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Business

Classified

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The feeling is mutual right now



SCOTT BURNS

Remember the old philosophical question: "If a tree falls in the woods with no one around, will it make a sound?"

Well, now we've got a contemporary version: "If stocks and bonds boom, will anyone hear them?"

The answer, gleaned from figures provided by the Investment Company Institute, is a very cautious yes. Investors have heard the boom, and they have acted.

In April, as stock prices took off, the most volatile category of investments enjoyed its first month of net sales this year. About $554.2 million of aggressive growth fund shares sold, handily outpacing the $435.7 million in share redemptions. Actually, 14 of the 18 months since the October crash were months of net redemption.

Tentative conclusion?

The individual investor, traumatized by the October 1987 crash, has seen enough recovery to dare once more. In addition to net sales in aggressive growth funds, people also bought more shares of growth and income funds than they sold. And they did it with international equity funds, global equity funds and equity-income funds as well. Among stock funds, only growth funds, precious metals and option/income funds were still in net redemption.

There was a similar pattern in fund exchanges — the decisions of existing shareholders to move from one type of fund to another. After months of net exchanges out of aggressive growth funds, the April figures show an abrupt reversal.

While a modest uptick doesn't make a trend, it's just possible that the April news marks three important events:

- Public recovery from the October shock.
- Renewal of individual commitments to stock and bond investment.
- Resumption of growth for the mutual fund industry.

The last item is no minor matter. Total assets under management in mutual funds peaked at $848.3 billion in August 1987 before plummeting to a low of $769.9 billion in December after the crash. In April, after a year of backing and filling, the funds surged to a record of $862.2 billion under management.

A turnaround, if indeed one is occurring, couldn't happen at a better time for the industry: Without a change, some mutual fund advisers were heading for very tough times. Even with improved sales, the same wave of consolidation and cost reduction that has cast a dark cloud over brokerage firms may be about to strike the nation's mutual fund management companies.

You can understand the dilemma by taking a look at the dramatic increase in the number of mutual funds before *and* after the market crash:

■ 1981	665 funds
■ 1982	857
■ 1985	1,531
■ 1986	1,843
■ August 1987	2,131
■ March 1989	2,734

Nearly as many funds were created — 603 — during the 17 months between the October crash and March of this year as were created in their entire history until 1981. The number of mutual funds now exceeds the 2,234 issues listed on the New York Stock Exchange.

Small wonder investors find it difficult to choose a fund.

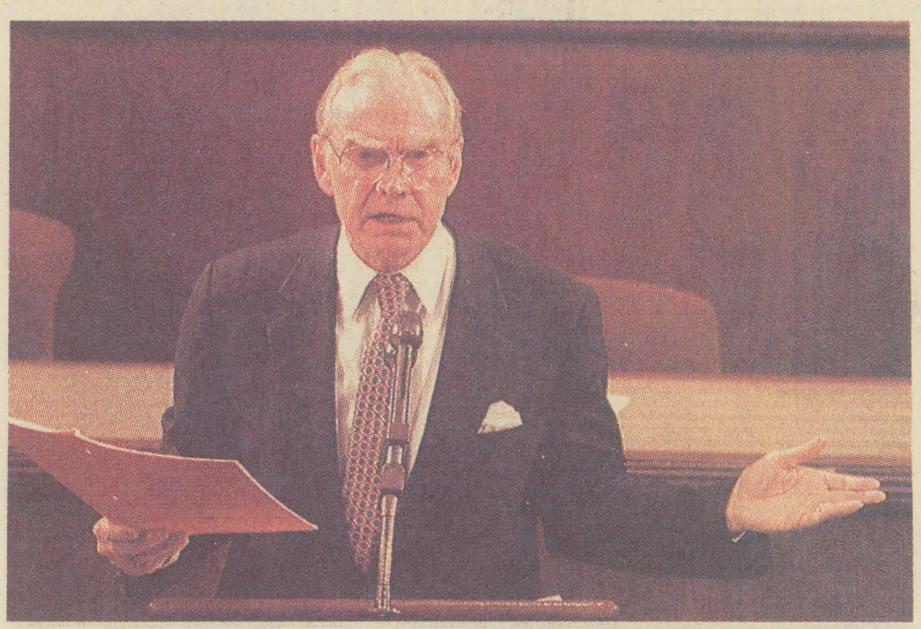
If choosing a fund is a problem for investors, the surfeit of choice is also a problem for fund managers. Since the October crash, a growing multitude of funds have been chasing what seemed to be a diminishing supply of investment dollars. While the number of funds nearly tripled from 1982 to the end of 1987, assets under management grew even faster. As a result, the size of the average fund grew, bringing higher fees and cost efficiencies.

Now things are different. With asset

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Associated Press

House Democrats privately acknowledge a connection between Rep. Jim Wright of Fort Worth, who resigned as House Speaker May 31 in the face of a series of ethics charges, and anti-Texas sentiment in the savings and loan bailout process.

Rising cost of bailout sparks 'Texas bashing'

By Robert Dodge
Washington Bureau of The Dallas Morning News

THE S&L CRISIS

WASHINGTON — Some members of Congress, chagrined about the high cost of bailing out the nation's savings and loan industry, might find some political cover by handing out bumper stickers to their constituents. The probable inscription: "Tax a Texan."

These days, with the thrift rescue tab projected to eventually total at least $285 billion, Texas has fewer and fewer admirers on Capitol Hill. Until recently, instances of explicit Texas-bashing have been few — but increasingly members are wondering aloud why their constituents should pay to clean-up a problem caused by unsavory Texas thrift operators.

"The question is: Who will pay for this, and how much will they pay?" asked Rep. Marcy Kaptur, D-Ohio.

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Spoils of success changing Taiwan

By Richard Alm
Staff Writer of The Dallas Morning News

TAIPEI, Taiwan — With more than a generation of often-spectacular growth, Taiwan has hauled itself out of abject poverty, taking its place among Asia's "miracle economies."

It's hard not to marvel at what this overcrowded, resource-poor little island

INTERNATIONAL

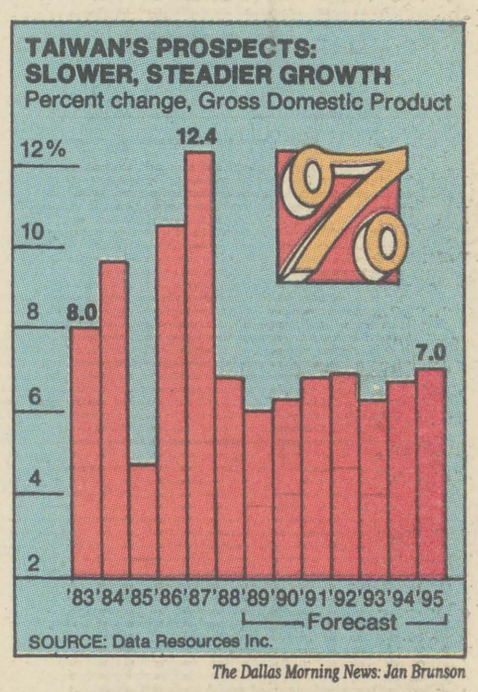
has accomplished: Per-capita income jumped from $137 a year in 1950 to more than $6,000 today — 20 times that of strife-torn mainland China and a third better than that of rival miracle South Korea.

Taiwan's miracle, however, has its sobering side: The Taiwanese are realizing the long boom brought with it less-than-welcome side effects — a dirty environment, a restive working class, a trade surplus that's causing friction with the United States and an economy that faces a struggle to stay competitive. The Taiwanese say these burdens make it more difficult to sustain the pace of economic progress.

"We are now facing new problems that will make future development a more difficult task," said Frederick Chien, chairman of the Labor Ministry's Council for Economic Planning and Development. "We must now pay the social costs that we failed to pay earlier.

"The age of high economic growth is behind us."

What's happening in Taiwan in the late 1980s bears striking similarities to the Japan of 20 years ago. After a long period of eye-popping expansion, the Japanese economy slowed from the break-neck pace of catch-up development to the more settled growth of a mature industrial country.

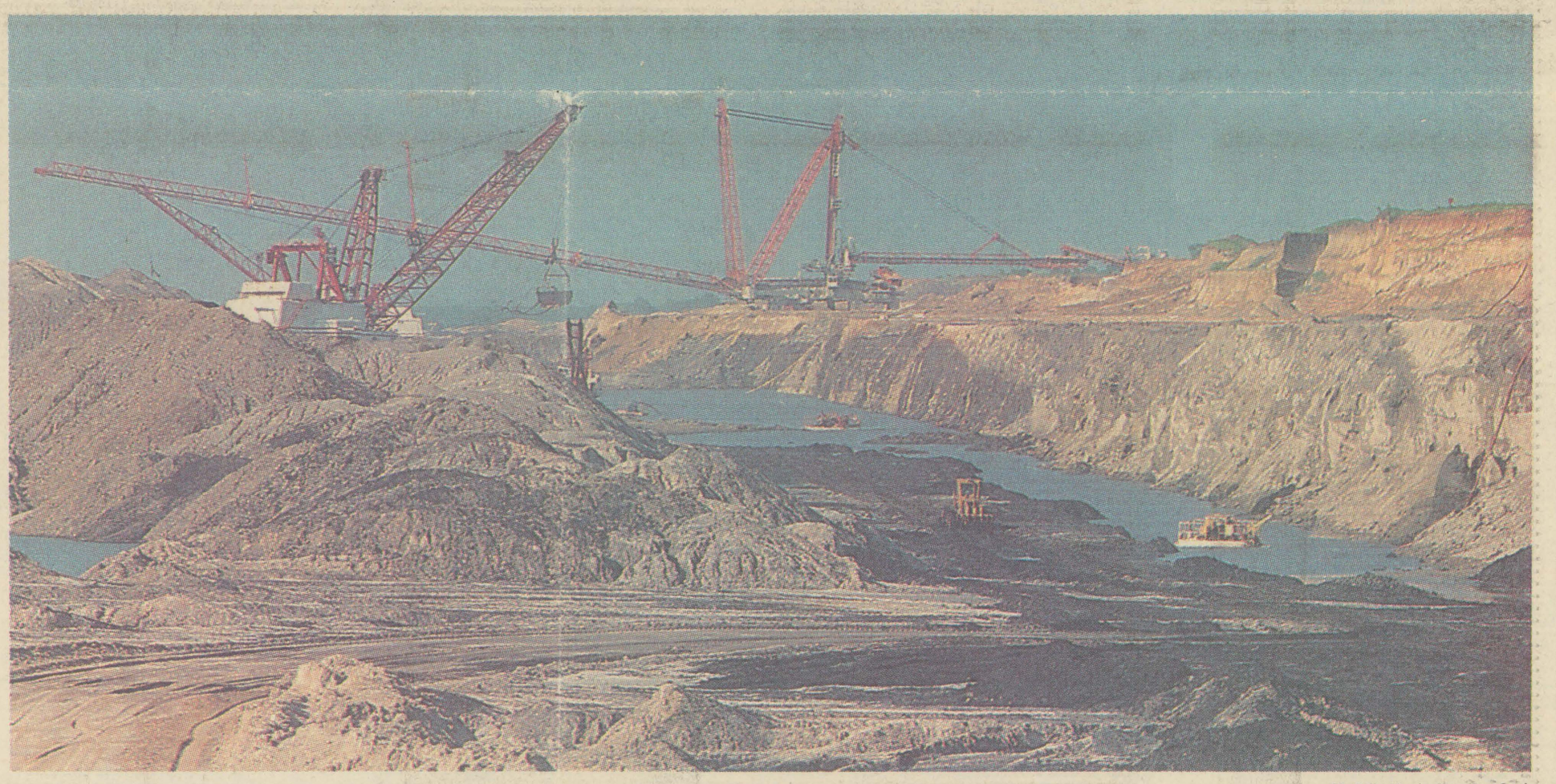


The Dallas Morning News: Jan Brunson

Seeing the parallels with Japan, economist Tzong-shian Yu of the Chung Hua Institution for Economic Research says Taiwan is on the verge of becoming only the second Asian nation to graduate into the ranks of modern, developed nations. A sign he's probably right: Taiwan has just established an International Economic Cooperation Development Fund of $1 billion, aimed at assisting the development of poorer countries around the world. It

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TEXAS' NEW BLACK GOLD



The Dallas Morning News: Juan Garcia

A giant cross pit spreader at Texas Utilities' coal mine near Fairfield, Texas, can move up to 4,000 cubic yards of dirt and rock an hour.

TU has jump on digging up state's secret

By Gary Jacobson
Staff Writer of The Dallas Morning News

ENERGY

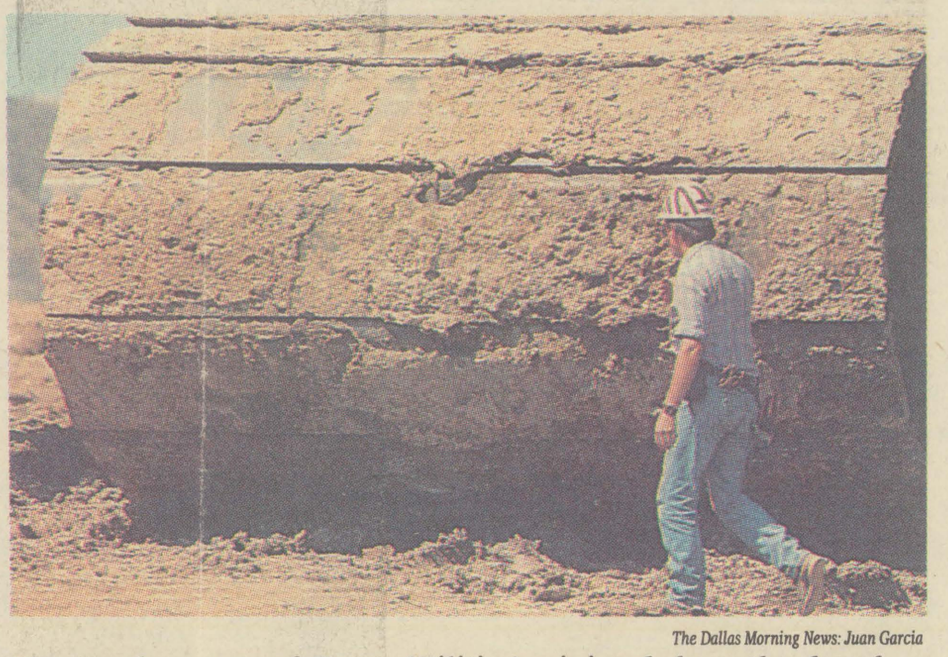
FAIRFIELD, Texas — As machines go, they're awesome.

One weighs 8 million pounds, stands almost 200 feet tall and can move up to 4,000 cubic yards of dirt and rock an hour across a pit more than two football fields wide. The machine, called a cross pit spreader, would cost $40 million to replace.

Another machine weighs 5.5 million pounds and could fill a large living room with the dirt it pulls out of the earth on each swipe of its huge bucket, supported by chain links as thick as a person's thigh. The machine, called a dragline, would cost $25 million to replace.

Welcome to Texas Utilities Co.'s Big Brown coal mine, about 100 miles south and east of Dallas and just a few miles from this town of 4,000. The spreader and three draglines help supply 6 million tons of lignite a year to a nearby power plant.

Big Brown and three other mines in the state make TU's mining company the fourth-largest coal producer in the United States and help make Texas the largest lignite producer in nation.



The Dallas Morning News: Juan Garcia

The tread on one of Texas Utilities' mining behemoths dwarfs a worker at the firm's lignite mining operations at Big Brown.

"That's one of the best-kept secrets around," said Dick White, TU's director of environmental services, who helps reclaim and restore the mined lands.

It may not remain a secret for long. With forecasts of rising natural gas prices and continuing uneasiness about nuclear power, more and more utilities around the nation are looking to coal as the answer.

In Texas, that means lignite, which currently accounts for about 20 percent of the electricity generated in the state. The percentage will continue to grow into the mid-1990s, experts estimate.

"For stable, long-term production of electricity, coal is going to be the fuel of choice," said Michael Jones, a professor at the University of North Dakota who directs combustion and environmental re-

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Lights won't go out in Texas, utility asserts

By Gary Jacobson
Staff Writer of The Dallas Morning News

On the East Coast there's talk of voltage cuts, forced brownouts and rolling blackouts as power demand strains the generating capacity of electric utilities.

Not in Texas. Jerry Farrington, chairman and chief executive of Dallas-based Texas Utilities Co., foresees adequate reserves for at least the next decade.

"I really don't think there's any danger of forced brownouts here," Mr. Farrington said during a recent interview. "The supplies of electricity we have today are the result of plans set forward years ago to build capacity."

Texas Utilities is parent company of TU Electric, which supplies power to 5.2 million people, almost one-third of the state's population, in north, east and west Texas. Literally every home or business in Dallas and Fort Worth is wired to TU.

Other utilities rank higher in revenues, assets or number of customers, but since consolidating three separately operating utilities into one in 1984, TU Electric has sold more electricity annually than

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TU promises a bright future

Utility foresees little danger of lights going out in Texas

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any other single utility in the United States. Last year, it was 80.7 billion kilowatt hours, enough electricity to supply the average Dallas home for 6 million years.

Texas Utilities has more than $4 billion in annual revenues, more than $17 billion invested in its utility operations, 2.1 million customers and among the lowest residential and industrial rates in the country.

Dan Rudakis, an industry analyst at Duff & Phelps in Chicago, says that at meetings around the country, other utilities always use charts comparing their rates with New York, Chicago and Boston. No one compares with Dallas.

"Your rates are low," Mr. Rudakis said. They average about 6.5 cents per kilowatt hour for residential customers and about 3.75 cents per kilowatt hour for large industrial users.

Those rates and assured supply could be important factors in the future growth of the area, some industry analysts say.

"More and more companies are looking at both supply and cost of power," said Anne Faber, an analyst at Fitch Investors in New York. "They want to be where there's plenty of power."

TU Electric has said it will ask for 10 percent rate increases from the Texas Public Utilities Commission, which regulates the state's utilities, when each of two nuclear units at Comanche Peak are placed in service. Some other utilities around the nation have requested much higher increases — up to 50 percent and more — in relation to expensive nuclear plants, causing some critics to argue that TU eventually will ask for more.

Not so, said Mr. Farrington, who became TU's top executive in February 1987. "We've worked hard to control our costs," he said, noting that TU Electric served 480,000 more customers at the end of 1988 than in 1981, with the same number of employees — about 15,600.

Comanche Peak, which began construction near Glen Rose in 1975, still needs to pass several hurdles, including obtaining an operating license from the Nuclear Regulatory Commission, before commercial production of power begins. But Mr. Farrington said he expects the first unit of the long-delayed, $9 billion nuclear project to go on-line before summer peak demand of 1990. He expects the second unit to go on line before the peak of 1992.

"I look at it as a done deal," said Herbert Jones, an analyst at Eppler Guerin & Turner in Dallas who has covered TU since 1946. "Up until six months ago, we were concerned if this thing was ever going to be up and running as a nuclear plant."

Even with a 20 percent increase, Mr. Farrington said, rates still will be among the lowest in the country and back at the same level as 1984.

In addition to the two nuclear units, TU plans to build three new lignite-fired generating units in the mid- to late 1990s and add some natural-gas-fired combustion turbines for peak demand.

TU expects the demand for electricity to grow about 2 percent a year over the next decade and projects its 1998 power sales to be almost 100 billion kilowatt hours. Based on that projection, 7.7 million kilowatts of new generating capacity will be needed. Nuclear (2.25 million kilowatts at Comanche Peak 1&2) and lignite (2.25 million kilowatts) should each provide about 29 percent of that required new capacity. The remainder, TU says, will come from conservation and load management, combustion turbines, cogeneration and outside electric purchases.

Mr. Farrington said that through the next decade the utility should maintain a generating capacity of at least 17 percent above the highest anticipated demand, a level considered comfortable in the industry.

Mr. Farrington compares Comanche Peak with the decision to build lignite plants in the late 1960s and early 1970s. In each case, the new technology was expensive compared with existing fuels and controversial.

For lignite, a major issue causing public concern was surface or strip mining, since each plant was fed by a nearby mine. For nuclear power, in the wake of Three Mile Island and Chernobyl, it's safety assurance.

At the time the first lignite plant was placed into service in 1971, natural-gas-fired plants cost about half as much to build as coal ($65 to $75 per kilowatt compared with $130) and the fuel cost for the seemingly plentiful natural gas was just 25 cents per million Btus.

Today, the cost of gas has risen by a factor of 10 and lignite is the cheapest fuel in the TU system. Lignite-fueled plants provide 44 percent of the utility's power. Its use, the company says, has saved TU customers more than $4 billion in lower rates over the past two decades.

TU also has won praise from outdoor and environmental groups for its mining methods and land-restoration techniques. "We made the commitment to protect the environment right from the beginning," Mr. Farrington said.

"When we look back on Comanche Peak 10 years out, it will have some of the same qualities as lignite," Mr. Farrington said. "It will be environmentally clean and provide a low cost, stable fuel source."



The Dallas Morning News: Milton Hinnant

As an example that Texas Utilities has "worked hard to control our costs," chief Jerry Farrington says TU Electric is serving 480,000 more customers than it did in 1981, with the same number of employees.

Lignite becoming Texas' new black gold

Continued from Page 1H.

search at the largest (200 people) low-grade coal research institute in the world.

With the use of appropriate technology to reduce particulate and sulfur dioxide emissions, Mr. Jones said, concerns about acid rain and other environmental issues can be reduced. He and some other industry experts expect acid rain legislation, when it comes, to have a minimal effect on current and planned lignite power operations in Texas.

Mr. White says Texas, which consumes more coal than any other state, burns 11 percent of the coal used in the nation each year but accounts for only 3 percent of the nation's sulfur dioxide emissions, a primary component of acid rain.

Low-grade coals, lignite and sub-bituminous, account for about one-half of the 475 billion tons of demonstrated coal reserves in the United States. They generally are lower in Btu value and sulfur content than the older, harder bituminous and anthracite coals prevalent in the East. Lignite is found along the Gulf Coast and Northern Plains, sub-bituminous coal in the West.

In Texas, lignite deposits generally are located in the eastern part of the state, as evidenced by the location of TU's operations. The company currently has nine lignite generating units at four plants: Big Brown, Monticello near Mount Pleasant, Martin Lake near Henderson and Sandow near Rockdale.

The mining company produced 29.1 million tons of lignite in 1988, well more than half the Texas total of 53.8 million tons. TU estimates it has recoverable reserves of 760 million tons.

Clifford Miercort, president of North American Coal Corp., which moved its headquarters to Dallas from Cleveland two years, says there are 23 billion tons of surface-minable lignite reserves in Texas, the equivalent of more than 48 billion barrels of oil. Current total oil reserves in the United States are estimated at 26.5 billion barrels — about 7 billion barrels in Texas.

In testimony to a state legislative committee last year, Mr. Miercort said those lignite reserves can keep the lights burning in Texas for the next 400 years.

North American, the 11th-largest coal mining company in the United States, mines about 3 million tons of lignite a year in Texas. Most of its operations are in North Dakota.

"Lignite is the cheapest form of energy there is for electric generation," Mr. Miercort said during an interview. Texas Utilities, for example, estimates that the use of lignite has saved its customers more than $4 billion in lower rates since 1971, compared with natural gas.

A forerunner of Texas Utilities, Texas Power & Light, first began using lignite for power generation in 1926 at a plant near Trinidad. Coal was carried by train from the nearby Malakoff mine. The discovery of cheap natural gas in the late 1930s, however, eventually closed the mine, and the plant was converted to gas.

While natural gas seemed to be the fuel of the future, TP&L did not forget about lignite. The company explored for coal deposits beginning in the late 1940s, when nobody wanted it, and continued into the 1970s.

That foresight is a major reason TU's lignite costs are the lowest among the state's utilities today. TU's lignite fuel cost last year was 95 cents per million Btus, the lowest level since 1984, compared with $1.28 for the Central and South West Corp. system and $1.61 for Houston Lighting & Power Co.

By comparison, the cost of natural gas, which generated about 42 percent of TU's power last year, was $2.49 per million Btus. Lignite was used to generate 44 percent of TU's power.

Even plentiful Western coal is no competition for low-cost lignite by the time it is shipped to Texas. For example, about 27 percent of HL&P's power in 1988 was generated from Western coal at a cost of almost $2.40 per million BTUs.

"There's no question that TU acquired some of the most desirable lignite reserves back in the mid-50s," said Bill Holhut, vice president for Dallas-based Central and South West Corp., which operates electric utilities in Texas, Oklahoma, Arkansas and Louisiana.

TU's overall fuel cost from all sources also ranks favorably with other utilities operating in the state, primarily because of lignite: $1.71 per million Btus last year for TU compared with $1.90 for HL&P and $2.01 for the Central and South West system.

As the availability of natural gas became less assured in the 1960s and early 1970s, TU began putting those lignite reserves to use when it opened Big Brown in 1971.

Like most lignite facilities, Big Brown is called a mine-mouth operation. The generating plant sits in the middle of a huge lignite deposit because transportation costs prohibit hauling the coal long distances. The mine-plant configuration also makes lignite one of the most stable sources of fuel in regard to both supply and price. Aside from a large pile of coal reserved for emergencies, the lignite is brought to the plant and burned soon after it is mined.

The coal is carried to the plant in 10-wheel, 100-ton haulers. Each tire, about as tall as a basketball hoop, costs $4,300 to replace, meaning a complete tire change, necessary about every two years, costs $43,000.

Specially built roads to support the haulers are six feet thick and can handle three times the weight loads of interstate highways.

Lonnie Smith, mine manager at Big Brown, said about 20,000 acres of lignite reserves have been committed to the plant. When mining operations first began in an area just outside Fairfield, the coal was about 35 feet below the surface. Now, as the operations get closer to the power plant itself, the coal ranges between 95 feet and 120 feet below the surface. One mining pit at Big Brown is four miles long.

TU operates an environmental research center at Big Brown, where it supports academic studies by graduate students from around the country. While the center is funded by the company, its work is guided by professors at universities around the state. One study revealed that mixing the soil layers removed in the mining process at Big Brown actually results in a better soil than originally existed.

Prior to that, Texas law required that on prime farmland, topsoil and other soils must be removed and stored separately and then replaced in the same order during the reclamation and restoration process. That elaborate procedure took longer and added cost.

So far, about 6,000 acres have been reclaimed, Mr. Smith said. The process takes about 10 years from the beginning of mining until the land is recontoured, replanted and released from bond by the Texas Railroad Commission, which regulates mining in the state. TU maintains reclamation bonds totaling more than $180 million with the commission for its mines around the state to ensure that it follows through with its restoration obligations.

"In the beginning, landowners weren't sure if they wanted the reclaimed land back," Mr. Smith said. So many of them often sold TU the land as well as the coal rights. "Now, after they've seen what we've done with it, most of them want it back."

Mr. White, the environmental director, says the company will plant nearly 500,000 trees on reclaimed land across its system this year.

Three more lignite units are planned at TU for the mid- and late-1990s at Twin Oak near Franklin and Forest Grove near Athens. The company suspended construction on the two plants in 1987 when the economic downturn slowed the region's growth. So far, about $630 million has been spent on the projects. Construction won't resume again until after this year.

Costs have skyrocketed since Big Brown, which cost about $130 per kilowatt of capacity. Current estimates of costs are $1,531 per kilowatt at Twin Oak and $1,770 per kilowatt at Forest Grove. Total costs are estimated to run about $3.6 billion for both sites.



The Dallas Morning News: Juan Garcia

Texas Utilities' Phillip Stephens operates a $40 million cross pit spreader, with the help of TV monitors.

U.S. COAL PRODUCTION

TOP U.S. COMPANIES

In millions of short tons

Company	1988 production
Peabody Holding Group	81.5
Consolidation Coal	54.9
AMAX Coal Industries	36.9
Texas Utilities Mining	29.1
Exxon Coal and Minerals	28.3
ARCO Coal	26.9
Shell Mining	24.8
Western Energy	23.9
NERCO	23.8
Sun Coal	23.3
North American Coal Corp.	22.5

SOURCE: National Coal Association

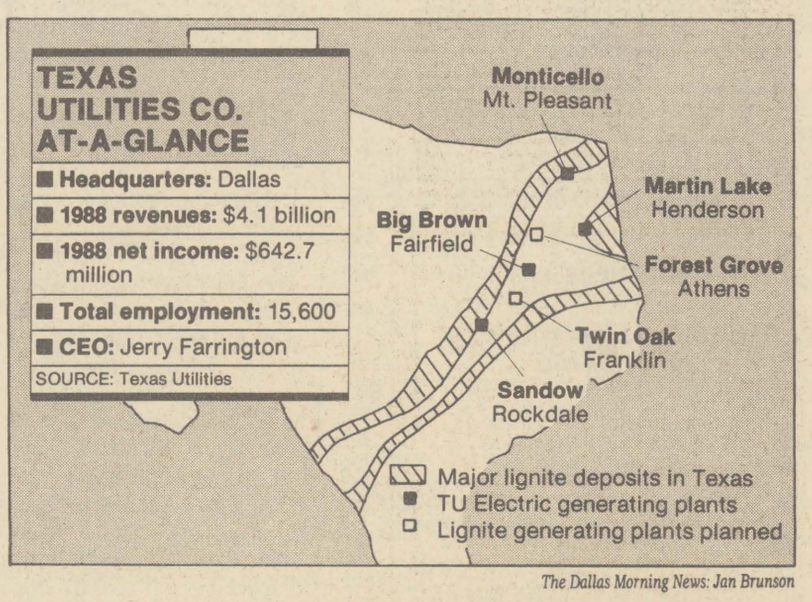
TOP PRODUCING STATES

In millions of tons

State	1988 production	Historical high production
Kentucky	162.1	165.2 in 1987
Wyoming	161.8	161.8 in 1988
West Virginia	143.7	176.2 in 1947
Pennsylvania	77.4	277.4 in 1918
Illinois	59.6	89.3 in 1918
Texas	53.8	53.8 in 1988
Virginia	48.3	48.3 in 1988
Montana	38.4	38.4 in 1988
Ohio	32.5	55.3 in 1970
Indiana	31.9	37.5 in 1984

SOURCE: U.S. Energy Information Administration

The Dallas Morning News



The Dallas Morning News: Jan Brunson