



"It's not as big as it was once foreseen to be a couple of years ago, but nonetheless it's proceeding at a fairly brisk pace," he said.

Union Pacific and BNSF Railway, having just spent hundreds of millions of dollars expanding their coal networks coming out of Campbell County, expect the growth trend to continue. Both are on a record-breaking pace for 2007.

"Most of that coal growth is expected to come from the West, and the West is the Powder River Basin," Thomas Hund, BNSF chief financial officer, told those at the Citigroup 2007 Transportation Conference. "A modest amount is expected to come from the interior."

A big reason is price — Eastern coals are consistently three to five times higher than the product coming from Campbell County mines.

And as production prices increase in Southern Appalachia and more coal gets shipped overseas, a bigger hole is developing for Wyoming's coal.

"As coal moves more into the export market and some of the domestic utilities can't draw from the sources they've historically drawn from, (Powder River Basin) tends to be the first coal that fills in those gaps — particularly in the Southeast and moving further into the middle part of the country," Wood said.

Norfolk Southern, one of BNSF's Eastern shipping partners, has seen its Western coal loads more than double in a five-year period — from 15.6 million tons in 2001 to 38.5 million tons in 2006.

During the same period, the railroad's Central Appalachian coal loads have declined 19 percent to 78.7 million tons. The railroad's Northern Appalachian coal deliveries grew 30 percent to 43.6 million tons.

"We have seen PRB coal growing since at least 2000. Year-over-year it's been pretty steady," said Robin Chapman, a railroad spokesman. "It costs less than Eastern coal and it's lower sulfur coal so utilities that now aren't equipped with scrubbers can use that and stay in compliance."

But Edwards believes the low-sulfur aspect of Wyoming coal may play less and less of an advantage as new federal regulations, known as the clean air interstate rule, force some Eastern power producers to build pollution controls into their new and existing plants.

The tighter rules on sulfur dioxide and nitrogen oxide, both by-products of coal, are set to take effect beginning in 2010 and 2009, respectively. Further tightening of the rules on both gases, which only govern Eastern and Midwestern states, are set for 2015.

The rules, combined with the expiration of many Western rail contracts — and along with them, bottom-basement transportation prices — may make plants with new pollution controls to rethink their options.

"I think it will be more difficult for PRB coal to make inroads into Eastern markets as more plants add scrubbers," Edwards said.

Norfolk Southern has a similar outlook.

"If more plants install scrubbers, that could change the picture," he said last week. "(And) we do see utilities switching to scrubbers — a significant percentage across the board."

Southeast of Mayville, and 30 miles from the Dunkirk plant, the Jamestown Board of Public Utilities already has made its decision.

The board is now seeking permits to build a new type of power plant, a cleaner burning model known as a circulating, fluidized bed unit to replace its current one, which is more than a half century old.

And while the Jamestown plant is small — about 50 megawatts to Dunkirk's 520 — the board already has decided it will use eastern bituminous coal.

"We haven't done it, because we think it isn't worth doing."