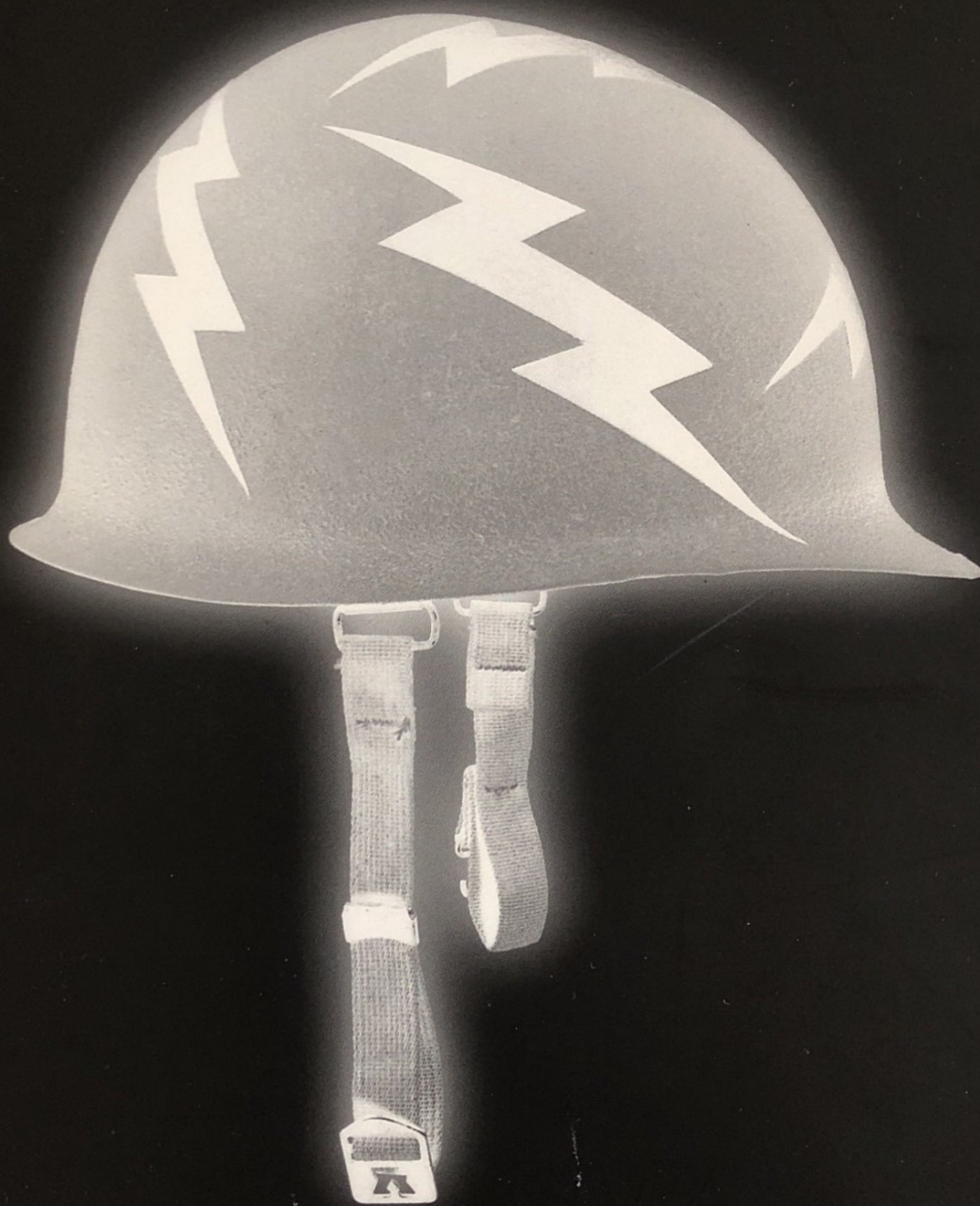


THE FIGHT FOR CHEAP ELECTRICITY

WESTERN FUELS ASSOCIATION

Annual Report 1997



Since 1988, Western Fuels Association
has occupied the front lines in the battle
for Americans' right to cheap electricity.

On July 24, 1997, the White House invites seven scientists to discuss climate change with senior Administration officials and the press.

Introducing President Clinton, Vice President Gore declares, "This Administration has always worked on a simple principle when addressing problems of a scientific and technical nature, and that principle is: Science must inform policy decisions."

According to the President, "The overwhelming balance of evidence and scientific opinion is that it is no longer a theory, but now a fact, that global warming is real."

During the next four months, he reveals, the American people will be asked to listen to evidence on climate change and to measure it against their own experience. But no matter what their experience, the President asks Americans to consider the weight of “what the overwhelming percentage of scientists believe to be fact today.”

In calling global warming real and alleging widespread scientific support for this view, the President fires an opening salvo in the pivotal battle for the future of U.S. energy, economic, and environmental policy.



**SOUNDING
THE CHARGE**

Reconnaissance is complete; skirmishing over. The Clinton/Gore Administration prepares to commit the United States to a target and timetable for reducing emissions of carbon dioxide from combustion of fossil fuels. Western Fuels Association is ready to respond.

Western Fuels' member/owners rely on coal combustion to deliver electricity in a 14-state area in the American heartland. Our members are not-for-profit, consumer-owned electric utilities that serve American homes, farms, ranches, small businesses, and industries.

The Administration's proposed restriction of carbon dioxide emissions threatens the livelihoods of all electric consumers, and it undermines Americans' overall quality of life.

Coal remains the nation's most abundant domestic fossil fuel resource and the source of nearly 53 percent of all the electricity America uses. Western Fuels is communicating the crucial link between coal-fired electricity and the nation's well-being. This link is obvious to us, and it is proving increasingly obvious to the citizens who hear our argument.

But as we advocate our position publicly and forcefully, we face a barrage of attacks. For example, we stand accused of a "ferocious disinformation campaign" and of creating the perception that scientists are sharply divided on whether climate is changing (Ross Gelbspan, *The Heat Is On*). It is true that we have sought to inform the climate-

change debate with valid science.

Other criticisms are less charitable and stoop to bizarre inaccuracy and *ad hominem* attacks. For example, we are described as "special interests – not different in kind from the American Tobacco Institute" (Paul and Anne Ehrlich, *Betrayal of Science and Reason*).

Ludicrously exaggerating our resources and overlooking our organization's nonprofit, consumer-owned makeup, the *Des Moines Register* called Western Fuels "a \$400 million consortium of coal interests." According to the *Register*, we are "pouring millions into a campaign to perpetuate the myth that there is no such thing as global warming."

During a nationally syndicated radio program on July 21, 1997, Interior Secretary Bruce Babbitt told listeners, "The oil companies and the coal companies in the United States have joined in a conspiracy to hire pseudo scientists to deny the facts, and to begin raising political arguments that are essentially fraudulent... What they are doing is un-American in the most basic sense."

What exactly have we done?



**GETTING TO
THE TRUTH**



Our message is this: Scientific observations tell us that human-induced climate change will be both modest and benign. Flawed, flux-adjusted computer models do not provide a scientific basis upon which to limit the production and consumption of fossil fuels based on speculative fears of catastrophic global warming.

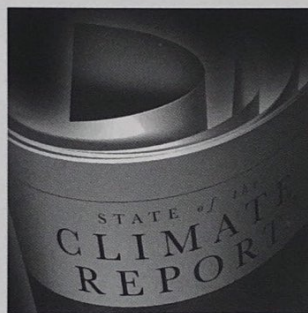
Western Fuels does not concede the scientific underpinnings of the supposed need for climate-change action.

A number of respected scientists agree. For example, Richard A. Kerr writes in the May 16, 1997, edition of *Science*, "Many climate experts caution that it is not at all clear yet that human activities have begun to warm the planet or how bad greenhouse warming will be when it arrives." Kerr notes, "Climate modelers have been 'cheating' for so long it's almost become respectable. [They] have gotten in the habit of fiddling with fudge factors, so-called 'flux adjustments,' until the model gets it right."

The cover article in the July 19 *New Scientist* concludes much the same in "Greenhouse Wars: Why the Rebels Have a Cause."

In October 1996, Western Fuels general manager and CEO Fred Palmer carried our message to an international audience in Madrid, Spain, where he was keynote speaker along with Sir John Houghton of the United Nations Intergovernmental Panel on Climate Change.

He articulated our views during an appearance on NBC "Dateline" on February 26, 1997, and rein-



forced them during a live broadcast of MSNBC's "@ Issue" on March 6.

Western Fuels created advertisements summarizing our message that ran in *The Hill* (a newspaper directed at Capitol Hill staff), *The Washington Post*, *The Washington Times*, *Roll Call*, and *The Weekly Standard*.

In cooperation with the National Mining Association and the Center for Energy and Economic Development, we published Mills • McCarthy & Associates' *Coal: Cornerstone of America's Competitive Advantage in World Markets*, which underscores the economic and environmental benefits of cheap, coal-fired electricity. We also released Mills • McCarthy & Associates' *Healthy Choices in Technologies: Role of Electrotechnologies & the Fuels That Energize Them*. Both enjoy wide circulation and demand.

We continue to publish the biweekly *World Climate Report* and the annual *State of the Climate Report*. Our video "The Greening of Planet Earth" enjoys sustained worldwide demand.

Finally, Western Fuels has launched a "home page" on the World Wide Web at <http://www.westernfuels.org>.

Spencer

Mason City

Waterloo

Sioux City

Dubuque

I O W A

Cedar Rapids

MAPPING

A GRASS ROOTS

STRATEGY

Des Moines

Red Oak

Ottumwa

Marion

St. Joseph

Chillicothe

Mason

Marion

Missouri

Liberty

Kansas City

Columbia

Jefferson City

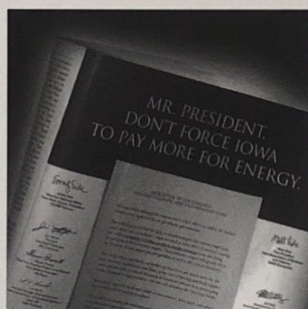
When Iowa's business, labor, and farming leaders were presented with the facts, they understood that emission targets would devastate the state's economy. In a series of full-page ads, they urged the President to change course.

We believe that sound public policy depends upon political discernment of the public will. Western Fuels is committed to grassroots public-information strategies that ensure availability of balanced information and provide opportunities for thoughtful people to make their voices heard.

In May 1997, Western Fuels embarked on a grassroots information campaign in Iowa. We discovered that while awareness of the climate-change issue is high, few opinion leaders felt a need to express an opinion about it. This is understandable. Reasonable people can be expected to reserve judgment on an issue involving complicated scientific speculation.

But Iowans proved to be far from neutral once we explained the linkage between proposed climate-change policy and Iowa's reliance on fossil fuels and cheap coal-fired electricity.

In response to our outreach efforts, leaders of diverse organizations representing more than



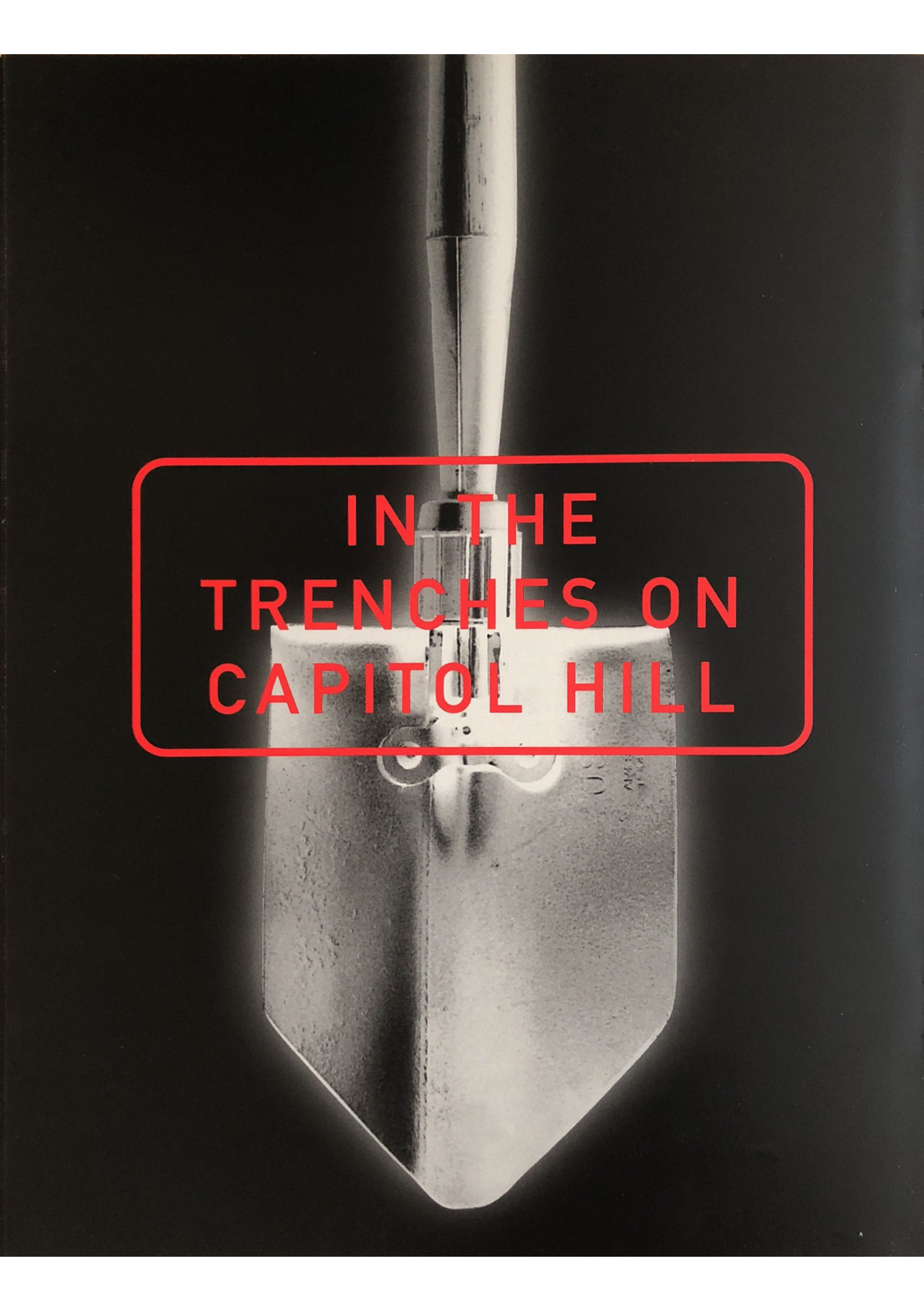
10,000 large and small Iowa businesses and over 160,000 Iowa farmers and labor union members signed an open letter to Congress, President Clinton, and Vice President Gore. The letter, appearing in the *Des Moines Register*, *New Republic*, *Weekly Standard*, and *Roll Call*, asked officials

to resist stiffening an international treaty on climate change that would restrict fossil fuel consumption and thus force Iowans to pay more for energy.

Soon after, the editorial board of the *Des Moines Register* pointed out, "There is no painless solution to correcting a mistake [using fossil fuels] we've perpetuated for more than a century."

We agree. Economic consequences are the real issue and are the basis of the informed decision the American people must make.

Western Fuels will step up its efforts to balance the debate, carrying our grassroots message to other states. We are exploring the potential for partnering in such an activity.



IN THE
TRENCHES ON
CAPITOL HILL

Our member/owners must have reliable, competitively priced rail service. Having been rebuffed in negotiations and ignored by regulators, we have joined with other shipping interests in seeking relief from Congress.

The tempo of consolidation and merger among the nation's few remaining Class I railroads has sparked acute concern among shippers totally reliant upon railroads for timely and competitively priced delivery of all manner of bulk products. Already-approved mergers have eliminated competitive options for some. Consolidated rail operations have resulted in undependable service for others. Still coming are massive changes in the operation of three railroads, soon to be two.

Repeated failure by regulators to protect, ensure, or stimulate competitive options for shippers – and the railroads' dismissal of shipper concerns – leaves no avenue for relief but Congress. Convincing Congress to act is daunting, given the perception that Staggers Rail Act reforms are working and that shipper problems are anecdotal, as well as the assumption that railroads will dedicate substantial resources in opposition. But Staggers is not meeting all its goals, shipper concerns are real, and public interest is at stake. Utilities cannot successfully make the case alone. Grain shippers have long been aggrieved and frustrated in their efforts. Diverse industries that depend on bulk shipment of

their products by rail – steel, plastics, and minerals, for example – have long sought relief from monopolization. Continued dismissal of their concerns and the absence of timely, effective regulation have caused them to come together as the Alliance for Rail Competition (ARC). Western Fuels Association has been a catalyst in this.

We remain committed to efforts by Consumers United for Rail Equity (CURE) to effect regulatory relief. Meanwhile, the Surface Transportation Board has signaled interest in considering our request for Western Fuels Service Corporation to be permitted to provide rail service for mines north of Gillette, Wyoming, in the Powder River Basin where absence of competition north of the Burlington Northern Santa Fe and Union Pacific System “joint line” threatens the long-term viability of those mines and the utilities depending on them.

It is not sound economic or energy policy for such a situation to exist in the nation's most important coal field. We will vigorously pursue our petition, but given the regulator's history, we intend to be “in the trenches” on Capitol Hill seeking a permanent solution.

So far so good.

In previous annual reports we have detailed the difficult problems facing Deseret Generation & Transmission Co-operative and Cajun Electric Power Cooperative, and their implications for Western Fuels Association. In addition, previous annual reports have discussed difficulties within the Illinois Basin coal market where the Brushy Creek Mine operates. It was apparent in the fall of 1994 that these three major centers of Western Fuels activity would be undergoing profound changes in the future and posed significant financial risk to the Association's continued viability and functioning on a business-as-usual basis. Since then, the Board of Directors has accepted a series of recommended cost-cutting measures by Association management that allow us to proceed on a break-even basis, even absent revenue from these three sources. At the same time, core staff has been maintained and enhanced to provide the quality fuel supply services our member/owners expect and deserve.

Our most recent cost-cutting measure is a Shared Services Agreement with Tri-State Generation & Transmission Association entailing transfer of certain accounting staff from the Association to Tri-State, and relocation of our headquarters office in Lakewood, Colorado, to Tri-State's new office complex in Westminster, Colorado. The accounting personnel who were transferred will work on Association matters for a flat fee. Additionally, Western Fuels will rent office space from Tri-State and have available to us the myriad communications and conference facilities located in Tri-State's wonderful new headquarters.

The last year saw significant change in our relationship with Deseret and with the Deserado Mine. Deseret completed a successful financial restructuring with its creditors that entails a forgiveness of debt by the Rural Utilities Service and infusion of new money by the National Rural

Utilities Cooperative Finance Corporation. In the context of restructuring negotiations it became apparent that Deseret's creditors desired to have all assets of the Bonanza Power Project (comprising the Bonanza Station and Deserado Mine) under one roof so that, in the event Deseret experiences financial difficulties in the future, a quick foreclosure on the project can be accomplished. In this context, Western Fuels was asked to (and we agreed to) transfer Western Fuels-Utah's ownership interest in the Deserado Mine and Western Fuels Association's ownership interest in certain mine assets. At the same time, Deseret withdrew from membership in the Association.

The funds received from Deseret represent a prepayment for consulting services we will provide over a period of several years to assist Deseret in continued efficient operation of the Deserado Mine. Our financial performance (depicted on pages 18 and 19) shows a margin of over \$1.8 million and reflects Deseret's prepayment for these consulting services. This payment substantially increases the Association's net worth to \$6,000,000 and places us in a position to aggressively protect our interests in connection with the Cajun bankruptcy proceeding now underway in Louisiana court.

With respect to the Cajun bankruptcy, serious settlement negotiations have been ongoing with Cajun's Trustee concerning a buy-out of the Association's interest in the Cajun coal supply agreements upon the successful completion of the bankruptcy and the transfer of Big Cajun No. 2 to plan proponents, the Louisiana Generating Company. The partners in this enterprise include Northern States Power (through a subsidiary), Southern Company, and Zeigler Coal Holding.

The Trustee has been performing under the coal supply agreements during the pendency of the bankruptcy proceeding, although continued Trustee performance cannot be guaranteed and

there remains a possibility of rejection of the coal supply agreements prior to an actual closing. It is the Trustee's stated intention to reject the coal supply agreements at closing, but it is our clear view that the Trustee lacks authority to do so in the context of this bankruptcy.

Since we are almost three years into the Cajun bankruptcy, our current relationship with the Trustee represents progress from what could have happened viewing this whole proceeding with hindsight. In the final analysis, we believe Western Fuels Association will be fairly compensated for its contract rights and property interests in our relationship with Cajun, should it come to that. In the meantime, we are proceeding with a re-opener of the coal price under the contract for coal deliveries to Big Cajun No. 2 from Triton Coal Company's Buckskin Mine, and we are maintaining a professional and cordial relationship with Cajun management as we conduct fuel supply activities for the bankrupt Cajun estate.

There are other plan proposals involved in the Cajun bankruptcy proceeding, including Southwestern Electric Power Company (SWEPCO) and Enron. Thus far, SWEPCO has refused to discuss any settlement of Western Fuels' position in the context of the bankruptcy proceeding, but we have initiated early discussions with Enron. SWEPCO's refusal to negotiate with us – should that position be maintained – will ultimately doom the SWEPCO plan, since Western Fuels/Triton's consent will be required in order for an asset transfer to go forward, unless parties simply accept the current, in-place coal supply agreements. This is possible but not likely at this point.

The Cajun situation is fluid but, as stated, we do have the financial resources to see this through, and both the Board and management are committed to protecting our interests in Louisiana while continu-

ing to provide low-cost coal to Big Cajun No. 2.

Brushy Creek has taken a turn for the better. Management at the Brushy Creek Mine has succeeded in maintaining an efficient, low-cost operation. We will be in discussions with the United Mine Workers of America (UMWA) about a continuing relationship following expiration of the current contract in November of this year. We will be seeking increased operating efficiencies at Brushy Creek in the context of these contract discussions. We are confident that the UMWA members who are employed at Brushy Creek understand the importance of efficient mining operations there,

and we look forward to successful completion of a new contract relationship that will allow continued operation of the Brushy Creek Mine.

It is an improved market environment for Illinois Basin coal that allows us to contemplate operating Brushy Creek into the future. At this time next year, it is conceivable that neither the Kansas City, Kansas, Board of Public Utilities (KCBPU) nor the

Sikeston, Missouri, Board of Municipal Utilities will be taking coal from Brushy Creek. KCBPU already has switched a large portion of its needs for the Kaw and Quindaro stations to the Hanna Basin in Wyoming. Western Fuels makes these coal purchases for the KCBPU. Currently, we are putting together a coal supply package for Sikeston that would utilize Powder River Basin (PRB) coal in the Sikeston Power Station. If the PRB test-burn works – and Sikeston believes it will – then Sikeston will become a PRB burner. In that context, Brushy Creek's coal production will go to current spot market customers at about one million tons per year. The Brushy Creek Coal Company Board already has authorized management to pursue coal sales at that level for 1998 and beyond.

The foregoing activities obviously consumed a sub-



Robert L. McPhail and Fredrick D. Palmer

stantial portion of management's time in the past year, but progress was made in many other areas as well.

Cajun relinquished a unit train to the Association, and Sunflower Electric Power Corporation decided it was in its interest to lease the train from us for a period of ten years. Coal deliveries to Sunflower's Holcomb Station remain at a high level, reflecting Sunflower's continued success in selling surplus energy.

Southern Minnesota Municipal Power Agency (SMMPA) and Plains Electric Generation & Transmission Cooperative also have been extremely successful in selling surplus from their power plants, as reflected in their coal delivery figures. In connection with SMMPA, we finalized a price re-opener with Westmoreland Energy even as Westmoreland declared bankruptcy. Westmoreland's bankruptcy was precipitated by a controversy with a labor union and does not impact our relationship with them.

Laramie River Station (LRS) coal deliveries from Triton's Buckskin Mine increased because production was curtailed at Dry Fork Mine in lieu of our purchasing higher-quality Buckskin coal. Conditions in the PRB coal market allowed us to put together this extremely beneficial package. LRS is the lowest-cost coal-fired power plant in the country and is operated by Basin Electric Power Cooperative under joint ownership with Tri-State Generation & Transmission Association and other consumer-owned utility owners, including the Missouri Basin Municipal Power Agency, Lincoln Electric System, Heartland Consumers Power District, and the Wyoming Municipal Power Agency – all of which are participants in the Missouri Basin Power Project.

Dry Fork is currently mining at a rate of 800,000 tons per year compared with over 4 million tons just a year ago. While coal producers have always said that coal in the ground never does anyone any good, it is also true that in comparison with other PRB operations, Dry Fork has an extremely attractive stripping ratio (the ratio of overburden to coal). By this decision, Dry Fork maintains its stripping ratio while other PRB producers mine westward into gradually thicker overburden. Basin and Tri-State agreed to this step in the belief that it is in the

best interest of the LRS owners to provide them with higher-quality coal at a reduced price while enhancing Dry Fork's future competitive position. We are gratified that most of the mineworkers formerly at Dry Fork have found employment elsewhere.

Production at our New Horizon Mine for Tri-State's Nucla Station continues at a satisfactory level, and the efficiencies Tri-State expects from

New Horizon continue to be realized. Coal deliveries to Tri-State's Craig Station from the Colowyo Mine are at a high price, and we have been exploring with Colowyo areas where economies might be realized in connection with this operation. Thus far, Colowyo has been unresponsive. We suspect that the reason has to do with the elaborate and complicated financing that W.R. Grace and Kennecott Energy Company completed when the Colowyo Mine was transferred to Kennecott. We are still trying to parse through the nature of this financing and what it means to us.

Western Fuels Association was created to deliver coal to its members at the lowest possible cost

**DELIVERIES
as of December 31, 1996**

Basin Electric Power Cooperative
Tri-State Generation & Transmission Association
Laramie River Station
6,372,730 tons

Cajun Electric Power Cooperative
Big Cajun No. 2
5,142,197 tons

Tri-State Generation & Transmission Association
Craig Station
1,444,524 tons
Nucla Station
361,668 tons

Sunflower Electric Power Corporation
Holcomb Station
1,336,247 tons

Board of Public Utilities of Kansas City, Kansas
Nearman Creek Station
949,387 tons
Kaw & Quindaro Stations
496,393 tons

Southern Minnesota Municipal Power Agency
Sherco 3
1,013,323 tons

Plains Generation & Transmission Cooperative
Plains Escalante Generating Station
928,124 tons

Sikeston, Missouri, Board of Municipal Utilities
Sikeston Power Station
810,813 tons

Brushy Creek Mine
236,098 tons

TOTAL DELIVERIES: 19,091,504 TONS

consistent with sound business principles. In this context, the Association has always been an activist on policy issues impacting coal and its use as a boiler fuel for electricity generation. In recent years, this activism has resulted in Western Fuels taking the lead in resisting attempts by the United States to accomplish the unthinkable: shutting in the nation's coal plants in the next 15 years. The Clinton Administration intends to do this.

You don't need to talk to many people involved in the climate-change debate in Washington before someone will tell you that they have heard members of the White House staff stating that it is their intention to "dial the coal option out of our energy future." The Environmental Protection Agency's action on air-quality issues confirms this. While this seems a preposterous proposition on its face, it is nonetheless serious business because the Clinton Administration is serious.

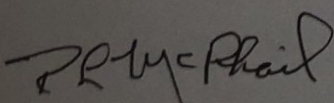
Western Fuels' members have invested billions of dollars in coal-fired power plants for the benefit of electric consumers. Our members did this at the request of the federal government as part of Project Energy Independence in the 1970s and 1980s. We won't go into the history of Project Energy Independence here, but it is a history worth recalling and it is undeniable.

Proposals to shut in, tax, or limit the operation of these units represent a breach of faith by the government. Such proposals also represent punishment of the American people for the lifestyle that we enjoy – a lifestyle enabled in part by coal-fired electricity. Justification for this new policy relies on science that borders on fraud, and it is in this context that the Association's activities on behalf of electric consumers proceed. Our activity is detailed extensively earlier in this report, and we won't repeat it here. Suffice it to say that we will

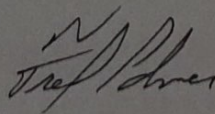
continue in our efforts and that we will broaden them in ways that will become apparent as we go forward. For too long we in industry have been talking among ourselves. We need to take our message to the American people at the grassroots, and we now are putting into place programs to accomplish that.

The second part of our advocacy has to do with rail transportation. To that end, Association management has been active in creating the Alliance for Rail Competition even while we remain active in Consumers United for Rail Equity. At the same time, we see a business opportunity in the Powder River Basin in Wyoming and have petitioned the Surface Transportation Board (STB) for rights to provide transportation services for several mines north of Gillette, Wyoming, by operating trains on the Burlington Northern Santa Fe (BNSF) single line running north of BNSF's and Union Pacific's joint-line. Recently, STB denied BNSF's motions to dismiss Western Fuels Service Corporation's application in that proceeding. While this is not a guarantee of eventual success, it does signal we're in the game. We are pleased so far with the STB's action in this docket and we intend to vigorously advance it.

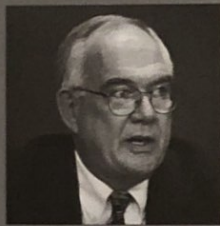
As stated earlier, the Association's financial affairs are in good shape because of the cost cutting that has occurred over the last two and a half years. We believe our position at Cajun will be recognized for the value it represents to the Association. We also are optimistic that the Illinois Basin coal market will maintain itself and allow future operation of Brushy Creek. We believe the Association is in a position to go forward providing coal to our members at the lowest possible cost consistent with sound business principles. This is our charter, and we are confident we will continue to fulfill it in the future.



ROBERT L. MCPHAIL
PRESIDENT



FREDRICK D. PALMER
GENERAL MANAGER & CHIEF EXECUTIVE OFFICER



CHRIS HAUCK



LARRY ADAIR



BOB GILLESPIE



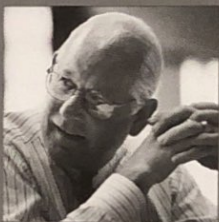
PERRY RUBART



BOB MCPHAIL



PETE HEROUX



JIM BROWNLEE



BILL KELLER



JIM SOEHNER



HUB THOMPSON



JAY COX



DAN MACLEOD



ED THROOP

BOARD OF DIRECTORS

Robert L. McPhail

President

General Manager
Basin Electric Power Cooperative
Bismarck, ND

L. Christian Hauck

Vice President

President & Chief Executive Officer
Sunflower Electric Power Corporation
Hays, KS

Pierre J. Heroux

Secretary-Treasurer

Executive Director & Chief Executive
Officer
Southern Minnesota Municipal Power
Agency
Rochester, MN

Harold J. Thompson

Vice Secretary-Treasurer

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

Larry M. Adair

Manager of Electric Supply
Board of Public Utilities of Kansas City, KS

James F. Brownlee

Cajun Electric Power Cooperative, Inc.

Jay W. Cox

Trustee
Plains Electric Generation & Transmission
Cooperative, Inc.
Albuquerque, NM

Robert Gillespie

Trustee
Plains Electric Generation & Transmission
Cooperative, Inc.
Albuquerque, NM

J. William Keller

Director
Basin Electric Power Cooperative
Bismarck, ND

Daniel E. MacLeod

General Manager & Chief Executive Officer
Cajun Electric Power Cooperative, Inc.
Baton Rouge, LA

Perry E. Rubart

Director
Sunflower Electric Power Corporation
Hays, KS

C. Jim Soehner

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

Ed Throop

Manager of Finance
Board of Municipal Utilities
Sikeston, MO

MEMBER DIRECTORY

Class A Members

Basin Electric Power Cooperative
Bismarck, ND

Cajun Electric Power Cooperative, Inc.
Baton Rouge, LA

Plains Electric Generation & Transmission
Cooperative, Inc.
Albuquerque, NM

Sunflower Electric Power Corporation
Hays, KS

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

Class B Members

Board of Public Utilities of Kansas City, KS

Board of Municipal Utilities
Sikeston, MO

Southern Minnesota Municipal Power
Agency
Rochester, MN

Class C Members

Arizona Electric Power Cooperative, Inc.
Benson, AZ

Arkansas Electric Cooperative Corporation
Little Rock, AR

Black Diamond Energy, Inc.
(a wholly-owned subsidiary of Oglethorpe
Power Corporation)
Tucker, GA

Cooperative Power Association
Eden Prairie, MN

Department of Utilities
Fremont, NE

Heartland Consumers Power District
Madison, SD

Jacksonville Electric Authority
Jacksonville, FL

Lincoln Electric System
Lincoln, NE

Missouri Basin Municipal Power Agency
Sioux Falls, SD

Nebraska Public Power Agency
Columbus, NE

Platte River Power Authority
Fort Collins, CO

City of Santa Clara, CA

City Utilities
Springfield, MO

Turlock Irrigation District
Turlock, CA

CONSOLIDATED BALANCE SHEET

Combined 1996 financial statement of Western Fuels Association, Inc., Western Fuels-Illinois, Inc., and Western Fuels-Wyoming, Inc.
(in thousands)

	1996	1995
ASSETS		
Cash & Short-term Investments	\$10,955	\$5,169
Restricted Cash	2,172	2,376
Accounts Receivable		
Member	16,737	13,875
Non-Member	6,490	8,550
Total Accounts Receivable	23,227	22,425
Inventory	487	765
Costs Recoverable Under Coal Purchase Agreements	11,757	12,520
Prepayments for Deferred Coal Shipments	7,028	7,028
Prepaid Expenses	1,333	2,256
Coal Resource Acquisition Costs	340	710
Plant & Property	113,646	125,960
Less: Accumulated Depreciation	78,858	72,249
	34,788	53,711
Furniture & Equipment At Cost	421	373
Less: Accumulated Depreciation & Amortization	187	146
	234	227
Investments	33,360	33,249
TOTAL ASSETS	\$125,681	\$140,436
LIABILITIES		
Accounts Payable	\$24,304	20,158
Accrued Interest Payable	3,653	3,409
Post Retirement Benefits Obligation	10,371	9,999
Advance Payments for Transportation & Coal Purchases	11,517	11,871
Notes Payable	25,784	26,266
Long Term Debt	9,032	15,338
Capital Lease Obligations	34,915	49,154
Deferred Income	18	12
	119,594	136,207
MEMBERS' EQUITY		
Initial Member Fees	45	45
Patronage Capital Certificates	1,721	1,721
Per Unit Retain Certificates	2,564	2,564
Accumulated Margin	1,757	(101)
	6,087	4,229
TOTAL LIABILITIES & MEMBERS' EQUITY	\$125,681	\$140,436

CONSOLIDATED STATEMENT OF OPERATIONS

*Combined 1996 financial statements of Western Fuels Association, Inc., Western Fuels-Illinois, Inc. and Western Fuels-Wyoming, Inc.
(in thousands)*

	1996	1995
Coal Sales to Members	\$219,033	\$239,827
Less: Cost of Coal Sold		
Acquisition	133,604	143,831
Transportation & Delivery	78,403	86,729
	212,007	230,560
	7,026	9,267
Gain on Railcar Transfer	—	1,334
Prepaid Consulting Services	2,300	—
Interest Income	941	638
Annual Membership Fees	9	9
Total Revenue Less Described Costs	\$10,276	\$11,248
General & Administrative Expenses	3,105	3,761
Interest Expense	4,678	5,794
Net Operating Margin	2,493	1,693
Non-Operating Margin:		
Other	(272)	(1,373)
Income Taxes	(363)	(126)
Net Margin	\$1,858	\$194

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Ned Leonard
Manager of Communications & Governmental Affairs

Patti Culhane
Executive Assistant

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(Effective September 8, 1997)
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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 and transmission cooperatives, municipal utilities, and other public power bodies.

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