure of any of the existing high-density rail routes from the Powder River Basin could severely disrupt coal deliveries to large parts of the United States. It is important to realize the sheer magnitude of coal train traffic on current railroad main lines serving the Powder River Basin. Sixty coal trains per day are not uncommon on these mainlines, thirty loaded trains and thirty empty trains returning to be loaded. Strikes, natural disasters, or bridge damage from barges or derailments can quickly affect hundreds of coal trains, significantly disrupting normal coal deliveries.

2. Sustain and Improve Rail Transportation Options for farm and industrial economies in Wyoming, Nebraska, South Dakota, Minnesota and Iowa.

Over the last several years I have witnessed the abandonment and removal of several major rail lines across Kansas and Nebraska. One such abandonment and removal was the ex-Missouri Pacific rail line across southern Kansas after the merger of Union Pacific and Southern Pacific Railroads. Another example is the ex-Chicago & Northwestern and Burlington Northern rail lines across northern Nebraska. Removal of these rail lines left many communities with no rail service. The railway abandonment and removals show that the potential loss of rail service is a present reality in today's economy. I don't believe that the loss of rail service has been a benefit to the communities, farmers or industry in these areas. Extension of the DM&E RR into the Powder River Basin will add coal to its traffic base and thus help sustain it as a viable transportation resource well into the future. Coal traffic will also support revitalization of the DM&E RR into a modern rail system, allowing service improvement for its many diverse users.

Sincerely,



Thomas Blazek
4512 Young Lane
Lake Charles La. 70605

Articles from: Tulsa World
wwwTulsaworld.com
Business Section
Sunday, December 3, 2000

Coal becomes more attractive as gas prices continue to rise

► Some experts say coal is the reason for Oklahoma's low electricity prices.

Coal vs. natural gas.

More consumers will be forced to choose between these two forms of energy as electric markets nationwide are deregulated.

In a competitive market — where consumers are free to choose their electricity supplier — the type of fuel that utilities use to make electricity

may affect consumers' choices.

Coal is cheaper, and supplies are abundant. But natural gas burns cleaner, and power plants fueled with gas are less expensive to build and maintain.

America's abundant supply of cheap coal can be used to meet the country's growing demand for electricity, advocates of coal say. Coal, because it's not as expensive as natural gas, will keep electric rates low, they say.

"Coal offers an abundant fuel

SEE **COAL** E-5

Articles continued from: Tulsa World
 www.Tulsaworld.com
 Business Section
 Sunday, December 3, 2000

SUNDAY, DECEMBER 3, 2000

TULSA WORLD

COAL:

Coal-fired power plants are getting a second look.

FROM E-1

source and a stable, predictable price," said Michael Eastman, an adviser for the U.S. Department of Energy's Office of Coal and Environmental Systems in Philadelphia.

Eastman's comments came during a recent presentation to the International Society of Energy Advocates of Tulsa.

As prices for natural gas, heating oil and gasoline soared to record levels this year, coal prices remained low and stable.

The price of natural gas, a popular source of fuel for new power plants, is up more than 100 percent from last year. Natural gas futures were above \$6 per thousand cubic feet last week.

As a result, some power generation companies are taking a second look at coal-fired power plants, Eastman said. Coal-fired plants account for 54 percent of the electricity produced in the United States, DOE figures indicate.

"Coal is king," Eastman said. "It is our future."

Oklahomans pay among the lowest electric rates in the nation because most of its power is produced with low-cost coal, said Joe Lucas, a spokesman for Americans for Balanced Energy Choices, a nonprofit, Virginia-based organization. About 60 percent of Oklahoma's electric generation is produced by coal-fired plants.

In Oklahoma, the average retail price for electricity is 5.5

cents per kilowatt hour, 19 percent below the national average, Lucas said.

But coal is viewed by most Americans as a key source of air pollution, a perception Lucas is trying to change.

"Electricity from coal is increasingly clean," Lucas said. "Our environment, particularly the quality of the air we breathe, is getting better every day."

Emission levels from coal-fired power plants have dropped one-third since 1970. Emission levels dropped even though the use of coal for electric generation tripled, Lucas said.

"America's demand for electricity is growing and will continue to grow," Lucas said. "We're going to need all domestic fuel resources" to meet future demand.

But the cost to comply with environmental regulation is expected to increase "dramatically" for coal-fired plants over the next 10 years, according to regulators.

Eastman said emission levels from coal-fired power plants can be reduced significantly through new technologies. "The goal is a zero-emission coal plant" by 2025, he said.

Tulsa-based Public Service Company of Oklahoma uses coal to produce nearly half of its electric generation. PSO provides electricity to about 480,000 Oklahoma customers.

PSO's parent company, American Electric Power, is the nation's leading consumer of coal. About 67 percent of AEP's electric generation is made at coal-fired power plants, said spokesman Stan Whiteford.

"We're not shutting any down," Whiteford said.

Articles from: Tulsa World
 wwwTulsaworld.com
 Section E
 Wednesday, December 27, 2000

Natural gas price hits all-time high

Natural gas prices hit a new all-time high Tuesday as bitterly cold weather across much of the nation has increased demand for the heating fuel.

Natural gas for January delivery rose 22.6 cents, or 2.4 percent, to \$9.805 per million British thermal units on the New York Mercantile Exchange. The contract at one point touched \$9.95, the highest price in 10 years of trading.

Natural gas has been trading at or close to record levels since mid-November.

Supplies of natural gas are 23 percent lower than at this time last year, according to the American Gas Association.

From Bloomberg, AP, staff reports

Smelter output cut to ease Pacific Northwest crisis

Norsk Hydro ASA said Tuesday it will cut production by 75 percent at its aluminum smelter in Washington state because of high power costs in the Pacific Northwest.

The Louisville, Ky.-based company said production at the Golden-dale Aluminum Co. smelter will drop for nine months to 27,000 metric tons from 105,000 metric tons.

Norsk Hydro said it will return electrical power to the Bonneville Power Administration to help ease the electric power crisis in the Pacific Northwest.

The crisis has seen soaring prices for natural gas, tight supplies of electricity and imminent electricity rate hikes.

TULSA WORLD 12/28/00

Plants in Pacific Northwest to cut production

Golden Northwest Aluminum Inc. will cut the remaining production at one of its two primary smelters and reduce production at the other smelter by nearly 80 percent.

The company cited power shortages in California and Pacific Northwest. The moves are in addition to cutbacks announced in September because of high electricity prices.

The company says it will cut the remaining production at its smelter in The Dalles, Ore. The smelter is now operating at half of its 82,000-ton annual capacity.

Golden Northwest will reduce production at its smelter in Golden-dale, Wash., to 25,000 tons per year from the current production level of 118,000 tons per year. The smelter's capacity is 168,000 tons.

The company said it plans to return to full production when power is available from new generators or when electricity prices drop enough.

From Bloomberg, AP and staff reports

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Articles from: Tulsa World
www.tulsaworld.com
Business Section
Saturday, December 23, 2000

Best Buy announced Dec. 7 that it would buy Muscledale for about \$425 million, giving it access to more than 1,300 retail outlets — many in places not currently served by Best Buy stores.

Richard Schutze, Best Buy's chairman and chief executive, will lead the combined companies. Eugster will be retained as a consultant for four years and will join Best Buy's board of directors.

Outboard Marine seeks bankruptcy protection

Outboard Marine Corp., a unit of Greenmarine Holdings LLC, filed for bankruptcy court protection Friday and terminated as many as 4,000 workers due to slower demand for pleasure craft and boat motors.

The Chapter 11 petition, filed in U.S. Bankruptcy Court in Chicago, listed \$877 million in assets and \$768 million in debts.

The Waukegan, Ill.-based boatmaker is best known for its Evinrude and Johnson line of outboard motors. It also makes boats under brand names like Chris-Craft, Four Winns and Hydra-Sports.

Outboard officials said today the Chapter 11 filing was designed to give the company time to put some of engine and boat operations up for sale. They said they've arranged \$35 million in financing to bankroll the company's reorganization bid.

From Bloomberg, AP, staff reports

Natural gas prices respond to weather

► Analysis are perplexed by the geographic distribution and range of prices.

By Russell Ray
World Staff Writer

Natural gas prices in the Mid-Continent have exceeded gas prices on the futures market, the latest unusual trend in a troubled energy market.

The average price of natural gas in the Mid-Continent closed Friday at \$11.07 per thousand cubic feet, \$1.50 above the price of gas at the Henry Hub in Louisiana.

"I've never seen that," said V. Alan Ratliff, president of Woodbine Natural Gas Marketing in Tulsa. "It's generally a foregone conclu-

sion that the Mid-Continent sells at a pretty big discount to Henry Hub."

Colder weather in the Mid-Continent may be the best explanation for the higher gas prices, Ratliff said.

The average high temperature in Tulsa so far in December is 39.1 degrees, 13.1 degrees colder than last year, according to the National Weather Service.

Gas futures for January delivery closed Friday at \$9.57 per thousand cubic feet, up from \$4.72 on Nov. 1.

Meanwhile, gas supplies continue to diminish at a rapid pace. U.S. gas inventories are down 23 percent from last year. At that rate, the nation's natural gas supply may be exhausted by April 1,

SEE GAS E-2

FYI: BUSINESS

Denver company calls off purchase of wells

Delta Petroleum Corp., a Denver-based oil and natural gas exploration company, said Friday it has canceled a \$49.5 million agreement to buy stakes in about 880 oil and gas wells from closely held Sage Petroleum Corp.

Delta instead will pay \$2.1 million in cash and \$600,000 in stock for a property in New Mexico that produces 400,000 cubic feet of gas a day, said Roger Parker, president of Delta. The company expects to complete the purchase by October.

The acquisition announced in October was called off because the companies could not resolve issues related to the operation of many of the wells, Parker said. The wells, located in the Permian Basin of western Texas and southeastern New Mexico, produce about 1,800 barrels of oil and gas a day, he said.

Delta has a market value of about \$33 million.

Active U.S. oil, gas rigs decline by 20

The number of rigs actively exploring for oil and natural gas in the United States dropped 20 rigs from 1,077 rigs in the week ending Nov. 12, and now has a total of 1,057 rigs overall, the American Petroleum Institute said. Of the rigs running nationwide, 851 were exploring for gas, 235 were looking for oil and one was listed as miscellaneous, Houston-based Baker Hughes Inc. said. The rig count a year ago the rig count was at 797.

Baker Hughes has been active in the oil and gas business since 1944. The tally peaked at 4,530 in Dec. 28, 1981, during the height of the oil boom, and fell to 1,057 rigs last year, bottoming out at 468 on April 23, 1999.

Source: Baker Hughes Services

Of the major oil- and gas-producing states, Wyoming gained two rigs and Louisiana gained one. Texas lost 10 rigs, and New Mexico lost one.

TRUCKS:

Fuel has become the second-largest expense after labor for many transportation companies.

FROM E-1

many of which are players with small fleets of just one or two trucks, a segment not covered by A.G. Edwards statistics. However, even the current record pace of failures is still every scratching the surface on the part of the industry, said Coleman.

The looming year-end license

and insurance renewals won't help the small players either. Even more operators will likely shut down operations during the final quarter of this year and the first quarter of next year, he said.

But even if the industry manages to dig out of cash flow problems, Broughton predicted. And given that trucks haul more than 80 percent of the value of the tangible goods in the economy, the high rate of trucking failures is "an ominous signal for the economy," the analyst said.

Yet, in the long run, the failures of smaller trucks could benefit the bigger ones by giving them more pricing power.

"This is an industry where size matters," said Broughton. The consolidation is painful for those that are failing, but really for the industry it's a necessary

evil." Many of the failing truckers are the so-called truckload carriers, which devote an entire truck to one shipper's freight.

That industry is particularly crowded with small operators, many of whom sprung up in the early 1980s after deregulation.

By contrast, less-than-truckload, or LTL, carriers, which consolidate several customers' shipments on one truck, already went through massive consolidation by the early 1990s, the analyst noted. There are no more than a few dozen "regional" or non-uniformed — LTL carriers, and an even smaller number of "national" — or uniformed — LTLs.

What's more, LTLs are somewhat more resilient to rising die-

sel prices. Because of higher labor costs, fuel represents a smaller component of LTLs' overall expense than it does for truckload carriers.

Fuel has become the second-largest expense after labor for many transportation companies, including truckers, following the recent spike in crude oil, jet fuel and diesel prices.

The average retail diesel price in the United States hovered at \$1.545 a gallon in the week ended Dec. 16, according to the Department of Energy's Energy Information Administration.

That's up 20 percent from a year ago, although the price declined for the third straight week and is off about 7.5 percent from an all-time high of \$1.67 set the week ended Oct. 16.

GAS:

One company said it is prepared to pass along additional costs to its customers in February.

FROM E-1

some analysts said.

If natural gas prices continue to hover at record high levels, the government could step in to regulate the industry, according to an industry report prepared

by Ron Barone, a natural gas analyst for FaineWebber in New York.

"We reiterate that any sustained period of pricing near or above \$4.00 per million Btu will trigger unwelcome government oversight," Barone wrote. "This is particularly true as consumers begin to digest their first round of startling heating bills."

Oklahoma Natural Gas Co. warned customers last summer that winter heating bills could be 50 percent to 60 percent higher than last year. The cost of gas is passed on to ONG customers.

The recent surge in gas prices will force the company to pass along additional costs to its customers in February, ONG said.

Public Service Company of Oklahoma, which provides electricity to 460,000 Oklahoma customers, uses gas to produce

electricity. It is a gas supplier. But PSO officials said they have no immediate plan to adjust consumer bills to reflect the rising cost of gas.

Weyerhaeuser, a maker of lumber products, is one of the largest customers.

"We use about as much electricity as the city of McAlester," said Richard Smith, energy manager for Weyerhaeuser, which operates two large production fa-

ctories in southeast Oklahoma.

The electric bill for those operations has increased 15 percent during the most recent quarter due to the rising cost of natural gas, Smith said.

A lot of electricity is used at Weyerhaeuser's facility in Vahant, where the company produces more than 3,000 tons of paper each day.

"We monitor our electrical usage," Smith said. "We try to minimize any waste."

Russell Ray, World business writer, can be reached at 581-5390 or via e-mail at russell_ray@tulsaWorld.com.

8 a.m. / 7

Articles from: Houston Chronicle
Business Section
Thursday, December 21, 2000

9 or 17

Houston Chronicle
Section C **
Thursday, Dec. 21, 2000

Money funds, 3C
Markets, 3-8C

BUSINESS

Finance & Markets



Etic
Tyson
Investments

Before-tax method is best with 401(k)

Q. I JUST began participating in my company's 401(k) plan, and I had a choice of investing my money before-tax or after-tax. I chose before-tax because I don't plan on working at this company until I'm age 59½, and I understand that eventually I'll be taxed on it all anyway. I'm in my mid-30s. Can you tell me...

By DAVID IWANOVICH
and MICHAEL DAVIS
Houston Chronicle

Natural gas stays in lofty territory

Poor may have hard time paying

Natural gas hovered near record territory again Wednesday, intensifying concerns over how the poor will heat their homes this winter.

With much of the nation still shivering under frigid temperatures, gas futures for delivery in January rose 2.4 cents a thousand cubic feet to close at \$9.326 Wednesday on the New York Mercantile Exchange. Earlier in the trading day, prices had rung up as high as \$9.75 per

thousand cubic feet. "This market still looks higher," said George Speicher of First Futures USA in Houston. "Until you get some sort of moderation of the weather, this thing is not going to back off."

The National Oceanic and Atmospheric Administration, however, is predicting that last week's record blizzard could just be a preview of things to come. Weather forecasters say cold will continue in the West, South, Great Lakes

region and New England over the next two weeks. Last month the nation suffered through its second coldest November on record. With experts anticipating the coldest winter in years, chances are good there will be at least a couple of more cold snaps. The recent cold spell, including ice storms, is all evidence of what most of the nation will likely face throughout the winter," Brig. Gen. Jack J. Kelly Jr., director of the National Weather Service, said in a statement this week. "Take precautions now to prepare for this winter, because it's here."

Temperatures have been 9.8 percent colder than normal and 27.5 percent colder than last year, noted Thomas Driscoll, an energy analyst at Lehman Bros. in New York. With that kind of cold, and low gas supplies being dug into the winter, gas inventories at the end of last week stood at 2.113 billion cubic feet, down 1.5 percent from last year and 15 percent below the five-year average, according to the

See GAS on Page 3C.

Articles Continued from: Houston Chronicle
Business Section
Thursday, December 21, 2000

Gas

Continued from Page 1C.

American Gas Association.

Storage withdrawals last week totaled 158 billion cubic feet. Gas prices dropped late in the trading day because that number was on the low side of traders' expectations. But the figure showed that gas demand was 36 percent more than the comparable week a year ago.

Driscoll expects storage withdrawals this week to total about 180 billion cubic feet.

Heating oil users may get some relief because crude prices are continuing to fall as production outstrips world demand.

Light, sweet crude for delivery in February dropped \$2.19 a barrel to close at \$25.77 Wednesday in futures trading on the New York Mercantile Exchange. Heating oil prices dipped 5.94 cents a gallon to 85.66 cents, while the January-delivery gasoline contract ended 4.40 cents lower at

72.64 cents a gallon.

While sky-high prices may be happy news for natural gas producers, they are a frightening prospect for the poor. And they are ravaging the image of an industry that has been unpopular outside the Oil Patch.

A report conducted by the Washington-based Economic Opportunity Studies estimates that a million households could face having their heat shut off this winter, despite federal and state assistance programs.

Three years ago, when natural gas and energy prices were substantially lower than today, 1.1 million families had their heat shut off for 10 days or longer during the winter for failing to pay utility bills.

An estimated 13.8 million low- to moderate-income households heat their homes with natural gas. They can expect to spend an average of \$1,145 this winter on their energy bills, the Economic Opportunity Studies report estimated.

For those families, energy bills will eat up 27 percent of their bud-

gets.

The estimated 2.7 million poor families who use home heating oil can expect to pay even more, an average of \$1,363 this winter, or 29 percent of their family incomes during the winter.

Meg Power, executive director of the Economic Opportunity Studies and author of the report, has been working on the issue for years.

But when she started crunching the numbers this year, "I was a little horrified," she said. "It seemed impossible."

Because of the higher prices, many families undoubtedly will turn down their thermostats, close off rooms, even try to heat their homes with their kitchen stoves. Many poor families put off paying other bills, fail to fill prescriptions and even pay heating bills by credit card.

"We clearly have a new energy crisis in low- to moderate-income families," said John Howat, energy and utilities project director at the National Consumer Law Center.

A touch of reality

The Chronicle

Articles from: Tulsa World, Business Section, December 8th & December 15, 2000

TULSA WORLD FRIDAY DECEMBER 8, 2000 California orders power cutbacks

► State officials face an electrical emergency for the fourth straight day.

SACRAMENTO, Calif. (AP) — Caught in a power crunch even before winter has begun, California ordered some major commercial users to cut back on electricity Thursday and warned the public of the possibility of rolling blackouts.

The crunch has been blamed on cold weather in the Northwest, the shutdown of some power plants for repairs, and the effects of electrical deregulation in California.

Companies that had previously agreed to reduce or shut down their power in emergencies were

ordered to do so early Thursday when officials declared a Stage Two emergency. It was the fourth such declaration in as many days and the eighth in three weeks.

If the crisis reaches Stage Three, rolling blackouts may be ordered, officials said.

A Stage Two emergency is declared when power reserves fall — or are expected to fall — below 5 percent. California never has had a statewide Stage Three emergency, which indicates reserves have fallen below 1.5 percent.

Blackouts would last about an hour in any given area, but the ISO couldn't predict where they would occur.

Computer chip manufacturer Intel stood ready to turn off 50

percent of the lights at its 6,500-employee research and development installation in Folsom.

The campus will first cut the lights by half, said Bill Mueller, Intel spokesman.

"If that's not enough, we'll take the lights down 100 percent and work in the dark," he said.

In response to the crunch, inspectors launched surprise inspections of power plants that have closed for repairs to see whether the shutdowns were deliberate attempts to drive up costs by limiting supply.

Shutdowns were part of the reason that a quarter of the system's capacity was down on Wednesday by 11,000 megawatts, enough to supply 11 million homes.

TULSA WORLD FRIDAY DECEMBER 15, 2000 Feds promise to ease energy crisis

ASSOCIATED PRESS

SACRAMENTO, Calif. — California narrowly escaped rolling blackouts after the nation's energy chief ordered Northwest power suppliers to sell electricity to the state's financially strapped utilities.

Energy Secretary Bill Richardson's rare, emergency move Wednesday came after about a dozen suppliers began demanding cash before selling power to California.

"Our objective is to keep the lights on in California through this emergency situation," he said. "We're dealing with a potentially very serious situation here."

California has been caught in a power crunch over the past several days, in part because of cold weather in the Northwest — where the state buys much of its power — and the shutdown of some generating plants for maintenance.

State regulators had warned earlier that rolling blackouts

were imminent due to the power shortages and an inability to buy more electricity from the Northwest.

Pacific Gas & Electric Co. and Southern California Edison say they have lost about \$6 billion because of soaring wholesale prices and a retail rate freeze in place while they move to a deregulated market.

Richardson said he would order wholesalers to sell power to California at a price he deemed fair. He also asked two large Northwest power generating associations to send more power to California.

Several suppliers then agreed to sell electricity to California utilities on credit and the Bonneville Power Administration diverted 1,500 megawatts to California.

The Federal Energy Regulatory Commission was to meet Friday to order changes to remedy the state's energy crisis.

"We believe in competitive markets," James Hoecker, commission chairman, said Wednesday. "We believe we can make

them work, but they have to work responsibly and they have to produce reasonable prices."

Gov. Gray Davis wants the commission to rein in skyrocketing wholesale electricity prices, in part by imposing a regional price cap. Washington Gov. Gary Locke has urged similar action.

Electricity prices are averaging \$330 per megawatt hour this month, 11 times higher than December 1999, said Edison spokesman Gil Alexander.

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down 1.00

Avg. non-contract gas
\$7.75
down 1.35

Gold
\$268.60
down 1.70

Dollar in yen
112.44
up 0.92

[SECTION E]

THURSDAY, DECEMBER 14, 2000

INSIDE
STOCKS: E-4

www.tulaworld.com

Business

Sprint for cash
Shareholder files suit saying the long-distance service provider's executives were unjustly enriched.
E-3

Gas shortage spurs competition

By Russell Ray
World Staff Writer

Several new drilling companies have emerged in Oklahoma to meet the rising demand for natural gas. Energy industry entrepreneurs are wiping the dust off of old drilling rig equipment and restoring them for producers interested in drilling more wells. A tripling of natural gas prices has led several producers to beef up their drilling budgets next year.

Cactus Drilling Co. was recently revived after several years of dormancy. The company, owned by Kater Francis Oil Co. in Tulsa, now operates six drilling rigs and is refurbishing several more, said Jim Willis, Cactus Drilling's executive vice president.

"Our goal is to have 20 rigs out by the end of next year," Willis said.

More drilling companies are materializing based on forecasts for higher-than-normal natural gas prices through 2001.

A study released Wednesday by Cambridge Energy

Research Associates of Washington, D.C., predicted that gas prices will hover between \$5.50 and \$6.50 through 2001 because of record low gas supplies.

"This deficit will reverberate throughout the gas market next year and probably beyond," CERA reported.

U.S. gas inventories are down 17 percent from last year, according to the American Gas Association. But producers are drilling more wells due to record-breaking prices. Natural gas for January delivery peaked at \$5.41 on Tuesday, the highest closing price since 1990.

The number of active drilling rigs in Oklahoma totaled 131 on Dec. 8, up from 82 this time last year. Nationwide, drilling rig activity is up 34 percent from last year. Of the 1,088 rigs exploring for oil and gas in the United States, 77 percent were searching for natural gas.

"Everybody is trying to contract rigs as fast as they can," said Jerry Wilson, president of Strata Drilling Co. in Tulsa.

SEE DRILL E-2



DAVID ZALUBOWSKI/Associated Press

Bob Thomas, a pumper for HS Resources of Evans, Colo., checks valves on a separator used to sort natural gas, crude oil and water as it comes from a well near Plattville, Colo.

DRILL:

Some rigs are being leased at a rate of \$7,800 a day.

FROM E-1

ling, an Oklahoma City company established earlier this month.

Two of the three drilling rigs the fledgling company plans to

operate are under construction. "We haven't got the components for the third one yet," Wilson said.

Wilson, who has 25 years experience in the drilling industry, said the time to establish a start-up drilling company is now. High gas prices and a shortage of drilling rigs have combined to boost drilling rig rates to a healthy level, he said.

Some rigs are being leased at a rate of \$7,800 a day, up from \$5,000 a year ago.

"The only constraint is labor," Wilson said. "That's the challenge."

Drilling rig companies are having difficulties finding qualified workers to man their rigs, despite a significant boost in wages, Wilson said.

When oil and gas price plummeted two years ago, thousands of oilfield workers were laid off. Many found better paying jobs in more stable industries, Wilson said.

"Until they see some stability,

they're not going to come back," said Wilson, who has tried luring workers back to the oil patch with better wages. "There's not a lot of faith in the oil industry anymore."

Wages for roughnecks have risen from about \$9 an hour last year to about \$16 an hour now, Wilson said.

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Front Page Article from: Tulsa World
www.tulsaworld.com
Thursday, December 7, 2000

www.tulsaworld.com

THURSDAY

DECEMBER 7, 2000

TULSA WORLD

50¢

★★ FINAL EDITION

SINCE 1905

Heat rises, and so does the bill

Consumers can expect to see effect of record-breaking natural gas costs

By **SHAWN SCHUFER**
and **RUSSELL RAY**
World Staff Writers

Winter doesn't officially start for two weeks, but record-breaking natural gas prices are already taking their toll on heating bills.

Consumer gas costs have increased by two-thirds from December 1999 to

this month, according to Oklahoma Natural Gas Co. figures.

All indications are that those prices are going higher.

"I think that's very probable," said

ONG spokesman Don Sherry.

Although Sherry did not know how

much bills would rise, an increase is

almost certain because the cost of gas

has risen well above the amount ONG

is currently authorized to pass on to

customers.

State law allows ONG to recoup the

cost of natural gas from customers.

The cost of gas is factored into

each customer's bill.

The present cost is \$5.06 per thou-

sand cubic feet, well below market

prices. To make up the loss, ONG

may charge its customers more non-

ey for the cost of fuel, Sherry said.

Social service agencies are bracing

for the impact of the higher prices on

the poor.

"People will freeze to death this

year," said Maj. Ron Buisroe of the Sal-

vation Army. "I'm not saying that to be

dramatic, it happens every year."

SEE GAS A3

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GAS:

Higher heating bills will hit those on fixed incomes the hardest, officials say.

FROM A-1

Mel Phillips, coordinator of the Low-Income Home Energy Assistance Program for Oklahoma, said he is searching hard for additional funding for heating assistance for the poor.

"We all know that this is hard for you and me," he said. "Think of the impact this has on people living on a fixed income. Think of how this affects someone living on less than \$600 per month."

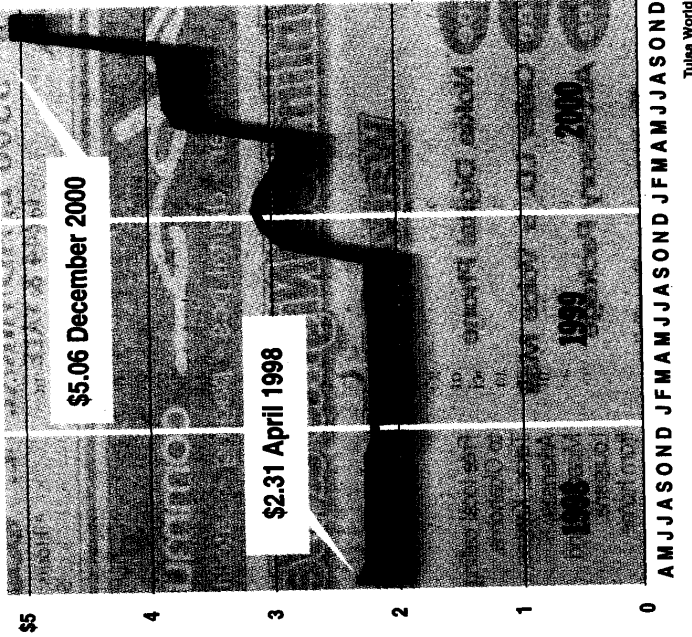
Last winter, the home energy assistance program spent \$6 million to aid about 68,000 Oklahoma households, Phillips said.

Even with the federal funding to the program, which is administered by the Oklahoma Department of Human Services, boosted to nearly \$7.5 million, extraordinary steps will have to be taken to meet this winter's demands.

"I'm working on additional funding," Phillips said. "It has always been federally funded, but we are trying to find some state funds this year."

While the home energy assistance program got a 25 percent increase in funding, gas costs to ONG customers have increased 66 percent from \$3.05 per thousand cubic feet

Cost of natural gas for residential and commercial customers



of gas last December to \$5.06 per thousand cubic feet for bills going out today, said ONG spokesman Roger Mitchell.

"We knew in the summer that this increase was coming," Mitchell said. "That's why we warned customers that costs could be 50 to 60-percent higher this winter. We still think that they will be closer to the upper end of that estimate, probably about 60-percent higher."

cord high for the fifth consecutive day on the New York Mercantile Exchange.

Natural gas futures, which have tripled since last year, are up 25 percent from Friday.

Busroe said the Salvation Army, which handles the "Share The Warmth" program, has seen a higher number of people needing help already, and that their fuel bills were significantly larger than in the past.

Share The Warmth is funded by ONG customers who include an additional payment in their gas bills. All of the money provided to the program is spent on heating the homes of the less fortunate, and cannot be used for administrative costs.

"Right now, we are able to keep pace with their bills," Busroe said. "But some time after the first of the year we will run into cashflow problems."

While the number of families being helped monthly is about the same, the total amount spent each month has roughly doubled, Busroe said.

"I know that the people who are suffering the most are the poor," Busroe said. "These are not people on welfare. They have jobs, but they are not making enough. They will have to make the decision on whether to feed the children or heat the house."

The elderly and those living alone are in real danger when heating costs increase, Busroe added.

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Articles Continued from: Tulsa World
Business Section
Thursday, December 14, 2000

Dow 30 Industrials
10,664.38
down 234.34

S&P 500 Index
1,351.46
down 25.08

Posted Oklahoma sweet
\$27.00
up 0.50

Avg. non-contract gas
\$8.75
up 0.77

Gold
\$274.30
up 3.90

Dollar in yen
110.64
down 0.48

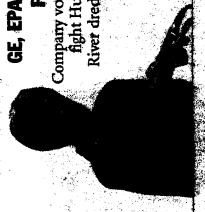
[SECTION E]
THURSDAY, DECEMBER 7, 2000

INSIDE

CD RATES: E-2

www.tulsaoworld.com

**GE, EPA and
PCBs**
Company vows to
fight Hudson
River dredging
E-3



Business

Gas line from Alaska planned

▲ Phillips, Exxon Mobil and BP Amoco estimated the cost at \$10 billion.

Bloomberg News

ANCHORAGE, Alaska — Phillips Petroleum Co., Exxon Mobil Corp. and BP Amoco PLC said Wednesday they will build a natural-gas pipeline from Alaska to the "lower 48" states.

Exxon Mobil, the world's largest publicly traded oil company, and Phillips, the sixth-biggest U.S. oil company,

each own 36.3 percent of Alaska's Prudhoe Bay gas field, which holds as much as 80 percent of Alaska's known petroleum reserves. BP Amoco, the third-largest investor-owned oil company, owns the rest.

The three companies want to develop the reserves, estimated to be 35 trillion cubic feet, in Alaska's North Slope fields. The state is estimated to have enough gas to supply all U.S. needs for at least five years.

A pipeline, estimated to cost \$10 billion, hasn't been built because gas prices were not high enough in the past two decades to justify the expense. Gas prices have risen almost fourfold this

year as a booming U.S. economy increased demand for the fuel, which is used for heating, power generation and as a raw material for plastics and other products.

Phillips, Phillips and BP Amoco will spend \$75 million for preliminary work on the line, and will equally share the expense and ownership. The total cost and scope of the project has not been determined, and the companies said they may consider other partners.

The companies said they will look for the best route and start applying for permits in Canada and the United States. They also will study engineering and market demand for the gas, said

Exxon Mobil spokesman Bob Davis. "We're going to study all the aspects of the line, and the most economical route off the North Slope," he said.

The companies will erect an office in Anchorage, where as many as 100 people will work on the initial phase.

Phillips is based in Bartlesville, Okla., and BP Amoco in Dallas suburb of Irving, and BP Amoco in London.

Wednesday on the New York Mercantile Exchange, natural gas for January delivery rose \$1.01, or 15 percent, to close at \$8.485 per million British thermal units. It marked the first time in 10 years of natural gas futures trading that prices rose above \$8.

Articles from: Tulsa World
Business Section
Saturday, November 25, 2000

Dow 30 Industrials
10,470.23
up 70.91

[SECTION E]
SATURDAY, NOVEMBER 25, 2000

INSIDE

STOCKS: **E-4**

www.tulsaworld.com

BIZ QUICKS

OPEC output boost unlikely

OPEC President Ali Rodriguez said the group won't consider boosting output quotas until its next meeting Jan. 17 unless there's an strong increase in demand.

"There won't be an increase in production until the next OPEC meeting unless there is an increase in demand for some reason, such as a very strong winter," Rodriguez said, adding that such a change did not seem likely.

Rodriguez, who is also Venezuela's energy minister, said the Organization of Petroleum Exporting Countries wanted to avoid a sharp drop in oil prices caused by excessive supply.

OPEC has raised output quotas four times this year by a total of 3.7 million barrels a day to a 21-year high, but prices remain above its targeted range of \$22 to \$28 dollars a barrel.

Rodriguez said there was excess supply of 1.4 million barrels per day on the market. Bottlenecks at U.S. refineries, taxes, transportation problems and speculators are responsible for the current high prices, he said.

U.S. trade deficit surges

WASHINGTON (AP) — The U.S. trade deficit ballooned to a record \$34.3 billion in September as America's already huge foreign oil bill got bigger and helped push imports to an all-time high.

The deficit with China climbed to \$8.7 billion, the largest ever recorded with any country.

September's trade gap was up a sharp 15 percent from an August imbalance of \$29.8 billion, the Commerce Department reported Tuesday, well above economists' expectations for a more modest deterioration to around \$31 billion.

Exports slipped from their previous month's record as shipments of U.S. cars and auto parts dropped sharply and other exporters suffered setbacks.