

080001-EI

# Exhibit B

# REDACTED

COM \_\_\_\_\_  
ECR   1    
GCL \_\_\_\_\_  
OPC \_\_\_\_\_  
RCP \_\_\_\_\_  
SSC \_\_\_\_\_  
SGA \_\_\_\_\_  
ADM \_\_\_\_\_  
CLK \_\_\_\_\_

DOCUMENT NUMBER-DATE  
07704 AUG 25 8  
FPSC-COMMISSION CLERK

17. What are the expected market trends for the types of coal purchased by PEF for the next 2 years - both domestic and foreign?

**Answer:** The coal markets have reached historic highs during the last year. These price increases in domestic and import coals are driven by the following:

- Global competition for coal supplies has increased as China and India continue to build coal-fired generation. High oil prices have increased the distance that coal can be transported economically, causing a shift in global coal logistics as coal once destined for Europe is now moving to developing countries, such as China and India.
- Europe is purchasing more US and South American coal due to the decreased value of the dollar and the decrease of traditional coal supplies.
- Coal production increases have been delayed due to new safety and permitting regulations.
- Metallurgical coal prices have increased significantly due to demand exceeding supply with various worldwide supply disruptions.

While no one can say for sure, coal industry experts do not see a significant decline in coal prices over the next several years. Projected prices as of July 21, 2008 are as follows:

<u>Coal Type</u>	<u>BTU</u>	<u>SO2</u>	<u>Price (coal only)</u>	
			<u>2009</u>	<u>2010</u>
Big Sandy River	12,000	1.2#		
Big Sandy River	12,000	1.7#		
CSX Big Sandy/Kanawha	12,500	1.2#		
CSX Big Sandy/Kanawha	12,500	1.6#		
Colorado Coal	11,800	1.0#		
Lower Ohio Coal (Ill Basin)	12,000	5.0#		
Import Coals – API 4	11,300	1.2#		

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