

Indiana Mineral Industry News

1st Quarter 2004

By Kathryn R. Shaffer
Indiana Geological Survey

Production

Indiana **coal production** through the week ended April 3, 2004, was 722,000 short tons, a 2.5 percent increase over the same period of the previous year according to the **U.S. Department of Energy (DOE), Energy Information Administration (EIA)**. Indiana ranked eighth nationally as of April 3.¹ The National Mining Association's forecast for 2004 indicates that, **nationally**, coal production may reach 1.115 billion short tons. This would be the second highest coal production recorded (2001 being the highest); however, the most dramatic production increases are expected in the western states.² Coal's share of electricity generation is expected to increase from the current 50 percent to 52 percent by 2025 with 112 gigawatts of new capacity added during that time.³

According to the most current data published by the **U.S. Geological Survey (USGS)** for the fourth quarter of 2003, Indiana's **production of crushed stone** was 15.9 million metric tons (mt) and **construction sand and gravel** was 6.5 million mt, demonstrating an increase of 14.5 percent and an increase of 1.6 percent for each commodity, respectively, when compared to the same period of 2002.⁴

The Portland Cement Association projects that **cement consumption** will continue to grow over the next several years, increasing from between 2 to 3 percent each year between 2005 and 2007. Growth is expected to be less than one percent for the industry during 2004. It is expected that the U.S. economy overall will expand by 4.0 percent during 2004.⁵

U.S. shipments of **wallboard** set a new record in 2003 with 31.2 billion square feet shipped.

Shipments in 2002 were 29.87 billion square feet. This increase is attributed to improvements in the housing industry .⁶

Industry news

Alliance Resource Partners, which operates **Gibson County Coal Company** and other holdings outside Indiana, reported record earnings of \$47.9 million during 2003, an increase of 38 percent over 2002 earnings. Increased capacity from Gibson County Coal contributed to earnings.⁷

Squaw Creek Coal Company, a joint venture between **Peabody Energy and ALCOA**, has asked for a renewal of its closed Squaw Creek surface mine permit. The company has shown no indication that it was reopening the mine, however. The permit request has ignited controversy over potential waste material that ALCOA had reportedly left at the site. Slurry fines are being recovered at the mine site by **Vigo Coal Company**. Peabody Energy is also renewing permits for the **Hawthorn** and **Lynnville** mines, which are also closed, although no plans have been released regarding reopening them.⁸

Horizon Natural Resources planned to file a Chapter 11 bankruptcy plan by April 6, 2004. It was still reviewing its leases at the end of the quarter. The company had sold or idled 24 of its 42 coal mines.⁹

Dimension stone for the construction of the Schermerhorn Symphony Center in Nashville, Tenn., will be provided by the **Bybee Stone Company**. The \$120 million project has an all-limestone exterior will require 200,000 square feet of stone and take several years to complete.¹⁰

A 3-day series on the **Indiana dimension limestone industry** appeared in the Bloomington Herald-Times newspaper. Indiana Geological Survey staff contributed information for use in the

articles.^{11,12,13}

The **USGS** announced its annual ranking of the **top 25 producers of aggregates**. Topping the list was Vulcan Materials Company, followed by Martin Marietta Aggregates, Hanson Building Materials and Oldcastle Inc., all having operations in Indiana. Other companies on the list with Indiana holdings included Aggregate Industries, Inc./Fidler Inc. (9th), Rogers Group (12th), Irving Materials, Inc. (21st), Edward C. Levy Company (24th), and S. E. Johnson Company/Stoneco Inc. (25th).¹⁴

Companies in the **Certified Aggregates Producers Program** received awards presented by the **Indiana Department of Transportation (INDOT)** for their outstanding performance during 2003. Top awards went to a Kentucky sand plant and to Martin Marietta Aggregates, Kentucky Avenue Mine. Several district awards were also presented.¹⁵

An article appeared in *Pit & Quarry* about **Mulzer Crushed Stone, Inc.**'s use of a hydraulic material handler to load barges at their Ohio River operations.¹⁶

Oglebay Norton, which has a **ground limestone** company in Indiana operating under **Global Stone Portage** located in Porter County, has filed for Chapter 11 bankruptcy protection. The stock, which fell below \$1.00 per share, was delisted.¹⁷

Marengo Quarry, an abandoned crushed stone quarry in Crawford County that is currently being used as a warehouse, the Marengo Warehouse and Distribution Center may also become the site of a **biotech lab** that would grow bioengineered crops for the drug industry. The underground site would help to prevent cross-contamination with other pollens.¹⁸

Mastodon teeth and bones were found during excavation at the **Irving Materials, Inc., Kewanna Plant** in Fulton County in February.¹⁹ Indiana Geological Survey personnel assisted

with their ground penetrating radar equipment. The media covered the finding extensively.

A request by **Starlight Leasing** to open a **sand and gravel operation south of Waverly** on SR 37 was denied by the Morgan County Board of Zoning Appeals, but the company was encouraged to file for a special exception. The proposal faced strong opposition from neighboring land owners. The decision was being appealed because most of the land lies outside an urban area, and therefore, has fewer regulations.²⁰

In March, **Rogers Group, Inc.**, acquired **Abram and Hawkins Sand and Gravel** in Graysville, in Sullivan County, and renamed the operation Graysville Sand and Gravel.^{21,22} Rogers Group, Inc.'s, **Wabash Gravel, Inc.** near Williamsport in Warren County, celebrated 7 years with no injuries.²³

A new revised **mining ordinance** was submitted to Carmel's City Council in March, 2004. The intent of the ordinance is to regulate mining activities of **Martin Marietta Aggregate's Carmel Sand Plant**, which has been attempting to expand north of 106th Street. The proposed ordinance replaces one that was withdrawn because of a lawsuit by Martin Marietta Aggregates.²⁴

Environmental issues

The **U.S. Environmental Protection Agency (EPA)** posted proposed **rules to reduce emissions of sulfur dioxide, nitrogen oxides, and mercury** from electric power plants in the federal register.²⁵ A supplemental proposal was added providing language for a mercury emissions cap-and-trade program.²⁶ Comments were accepted and the comment period was extended through April 30. A public hearing was held on the **proposed mercury trading program**.^{27,28} There is some indication that the rules may be tightened as some models are indicating that clean air goals may not be met on time.²⁹

The **new EPA director, Mike Leavitt**, promises to enforce existing clean air laws by continuing eight lawsuits that had been filed before he took office. He also plans to pursue legal action against additional companies.³⁰

North Carolina petitioned the EPA to force 13 states, including Indiana, to better control their power plant emissions, explaining that North Carolina would be unable to meet Clean Air Act requirements because of the emissions coming into the state from elsewhere.³¹

The **EPA announced** that it would put **mineral processing** on its list of high priority areas for enforcement and compliance over the next three fiscal years.³²

Public hearings on the **disposal of coal combustion wastes at coal mines** were held by the EPA in Pennsylvania, Texas, and Indiana. The agency is preparing rules to regulate the activity.³³

The **DOE** is conducting studies to find the most effective way to cut **mercury** emissions from power plants.³⁴

The **National Research Council** published a report, *The Hydrogen Economy: Opportunities, Costs, Barriers, and R&D Needs*. The report includes a discussion of the **potential use of coal for hydrogen production**.³⁵

The city of **Louisville** has been pressuring **Cinergy** to either shut down or install more pollution-control equipment on their **Gallagher Station**. Cinergy responded that it will keep the plant running, but will reduce its usage, especially on ozone-alert days. The company has no plans at the present to upgrade pollution-control equipment at the plant.³⁶ The company is still in litigation with the **EPA** over the installation of **scrubbers** and other actions that would total in excess of \$1.4 billion. As part of the settlement, the EPA has also requested an additional two scrubbers that would add an additional \$400 million to the settlement. Cinergy is not at this time

accepting the plan and the case could go to federal court in 2005.³⁷ The company is considering **construction** of another **integrated coal gasification combined-cycle (IGCC)** generating station. It would then retire one of its older plants.^{38,39} Cinergy is looking at **Edwardsport** as a potential location for the plant with a planned completion date of 2010; the company currently operates two small units at Edwardsport.⁴⁰ A company representative stated that it would require 80 percent of the financing to build the plant to come from the DOE.⁴¹ Cinergy also announced that it expected to spend about \$1.2 billion for environmental purposes through 2008.⁴²

Northern Indiana Public Service Company (NIPSCO) announced that it may **restart** its **Mitchell Plant**, located at Merrillville, in 2004. The company has reported the station as its oldest and least efficient and has said that it would require major costly modifications to meet environmental standards.⁴³ A federal lawsuit was filed against NIPSCO by some residents of the **City of Pines** and the Hoosier Environmental Council. They claim that landfilled **coal ash** from the facility has polluted water wells. They are requesting that all wells be tested and that city water be provided to those who need it.⁴⁴

A public hearing was held in Newburgh to discuss **ALCOA Power Generating Inc.'s nitrogen oxide emission control plan**.⁴⁵ The Indiana Department of Environmental Management (IDEM) also held a hearing in Chrisney to discuss **AK Steel Corp.'s application for a Title V air permit**.⁴⁶

An **article** that appeared in the journal *Nature* suggested that many species are in danger of **extinction owing to global climate change** and that up to 37 percent of the studied species could die out within 50 years.⁴⁷ A different study published in *Nature* suggests that changes in the **ocean's salinity may also be linked to global climate change**.⁴⁸ Scientists located at the Mauna Loa Observatory in Hawaii have made observations that indicate that **carbon dioxide** buildup in the atmosphere is accelerating.⁴⁹

IDEM awarded several grants to investigate potential uses for **waste tires**. Indiana University and the Indiana Geological Survey will receive \$50,000 from those funds to investigate the use of waste tire material as a **substitute for aggregate** in on-site sewage distribution fields.⁵⁰

IDEM's Web site now includes a **list of all Indiana environmental rules** and helps people to keep track of changes to them as well (<http://www.IN.gov/idem/rules>).⁵¹

Construction industry developments

It is expected that **highway construction projects should increase** by 4.2 percent during 2004, compared to 2003 levels. Passage of a federal **highway bill** totaling \$33.6 billion for the fiscal year is expected.⁵²

Opponents to the **I-69** project asked for a 60-day extension of the deadline to make comments on the **environmental impact study (EIS)**.⁵³ It was not extended.^{54,55} A lawsuit contesting the EIS is planned.⁵⁶ Some concern was expressed that **sinkholes** and other karst features were not included in the EIS, but planners responded that sinkholes would be considered in determining the final path of the highway.⁵⁷ The **Evansville-to-Indianapolis** corridor of the I-69 project **received federal approval**.^{58,59} Environmental studies will be conducted to determine the exact path of the highway; it could take 16 to 17 years before the highway is complete, with 2012 as the earliest possible date for completion.⁶⁰ Funding concerns remain.⁶¹

I-465 between 71st and 86th streets in Indianapolis will be widened from six to twelve lanes. The project, estimated at \$60 million, is planned to take less than three years.⁶² The \$300 million **Borman Expressway** improvement project (I-80/94) between the Illinois state line and I-65 near Gary was set to begin on March 1, 2004.⁶³ EIS's for the **U.S. 31 and U.S. 231** upgraded corridors were approved by the Federal Highway Administration. The U.S. 31 improvements will be in St. Joseph and Marshall Counties and the U.S. 231 project will be in Dubois County.⁶⁴

INDOT approved a number of highway jobs this quarter. Significant among them is \$40.4 million for added travel lanes and bridge replacement on **I-69** in Allen County, \$16.7 million for new road construction and environmental mitigation on **SR 145** in Crawford County, \$12.4 million for new road construction and a new bridge on **University Parkway** in Vanderburgh County, \$11 million for road improvements and bridge replacement for **SR 32** in Boone County, and \$10.9 million for pavement replacement on **38th Street** in Indianapolis, Marion County.^{65,66,67}

Plans are being made to improve the **Gary Airport**. Airport officials want to extend a runway to an area that is close to the **NIPSCO Mitchell generating station**. The airport is near a major planned **lakefront development project – The Marquette Greenway**. The city of Gary wants to **acquire the NIPSCO property** to use for the development as well, but NIPSCO has said that they are considering restarting the idled plant. The city will also receive **200 acres** of lakefront property from **U.S. Steel** for part of this development and are using the old **Lehigh Portland Cement Company, Buffington Station** land as well.^{68,69,70,71} A feasibility study for the planned development will be conducted.⁷²

Construction is underway at **Eli Lilly’s new biotechnology research complex** in Indianapolis. Its design is now twice as large as originally planned, and its estimated cost is \$531 million.⁷³

A new up-scale **open-air shopping area** is being built by the Simon Property Group, Inc. in the **Carmel** area; Clay Terrace is a new type of mall called a “lifestyle center.” One other lifestyle center has been built in Indiana in Fort Wayne.⁷⁴

Construction continues on the new **Indianapolis Airport control tower** that will be twice as tall as the one it is replacing. It opens in 2005.⁷⁵

A new **library** costing a total of \$21 million is being constructed in New Albany at the **Indiana University Southeast campus**.⁷⁶

Two new **large housing developments** are planned for the **Charlestown** area that could increase the city's population (currently 9,000) by 2,000 people.⁷⁷

Aerial photographs were made for the **Southern Indiana Ohio River Bridges Project** for the purpose of making three-dimensional maps of the area.⁷⁸

Bloomington Mayor Mark Kruzan announced plans to develop a **certified technology park** in the city and is forming an Indiana University and City of Bloomington partnership to support that development. Plans are also being made to restore the **Woolery Stone Mill** in Bloomington. The development will include condominiums, a hotel, climbing facility, and restaurant. The \$6 million project may encourage more area tourism, and it received a tax abatement from the city.^{79,80}

Legislation and regulatory issues

The **U.S. Senate** passed a replacement \$318 billion 6-year bill called the **Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003 (SAFETEA)**. The **House** passed a less costly version of the bill – \$283 billion (a guaranteed \$275 billion for highways) over the 6-year period. The legislation went to **conference committee**.^{81,82,83} A **2-month TEA-21 extension** signed by President Bush on February 27 expires on April 30.⁸⁴ The conference committee cut the total amount to \$275 billion with \$217.4 billion guaranteed for highways. At the end of the quarter, the revised legislation was sent back to the House for consideration.⁸⁵

An appropriations bill was signed at the end of 2003 which will provide **\$33.8 billion for highway projects during FY 2004**. Funding was also approved through that legislation for the **federal Airport Improvement Program**. It will receive \$3.4 billion in fiscal year 2004, that amount to increase by \$100 million in each of the next three fiscal years. The bill also includes language that will speed the **environmental review process**.^{86, 87}

President Bush's proposed 2005 budget was released. It includes \$24.3 billion that will go to the **DOE**, 728.9 million of which goes to **fossil energy**.^{88,89} The **House budget resolution**, which very closely parallels President Bush's budget, passed the House in March.⁹⁰

The Endangered Species Act, signed into law in 1973, **has not been reauthorized** owing to many controversial issue; it is, instead, funded from year to year. There has been a tendency in recent years to try to work more cooperatively with some landowners in the preservation of endangered species.⁹¹

The **federal energy bill** stalled over controversy concerning a provision that protects manufactures and distributors of **methyl tertiary butyl ether (MTBE)**, a gasoline additive that helps gas to burn more cleanly, but which many believe contaminates water supplies.⁹² A slimmed-down version (\$14 billion over 10 years instead of \$31 billion) was introduced in February that excluded the MTBE provision.^{93,94}

Federal legislation was introduced that would fund the **abandoned mine reclamation program** for 15 years. It also provides a mechanism for **funding healthcare costs** of retired coal miners and dependents.⁹⁵

State legislation was introduced to require state approval to disturb the land within 100 feet of a **cemetery**. It includes sand and gravel operations and oil and gas wells, among other types of excavation. Coal mines, which are regulated under another state law, are exempt from this proposed law.⁹⁶

Dave Lauriski, who heads up the **U.S. Mine Safety and Health Administration (MSHA)**, spoke at the **Indiana Mineral Aggregates Association (IMAA)** meeting, and presented **safety awards** to 122 companies. A combined 450 years were worked by these companies without an injury necessitating time off from work.⁹⁷

MSHA reported that nationwide, **mining deaths** dropped to a **93-year low** and was the third year of decrease in the death rate from mining. Overall it was the lowest rate since statistics were first compiled in 1910. **Coal mining deaths** dropped from 67 in 2002 to 55 in 2003; **aggregate deaths** dropped from 29 to 26 and total metal and nonmetal deaths fell from 40 to 26 for the same time period.^{98,99} **The Bureau of Labor Statistics** released data on injuries among major occupations and **mining had the next-to-lowest rate** – 4.0 per 100 workers. Only the category of finance, insurance, and real estate fell below it at a rate of 1.7, the services category was just above mining at 4.6, and the highest injury rate was in the manufacturing category at 7.2.¹⁰⁰

Metals

Total U.S. steel shipments during 2003 were 105.6 million net tons, 6.5 percent more than shipments in 2002, according to the **American Iron and Steel Institute (AISI)**.¹⁰¹ During 2003, total imports of finished steel mill products decreased by 42 percent when compared to 2002.¹⁰² **Steel prices are increasing**. Many factors have influenced this, including an increase in demand from China and increases in the costs of raw material, shipping, and energy.¹⁰³ **Scrap steel** increasingly is being exported owing to the high demand and this increases scrap prices for U.S. companies; **prices of scrap steel** have risen by close to 100 percent over the past year. A petition to limit exports of the material could be filed by steel producers and consumers.^{104,105,106} Rising steel prices are good news for the industry, but are forcing many manufacturers that use steel to raise prices on their products as well.^{107,108}

Ispat Inland is demolishing two blast furnaces (named A and B) that have been unused for 12 years. The 12,000 tons of scrap steel in those blast furnaces will be recycled in the mill.¹⁰⁹ Ispat Inland **eliminated 130 salaried employees at the Indiana Harbor Works**. The cuts, which amount to 10 percent of the work force, were designed to make the company more competitive.^{110,111} The decrease will add to the unemployment problem in **northwest Indiana**, which has lost 25,000 steel jobs since 1979. At least one source says that it seems likely that

more will be lost.¹¹²

ISG decided to close their Port of Indiana **Chicago Cold Rolling** plant acquired from the holdings of **Bethlehem Steel Corp.**, because they believed that it could not be made profitable. ISG, however, is moving all 35 United Mine Workers of America (UMWA) employees to their Burns Harbor cold rolling mill and is considering employees with management experience for other positions within ISG.¹¹³ East Chicago awarded ISG with a \$23.1 million tax abatement over 10 years, retroactive to 2003, because of company expenses in 2003.¹¹⁴ An additional \$20 million tax abatement, also over 10 years, on improvements made during 2004 was under discussion at the end of the quarter.¹¹⁵

U.S. Steel made a **property tax settlement with Lake County** by donating 200 acres of redeveloped lakefront property to the city of Gary, putting \$150 million into plant improvements over a period of 4 years, paying \$44 million in taxes owed over 3 years, and paying legal and other fees. The state will also pay Lake County \$8.9 million in tax credits that would have come to it had the taxes been paid on time. The company will not claim a tax refund of \$65 million.^{116,117}

About 925 employees who lost **health insurance benefits** as part of National Steel's bankruptcy proceedings will receive coverage under the **UMWA Funds 1992 Benefit Plan**.¹¹⁸

Steel Dynamics, Inc., shipped 2.8 million tons of steel in 2003, a record for the company. Its sales were also a record \$987 million for that period. **The Pittsboro facility is starting production again.** Expansion is still underway at that mill, but the company is 3 months ahead of schedule and could become profitable in the last half of the year.¹¹⁹ The company, along with Cleveland Cliffs and Kobe Steel, is investigating the possibility of opening **a new Butler plant** that would produce **an iron nugget raw material substitute** for pig iron at about half the cost of existing plants.^{120,121}

Heidtman Steel Products, which produces flat-rolled carbon steel products, will add a leveling line to its **plant at Butler**. This will enable the company to produce additional products.¹²²

Slater Steel's Fort Wayne plant, which has been in bankruptcy, was purchased by **Valbruna Corp.** for \$6.4 million.¹²³ The mill will be operated by **Valbruna Slater Stainless Inc.**¹²⁴ IDEM is helping the company find funding sources to pay for environmental cleanup.¹²⁵

Harrison Steel Castings in Fountain County is adding 45 employees owing to an upturn in business. The company produces parts for the construction and mining industries with Caterpillar as their major customer.¹²⁶

Purdue University, Calumet, received a \$200,250 Indiana 21st Century Fund research and technology grant to continue research and development of an improved steel-producing blast furnace. The design incorporates a **pulverized coal injection system**. The total cost of the project is \$400,500 with the balance coming from AISI.¹²⁷

The **Port of Indiana** is pushing for a maritime freight route that would **connect Portage and Milwaukee**. The route would be very useful for transporting steel, diverting many trucks that currently use the interstate highways.¹²⁸

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Indiana Mineral Industry News

2nd Quarter 2004

By Kathryn R. Shaffer
Indiana Geological Survey
Production

Indiana **coal production** through the week ended July 3, 2004 was 18.3 million short tons, a 2.7 percent increase over the same period of the previous year according to the **U.S. Department of Energy (DOE), Energy Information Administration (EIA)**. Indiana ranked eighth nationally as of July 3.¹ An article appeared in Coal People Magazine about the resurgence of the **Midwest coal industry** which has been demonstrating marked improvement during the past few years. Many companies are working at full capacity. It noted that **natural gas** has not turned out to be an adequate coal substitute, as it was projected to be in the 1990s, because there isn't enough gas produced and the price is more than four times that of coal. It stated that many gas turbines constructed during that time are now idled due to the lack of and high cost of the fuel. It also commented that Indiana is now producing about 24 percent of its coal underground as compared to 9 percent in 1997.² **Nationwide, coal demand and production** will most likely grow from 2004 through 2005, however, during 2003 production fell 24.8 million short tons when compared to 2002.^{3,4} The Indiana Coal Council believes that **Indiana coal production** could approach 36 million short tons in 2004. One forecast indicates that the demand for electricity in Indiana may reach 2000 megawatts of power during the next four to five years. Indiana coal production is expected to increase to help fill the demand.⁵ In 2003 **Peabody Coal Company** was again the largest coal producer in the U.S., producing about 19 percent of the nation's total coal production.⁶

According to the most current data published by the **U.S. Geological Survey (USGS)** for the first quarter of 2004, Indiana **production of crushed stone** was 8.6 million metric tons (mt) and Indiana **production of construction sand and gravel** was 5.1 million mt, demonstrating an increase of 21.7 percent and a decrease of 4.5 percent for each commodity, respectively, when compared to the same period of 2003.⁷

Demand for **cement** is increasing due to improvements in the construction industry. Manufacturers have not been able to keep pace with demand and imports are down due to the unavailability of transport ships which are being used extensively at this time by China. Approximately 23 percent of cement consumed in the U.S. is imported.^{8,9,10} An improvement in the shortage situation is expected to occur this year.¹¹ Cement consumption increased by 18 percent during December. The Portland Cement Association projects that **cement consumption** this year may show more improvement than previously expected.¹² **Slag cement production** increased to three million mt in 2003, an increase of about 5.4 percent over 2002 production.¹³

Industry news

Alliance Resource Partners is adding equipment at its **Gibson County Mine** to increase production because of the improved coal market.¹⁴

Under its bankruptcy reorganization plan, **Horizon Natural Resources** proposed to put several coal properties up for auction. Horizon and its business associates would have to compete with others for these assets. Horizon Natural Resources and its associates filed a stalking horse bid of \$240 million for the assets under a new company name, **Newcoal**. Some companies filed objections to the plan.^{15,16,17} Financier **Wilbur Ross** was added to the list of Horizon financial backers. He would own 10 percent of the holdings.^{18,19} With the addition of a new investor, the Horizon bid was increased to \$277.35 million. **AIG**, which has a financial interest in the proceedings, offered an alternative plan where the coal assets would be sold outright to two other companies—**Imagin Minerals** and **Reeco, LLC**—relieving AIG of the possibility of being held responsible for reclamation costs on some of the mines which could occur under Horizon's proposed plan.²⁰ The **U.S. Office of Surface Mining** and other coal companies are also concerned that Horizon cannot ensure that abandoned mines are reclaimed.²¹ Several other less desirable properties would be disposed of in any possible way. **Peabody Energy** was still pursuing purchase of **Beach Coal Company** property near Wheatland which is considered by Horizon as one of these non-core operations.²² The Horizon reorganization/liquidation plan was approved by the bankruptcy court in June.²³ Other companies expressed interested in bidding on the major assets at an auction set for August 17.²⁴

The **USGS** is implementing its **National Coal Resource Assessment** project that will gather data on the quantity of coal resources that are recoverable based on currently available technology. In future years the study will concentrate on coal quality evaluations.²⁵

Two of Indiana's coal-fired electric generating plants were among the top ten coal-fired generators in the country in 2002. The **Gibson Station** ranked third and the **Rockport Station** ranked tenth on the list.²⁶

Cinergy/PSI is asking the Indiana Utility Regulatory Commission for approval to offer **special rates** under three programs designed for large consumers of electricity: urban redevelopment projects, brownfield redevelopment projects, and economic development projects.²⁷ Such rates should be helpful to Indiana's economic development plans.²⁸

Buckeye Power Generating will purchase **Allegheny Energy's** nine percent share in the **Ohio Valley Electric Corp.'s** power plants, including the **Clifty Creek** plant at Madison.²⁹

Abrams & Hawkins Excavating Co., Inc. sold its Indiana sand and gravel plant near Graysville in Sullivan County to **Rogers Group, Inc.**, and its ready-mix plants at Sullivan and Linton to

Irving Materials, Inc. Some assets at Sullivan and Linton were also sold to Rogers Group.³⁰ The Graysville operation was renamed **Rogers Group Graysville Sand & Gravel**.³¹ The company's **Interstate Sand and Gravel** operation in Warren County achieved 1,700 days without any injuries.³² **Rogers Group Inc.** settled a short-lived strike with workers over the terms of a new contract at the Bloomington Crushed Stone plant.³³

Vulcan Materials Company was named to Fortune Magazine's top 10 list of most admired companies in the U.S. The company ranked first in its category. The companies are judged on financial as well as social responsibility bases.³⁴ The company was also ranked as the **top aggregate producer** in Pit & Quarry's annual listing of the nation's "Mega Producers."³⁵

Oglebay Norton Co. which operates the **Global Stone Portage** ground limestone plant in Porter County is in bankruptcy proceedings and is working on restructuring its debt.³⁶

An article about the potential for development of **dimension limestone tourism**, two human interest articles about **dimension limestone carving**, and one about a **tour of limestone buildings** on the Indiana University Bloomington campus given by Brian Keith of the Indiana Geological Survey appeared in the Herald-Times newspaper.^{37,38,39,40}

Starlight Leasing received a special exception for a proposed **gravel pit in Morgan County**. The decision was hotly contested by potential neighbors.^{41,42} Starlight Leasing is part of **Webber Concrete** and the sand and gravel company will be operated by **Blue Star Sand and Gravel**.⁴³ Work began on acceleration and deceleration lanes on S.R. 37 that will be used by the company.⁴⁴ In response to all of the sand and gravel activity in the county, the **Morgan County Commissioners passed an ordinance** that places controls over new operations and those that are wishing to expand. It does not apply to existing operations that are not expanding.⁴⁵ **Heritage Land Company LLC** had applied for a special exception to allow it to operate a sand and gravel operation on Centenary Road, but removed its request following passage of the ordinance for the stated reason that the company needed time to evaluate the possible impact of the ordinance.^{46,47}

The abandoned **KPT tile plant** at Bloomfield was to be auctioned off in June but the auction was postponed at the request of attorneys.^{48,49,50} The **Medora Brick Company** brick plant has been named as one of the top ten most endangered landmarks in Indiana by the Historic Landmarks Foundation of Indiana.⁵¹

Environmental issues

The projected cost for the federal **FutureGen** project has been revised from \$1 billion to \$950 million. About 65 percent of that would be funded by the federal government, 26 percent by private industry, and about 8 percent by other countries.⁵² The **U.S. Department of Energy** announced that they will request public comments, including eight public meetings, on their

Carbon Sequestration Program.⁵³ The **Carbon Sequestration Regional Partnership Program** added seven states and 13 organizations – Michigan and Maryland joined the Midwest Regional Carbon Sequestration Partnership, of which Indiana is already a member.⁵⁴

U.S. Environmental Protection Agency (EPA) Administrator **Mike Leavitt** signed the final rule that is part of the **Nitrogen Oxides State Implementation Plan**, expected to further reduce emissions of NO_x.⁵⁵ The EPA also signed rules requiring industries that burn **hazardous waste material** as fuel to use the “maximum achievable pollution control technology” (**MACT**) for their emissions.⁵⁶ Companies were given three years to comply.⁵⁷ **Essroc and Lone Star** cement plants in Indiana both have burned these types of materials.

The public comment period for the proposed **EPA mercury rule** was extended to June 29.⁵⁸ The EPA will study the issue of mercury “hotspots” near emission sites which are of some concern to those studying the proposed emissions-trading proposal.⁵⁹ The Electric Power Research Institute analyzed **mercury emissions** and reported that 70 percent of mercury emissions created in the U.S. are carried to other countries and other countries are responsible for approximately 75 percent of the mercury deposited in this country.⁶⁰

The **EPA diesel rules** for off-road vehicles were approved by President Bush. The rules are expected to reduce emissions from these engines, which include such things as construction equipment and farm tractors, by 90 percent and reduce related deaths by 12,000 per year when fully implemented.^{61,62}

The proposed Interstate Air Quality Rule, designed to further cut power plant emissions—particulates, sulfur dioxide, and nitrogen oxide—that drift across state lines, is now called the **Clean Air Interstate Rule (CAIR)**. One of the purposes of the rule is to help clear the air at National Parks, but concern has been expressed that the proposed cap and trade program, included in the rule, may reduce the rule’s effectiveness on the parks’ air quality. Twenty-nine states, including Indiana, are affected by the proposed rule.^{63,64,65}

The **EPA** released its **2002 Toxic Release Inventory** in June. Indiana ranked sixth nationally in total pollutants, after ranking seventh in 2001. Pollution increased primarily because of increases in production and changes in the treatment process at **A K Steel Rockport Works** in Spencer County.⁶⁶ About 19 Indiana counties in industrialized areas are expected to be named on an EPA list of counties that will not be in compliance with particulate matter rules that take effect this fall. Based on air-monitoring data, The Indiana Department of Environmental Management (IDEM) had expected only six counties to be named to the list. The State has expressed concern on the impact this may have on economic development.^{67,68}

In May, **Russian President Putin** agreed, in return for admittance to the World Trade Organization, to sign the **Kyoto agreement** if it is ratified by the Russian Parliament.⁶⁹

Nationwide, there was a 0.9 percent increase of **carbon dioxide emissions** during 2003 as compared to the previous year. However, emissions are still lower than they were during 2000.⁷⁰

In April, 24 Indiana counties were designated as not meeting national **ozone** health standards. Affected counties are Allen, Boone, Clark, Dearborn, Delaware, Elkhart, Floyd, Greene, Hamilton, Hancock, Hendricks, Jackson, Johnson, Lake, LaPorte, Madison, Marion, Morgan, Porter, Shelby, St. Joseph, Vanderburgh, Vigo, and Warrick. A total of 474 counties nationwide do not meet the standards completely.^{71,72} **IDEM** pledged to help those counties reach compliance and believes that new controls on emissions that began in May and the availability of cleaner fuels and engines could help many of those counties achieve compliance without additional measures.⁷³ Counties have three years to develop adequate plans for compliance or risk losing federal highway funds and industrial development.⁷⁴ The EPA announced that nationwide, ozone levels are at their lowest level since 1980.⁷⁵

Cinergy's PSI Energy is adding more environmental control equipment at its **Gibson Station**. The company has spent \$600 million on nitrous oxide emission and ozone reduction at the plant.⁷⁶ In June, emissions treated by the new equipment created a chemical that combined with the atmosphere to produce sulfuric acid. The company was working on a solution to that problem.⁷⁷ Cinergy's **electricity rates will increase** by 8.36 percent to help the company recover costs, some of which are related to the installation of various pollution-control equipment; the increase is less than the 11 percent that the company had requested.⁷⁸ **ALCOA** is adding a selective catalytic reduction system to Boiler 4 at the Warrick County plant. The company already has pollution-control equipment and believes that they will be over-compliant with the newest nitrous oxide requirements, allowing them to earn emissions credits that they can trade to other companies.⁷⁹ **Indiana Michigan Power's Rockport** plant was discussed at an **IDEM** public meeting held to discuss the company's application for a Title V air permit.⁸⁰ A new air pollution-control permit is under consideration for the **Citizens Gas and Coke** plant in east Indianapolis. Concerns were expressed that it might not provide adequate protection to area residents. The company has installed \$110 million in improvements and equipment to reduce emissions.⁸¹

IDEM held a public meeting April 20 to discuss a permit for **Nucor Steel** for construction of a vacuum degassing unit with natural gas boiler and flare to control carbon monoxide emissions.⁸² The **IDEM Northwest Regional Office** was moved from Gary to Merrillville.⁸³

A **Presidential Executive Order** was signed that establishes a **Great Lakes Task Force** composed of representatives of 10 Agency and Cabinet officers that currently administer federal policies related to the Great Lakes area. The purpose is to coordinate restoration efforts for the region.^{84,85} On Earth Day, the President announced a goal to **increase the number of wetlands** to at least 3 million new acres within five years.⁸⁶

A symposium on the **Indiana bat** as related to coal mining will be sponsored by the **U.S. Office**

of Surface Mining and will be held in Louisville, Kentucky in November.⁸⁷

Personal Dust Monitors (PDMs) are proving, through extensive tests, to be a highly effective means of detecting excessive dust exposure for miners.⁸⁸

Construction industry developments

The U.S. **House passed a \$275 billion federal highway bill** that would cover the cost of highway and transit projects over a period of **six years**. Under the legislation, **Indiana receives more than \$5 billion** with an additional \$224 million that is designated for specific projects. Some of the projects planned for the money include new construction on U.S. 31 in St. Joseph and Marshall Counties (\$25 million), travel lanes on roads in the Monticello area (\$14 million), road improvements in downtown Indianapolis (\$18.7 million), a new Indianapolis transit center (\$16.2 million), I-70 improvements for a new airport interchange (\$10 million), Indianapolis to Evansville extension of I-69 (\$22.5 million), an underpass at Terre Haute (\$17.5 million), and the Ohio River Bridges project in Clark County (\$14.4 million). The Senate earlier passed a \$318 billion bill; differences now need to be worked out.^{89,90}

More houses are being constructed of **concrete** in recent years, increasing from 3 percent of all new homes during 1993 to 14.4 percent during 2002.⁹¹ The **Portland Cement Association** is preparing a new standard for the use of concrete in residential building.⁹²

Two of the six engineering companies involved in the **I-69** project opened offices in the Bloomington area. They will be working on land surveys for two different highway segments to narrow the corridor down to the final route.⁹³ This stage of the project will last 18 to 24 months.⁹⁴ A briefing was held by highway officials for Monroe and Greene County dignitaries to discuss the project and to ask for local input.⁹⁵ A new organization was formed called **Hoosier Voices for I-69**. It is comprised of business groups and state organizations and is designed to promote the I-69 highway project.⁹⁶ **Opponents to the I-69 extension** hired Smart Mobility, a transportation consulting company, to evaluate costs associated with I-69. The consultants' study concluded that the Indiana Department of Transportation (INDOT) overestimated the cost/benefits of the project with final benefits only returning \$0.66 on each dollar as compared to the INDOT estimate of \$1.70.⁹⁷

Economic development is planned for **6,000 acres along the Ohio River** between Jeffersonville and Charlestown that was previously part of the Indiana Army Ammunition Plant. The first 100 acres is currently being marketed for industry. Environmental remediation and improvements in infrastructure are needed on the remaining acreage, with 30-50 acres projected to be available each year. Also, leases to explosives companies will not be renewed when they expire around 2012 which will free up an **additional 2,000 acres** for development.⁹⁸

A series of meetings were held in the Gary area to gather information and ideas on what the **Marquette Greenway Plan** should contain. The city of Gary would like to reclaim unused industrial sites along Lake Michigan and redevelop them as a recreational area. A deadline of January 31, 2005, was set for completion of the plan.⁹⁹

Modifications were made to the design of the new **Indianapolis midfield terminal** to allow more funds for improved airport security.¹⁰⁰

Members of the **Simon family**, connected with the Simon Property Group, donated \$9 million to the **multidisciplinary science building** being constructed on the **IU Bloomington campus**. The building will be named Simon Hall.¹⁰¹ Ground was broken in June.¹⁰²

About 98 acres in the **Bloomington** area were **rezoned from mineral extraction** to residential development. Although there are limestone reserves on the property, a previous effort to start a quarry on the property was met with stiff opposition from neighbors.¹⁰³

A new in-patient **hospital** will be built in Monroe County.^{104,105}

A new **475-acre development** which will include residential housing, retail, business and industrial development and to be named **North Park** is planned for northwest of Bloomington west of S.R. 37 and along S.R. 46. It is still in its planning stage.¹⁰⁶ New development is also planned for the **Landmark** area west of Bloomington which already has a business park. A retail/restaurant area will be added with other plans being made for the future. The site sits on an abandoned quarry that was filled in 10 years ago.¹⁰⁷

At a cost of approximately \$45 million, **Cook Group** will redevelop the old Thomson Consumer Electronics property in Bloomington into a new biotech company to be named **Cook Pharmica**.^{108,109}

Several highway contracts were awarded by **INDOT** this quarter. Major contracts are: \$63.9 million for additional lanes and improvements on I-80 in Lake County; two contracts totaling \$28.5 million for repairs to two segments of U.S. 41 in Sullivan County; \$17.6 million for pavement, bridge, and other improvements to S.R. 66 in Vanderburgh County; \$13.0 million for new road and bridge construction on County Road 17 in Elkhart; \$10.8 million for S.R. 48 in Dearborn County, \$8 million for new lanes and improvements to U.S. 36 in Marion County; \$8 million for rest area improvements on I-74 in Ripley County; \$7.8 million for new travel lanes and improvement on U.S. 52 in Marion County; \$6 million for road and bridge construction on Gary Marina Access Road in Lake County; \$6.9 million for new lanes and improvement on U.S. 41 in Lake County; \$6.5 million for new travel lanes and improvements to I-465 in Marion County; and \$5.8 million for new construction on S.R. 331 in St. Joseph County.^{110,111,112} **INDOT** broke ground for a **new subdistrict office** in Linton.¹¹³

Jeffboat LLC plans to add 225 employees within two years due to projected strong demand for **barges**, the state will provide the company a grant with which to train new employees. Plans are also being made to purchase new equipment.¹¹⁴

The **McAlpine lock** was closed for repairs on the **Ohio River**, stopping barge traffic for two weeks in August.¹¹⁵

Legislation and regulatory issues

The new **federal highway reauthorization bill** passed and was in committee at the end of the quarter. The old legislation, **TEA-21**, was extended by Congress for another 30 days. This was the third time that it had been extended.¹¹⁶

The **U.S. Department of the Interior budget** was passed out of subcommittee to the full Senate appropriations committee. Funding, which had been decreased in earlier versions of the bill, was restored for the **U.S. Geological Survey's Minerals Information Program**.¹¹⁷

The **federal Energy Bill** passed the House for the third time. This funding was set at \$31 billion, however it was not expected to make progress in the Senate.¹¹⁸

The proposed **federal Fiscal Year 2005 appropriations bill** budgets \$275.6 million for the **U.S. Mine Safety and Health Administration (MSHA)**, an increase of \$4.8 million over 2004.¹¹⁹

The **EPA** proposed changes to rules regarding **water sampling and testing**.¹²⁰ Indiana is among 10 states each receiving up to \$200,000 in EPA grants to devise **innovative environmental permitting** methods.¹²¹ The EPA signed the **Clean Air Nonroad Diesel Rule** in May. The rule affects off-road diesel engines used in mining as well as other industries.^{122,123,124}

MSHA released its fourth volume of "**Mine Safety Minutes**," public service announcements designed to be played over the radio in mining communities.¹²⁵

IDEM is participating in the new **National Environmental Information Exchange Network** that will allow real-time data sharing. **INDOT** is also working on **electronic reporting** to reduce the amount of paper that is generated and is working in cooperation with other states to create an electronic system to report on **air quality**.¹²⁶

Metals

Steel prices have improved overall this quarter, and the **cost of steel products** are rising as a consequence.^{127,128,129,130} Construction costs for homes have also been affected due to the high price of **steel framing**. The steel industry has heavily promoted the use of steel framing for home

construction.¹³¹ The price of **scrap metal** dropped significantly in April due to a slowdown of consumption in China.¹³² However, they still remain high and have helped to decrease the primary advantage that minimills have over integrated steel producers.¹³³ **Coke supplies are also low**, driving the price up to \$125 per ton from the previous year's price of \$38 per ton. Improvement in the shortage of steel scrap and coke is not expected to improve before at least 2006.¹³⁴ **Imports** of steel into this country were beginning to rise as consumption slowed in **China**, this could lead to lower steel prices.¹³⁵ The steel industry could show **record profits** this year; however, excess Chinese steel production could possibly glut markets according to some experts.^{136,137} **Employment** is expected to be added to some steel mills and **further steel company consolidations** are also expected.¹³⁸

Industry groups in the United States, Canada, and Mexico formed a **NAFTA** organization to deal with mutual steel-related problems in November 2003 named the **North American Steel Trade Committee (NASTC)**.¹³⁹

Nucor Corporation's first quarter 2004 earnings increased by 536 percent over first quarter earnings during 2003. Net sales increased by 54 percent over the same time period. The company attributed this to increased demand, a raw materials surcharge to offset the high cost of scrap metal, and improvements in production at new facilities along with decreased costs at those facilities. The company expects to have record earnings this year.^{140,141}

Steel Dynamics experienced an increase in earnings of 103 percent during the first quarter of 2004 as compared to the same time period of the previous year; sales increased by 63 percent during the period.^{142,143} The company is expecting record earnings during 2004, possibly doubling the previous year's revenue.^{144,145} Its new **bar products mill in Pittsboro**, showed its first profit in April after four months of operation. It is the modified and expanded Qualitech mill that Steel Dynamics acquired.¹⁴⁶ The company is investigating the **possibility of a new mill** at Columbia City that would weld the railroad rails produced at Columbia City into longer lengths of rail, up to 1,600 feet-long, that would require less maintenance by railroad companies.¹⁴⁷

Ispat Inland also showed profitability in the first quarter. The company relined its No. 7 furnace last year and as a result was able to set a slab production record for the quarter. It cut employment at the mill and expects to see financial improvements as a result.¹⁴⁸ It is starting to do some limited hiring to replace employees that leave.¹⁴⁹ The company imploded two inefficient blast furnaces that had not been used since 1991. They will be sold for scrap metal.¹⁵⁰

The International Steel Group (ISG) acquired most of the **Weirton Steel Corp.'s** assets which is expected to make it the **largest steel company in North America**.^{151,152,153} It is considering possibly acquiring and reopening an LTV Corp. coke plant in Chicago.¹⁵⁴ The company has stated that it foresees increased coke demand.¹⁵⁵

U.S. Steel Corp. stopped production at the Number 8 Gary Works blast furnace for repairs. No

employees were laid off as a result.¹⁵⁶ The 200 acres donated by the U.S. Steel Corp. to the City of Gary last quarter will likely need extensive environmental evaluation and treatment. U.S. Steel Corp. has an obligation to do some of the work, but possibly not to the extent that will be needed. A new Gary Waterfront Joint Authority Board will supervise the remediation and will look for sources of income to assist with the clean-up.¹⁵⁷ The whole plan is in some degree of jeopardy over tax issues.^{158,159}

AK Steel Corp. reached a labor agreement with its unionized workers at the **Rockport plant**.¹⁶⁰

A new steel fabrication plant, for Perma-Column Inc., will be built at the Ossian Industrial Park in Wells County. It will be 15,184 sq. ft. with the possibility of future additions.¹⁶¹ It has received support for infrastructure improvements from the Wells County Commissioners.¹⁶²

Ryerson Tull is purchasing **J&F Steel LLC** at Burns Harbor and is considering the possibility of relocating its coil processing plant to Burns Harbor from the Chicago area. J&F Steel LLC produces carbon flat-rolled steel. Ryerson Tull started as a subsidiary of Inland Steel Industries., which later became Ispat International NV., but it is now an independent company.¹⁶³

Feralloy Corp., a company that cuts and splits steel produced by steel companies, will move its Midwest headquarters to its Port of Indiana plant and will make a \$2 million expansion of the facility. **Indiana Pickling and Processing,** a joint venture with Feralloy, ISG and Signode Corp. also completed a \$1.5 million expansion with addition of a fourth steel pickling site at the Port.¹⁶⁴ A limestone handling business, **Frick Services,** also expanded its operation at the Port of Indiana. The company added a conveyor belt and rail track and made additional room for storage. It provides stone to the steel industry.¹⁶⁵ Increased coal production is the primary reason for the rise in cargo shipments through the port during 2003. Shipments increased 25 percent over the previous year.¹⁶⁶

Many steel-processing plants, currently 12 with the prospects of adding more, also operate at the **Clark Maritime Centre** at Jeffersonville. Many of them primarily serve the auto industry.¹⁶⁷ **Kasle Metal Processing,** which produces steel coils used in auto manufacturing and for other purposes, began operations at its new plant at that port in June.^{168,169}

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