



FRED PALMER, GENERAL MANAGER & CEO: A MEASURE OF WESTERN FUELS' SUCCESS IS HOW WELL WE PERFORM OUR PRIMARY TASK — DELIVERING COAL AT THE LOWEST POSSIBLE COST TO OUR CONSUMER-OWNED UTILITY MEMBERS' POWER PLANTS. WE DID THAT JOB WELL IN 1990 BY INCREASING DELIVERY VOLUMES BY NEARLY A MILLION TONS TO AN ANNUAL TOTAL OF 18,742,463 TONS. BUT THAT IS NOT THE KERNEL OF OUR OPERATIONAL SUCCESS.

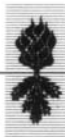
WHEN WESTERN FUELS GOT ITS START, EVERY TON OF COAL WE DELIVERED WAS PRODUCED BY SOMEONE ELSE. WITH INSTALLATION OF THE BRUSHY CREEK MINE TEN YEARS AGO, WE BEGAN TAKING RESPONSIBILITY

Our Success Means We Deliver Coal at the Lowest Possible Cost.

FOR PRODUCING OUR OWN COAL. THE 1.4 MILLION TONS OF WESTERN FUELS-ILLINOIS PRODUCTION DOUBLED TO 2.8 MILLION TONS PER YEAR WHEN WE STARTED OUR SECOND UNDERGROUND OPERATION AT WESTERN FUELS-UTAH'S DESERADO MINE IN COLORADO. WITH START-UP OF THE DRY FORK MINE IN WHICH WESTERN FUELS-WYOMING PARTICIPATES, WE'RE DOUBLING AGAIN, THIS TIME AT A SURFACE MINE.

STAN BAZANT, PRESIDENT/BOARD OF DIRECTORS: WE ALREADY MEET 21% OF OUR MEMBER NEEDS WITH OUR OWN COAL PRODUCTION. NEXT YEAR, IT WILL BE CLOSER TO 25%. BY PARTICIPATING IN THE ASSOCIATION, OUR MEMBERS HAVE THE BEST POSSIBLE INSURANCE THEY'LL PAY THE LOWEST POSSIBLE COST FOR COAL BECAUSE THEY OWN AN





organization that mines it, buys it and ships it. No one has a better understanding of the industry's cost structure and pitfalls.

PALMER: With better than 90% of Association purchases coming out of the Powder River Basin, even members not directly benefiting from Dry

tion to assure consumers would pay the lowest possible cost for coal to fire them. It's hard to reconcile hitting that target and then being told its time to start charging more for coal-fired electricity because of a perception that burning coal causes global climate change.

Efforts Are Underway to Make Coal the Most Expensive Fuel Source.

Fork know that its productive capacity influences the price others charge for coal out of the same area.

BAZANT: This is what Western Fuels' incorporators envisioned when national energy policy dictated a switch to coal or nuclear power to assure energy independence. Our members built some of the cleanest and most efficient power plants in the country and put together a fuel supply organiza-

PALMER: That of course assumes carbon dioxide released during coal combustion is an external environmental cost not included in the price people pay for electricity — and that consumers **should** pay for it.

BAZANT: The Board doesn't agree with that position. The only way someone can put a price tag on environmental externalities is if they have a reasonably good idea of what effect CO₂ from power



plants has on world climate. And **that** they don't have.

PALMER: In our experience, speculative costs are used and tangible benefits are ignored. We've listened to scientists who know their way around the debate within the atmospheric science and climatological communities and they're concerned that publicity about global warming is driving energy and environmental policy, instead of good science.

At their suggestion, we helped

especially about increased atmospheric CO₂'s impact on plant life.

BAZANT: That's what gets overlooked in externality theory — enhancing atmospheric carbon dioxide benefits plants. It's a story that needs telling. Western Fuels and others have raised money for a video project to get the story broadcast and into classrooms.

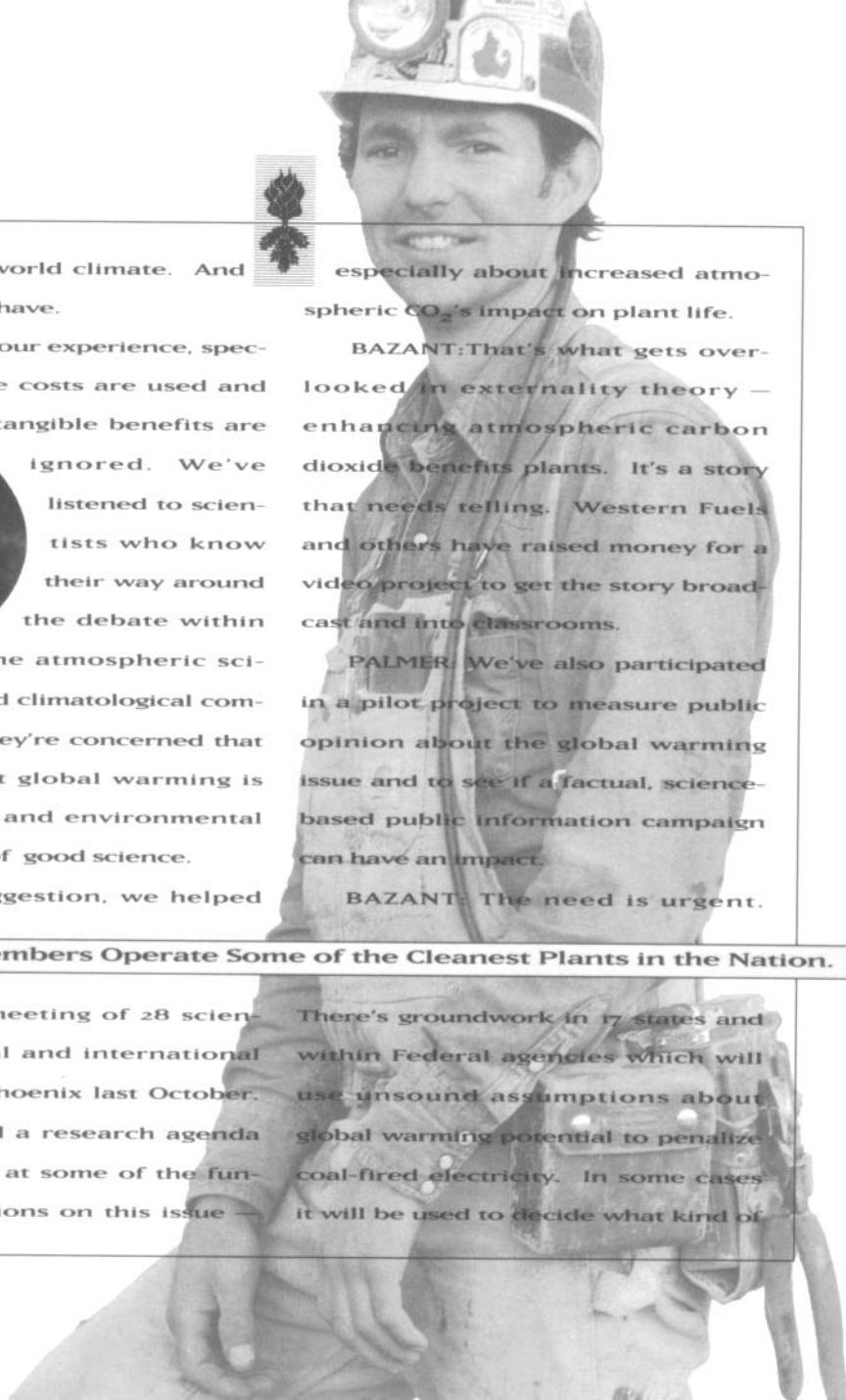
PALMER: We've also participated in a pilot project to measure public opinion about the global warming issue and to see if a factual, science-based public information campaign can have an impact.

BAZANT: The need is urgent.

Western Fuels' Members Operate Some of the Cleanest Plants in the Nation.

underwrite a meeting of 28 scientists of national and international reputation in Phoenix last October. They developed a research agenda intended to get at some of the fundamental questions on this issue —

There's groundwork in 17 states and within Federal agencies which will use unsound assumptions about global warming potential to penalize coal-fired electricity. In some cases it will be used to decide what kind of





power plants get built, who supplies electricity from out-of-state, and from what kinds of power plants

concern as important to us as are environmental sensitivity and competition among energy suppliers. The

Western Fuels Has No Choice But to Enter the Fray on Global Warming.

it can come.

PALMER: In every case it will artificially raise the price the consumer pays for electricity, permanently inserting an inflationary bias in the domestic energy market.

BAZANT: Some ask why Western Fuels (of all organizations) is so active on this issue. In 1989 the Board, for the first time in 16 years, amended the Association's goals and objectives to highlight a growing concern about carbon taxes and other fees which would increase energy costs to consumers — a con-

Board foresaw the huge potential impact of a lopsided global warming debate on coal-based utilities.

PALMER: We didn't appreciate that it could go so far as to affect potential sales of surplus electricity to other parts of the country. The fusion of the "greenhouse" and "externality" theories spells big trouble for utilities that burn fossil fuels and for the consumers who rely upon



them. Western Fuels has no choice but to enter the fray. We can no longer have our costs driven by perception. This price tag is too high.