

KEN BROCKWAY

Lumps of Coal

By Ken Brockway



Prologue

“Tis better to have loved and lost than never to have loved at all.” This line by Alfred Lord Tennyson captures my 46 years of professional life. I have been privileged to work with incredible people and will cite some of them herein. To all, I want to express my gratitude. Thank you for enriching my career. We had our moments. Hopefully, you have fond memories of the good and will be able to dismiss the not so good!

A baby boomer, I had the good fortune of being born into a utility family. Lyle, my dad, was a co-pilot on a bomber crew in World War II. He earned the Distinguished Flying Cross for landing a damaged B-17 after one of his 35 missions over Europe. Maria Dalman, my mom, served in the Navy as a pharmacist mate. After the war, the two Vicksburg High School classmates returned to rural Michigan, fell in love, and married.

Dad found work at Consumers Power Company in Kalamazoo as a lineman. He suffered a broken neck when his car pool was in an accident. His climbing days over, Consumers transferred him into Engineering as a technician. Subsequently, he was promoted into Distribution as a manager.

I graduated from Western Michigan University (WMU) in 1970 with a major in marketing and a minor in accounting.

Wife Barb, family, and I greet my dad, Lyle Brockway, during his honor flight June 2016 at the World War II Memorial in Washington, D.C.

After active-duty training in the Michigan National Guard, I returned to WMU. Believing that work experience would add value to my master's program, I started to look for a job. Not surprisingly, Dad recommended Consumers. After a day of interviewing, including a long car ride for a site visit, I was hired as a division accountant assigned to the Northwest Region in Traverse City. Fifteen months later, I was promoted to rate (marketing) research analyst in Jackson. In 1975 I completed an MBA in finance at WMU.

The Beginning

Lee Mjovig was my mentor at Consumers. Lee and I met in Traverse City working in the Controller's Department. Lee subsequently became Assistant Director of Fossil Fuel. Lee dominated table talk after work one night describing a new coal contract administration position. Lee's punch line was that he had already recommended me to Executive Director Bob Atwater and Director Bob Wilkinson. The formal selection process would have to run its course, but the job was essentially mine for the asking.

Envision stacks of manila folders piled high on top of a desk in a nondescript office in the bowels of Consumers' Parnall Road complex. That's what greeted me on day one. Buried in the escalation provision of many term coal contracts of that era was a seemingly harmless phrase, "plus the cost of reclamation." Given new laws like the Surface Mine Reclamation and Control Act, suddenly the "plus" had become a very big deal, and Consumers was inundated with escalation requests.

Some were quite creative. For example, "here's our budget, here are our actuals, and you owe the difference." Others incorporated interesting operations decisions, such as mining right up to the property line, which prevented shooting the final high wall and forced expensive pan work to restore contour. And then there were instances of creative accounting, such as leasing equipment, exercising options to buy in December, and booking both lease payments and depreciation for the entire year.

Looking back, Consumers had one of the best coal departments ever assembled. There was enlightened leadership from Atwater and Jim Van Reenen, who would succeed Atwater when he was hired away by Consol to become their senior coal marketing official. With his photographic memory, Wilkinson was a tough negotiator. Lee Mjovig was brilliant with contract design. His force majeure phrase, "contingencies of electric generation," was sheer genius. Retired Director Frank Heatherman was an

invaluable consulting resource. Jim Layer, from Internal Audit, ensured contract design approximated reality, while Paul Weir's Don Dowlin confirmed reserve quality and quantity. I was lucky to learn the basics of the business from such a cadre.



My Michigan National Guard photo.

Consumers diversified supply, buying coal from large and small producers, including Consol, P&M, Peabody, Bethlehem, Blue Diamond, Whitaker, and Industrial Fuels. Industrial's field representative in Pikeville was Paul Patton. On one occasion, Paul tried to explain that a coal sampler Consumers paid for had just failed before my arrival. The rust and coal accumulation tended to say otherwise. As it turned out, that coal field debate was with none other than the future governor of Kentucky.

Out West

Westmoreland invited Consumers to take a western mine trip. Wilkinson sent me. Joe Priesley and Jeannette Studer were our hosts in Billings. It was an impressive tour that totally sold me on the potential of PRB coal.

Shortly thereafter, I was contacted by Bob Roylance, a recruiter with STM Associates who was trying to fill a coal marketing position for Northern Energy Resources Company (NERCO). When the offer came my way, the decision was easy. As a wholly owned subsidiary of Pacific Power and Light, NERCO had utility roots. They were a top-10 coal producer with the Spring Creek mine, a joint venture interest in the Decker mines, and the Antelope mine on the drawing board. NERCO also operated captive mines at Pacific's Jim Bridger and Dave Johnston power plants. I attended my first WCTA meeting (predecessor to the NCTA) in September of 1980 wearing a NERCO nametag.

When the opening of the Antelope mine was delayed, I was dispatched with a team to negotiate with Al Hamilton, General Manager of Platte River Power Authority. The NERCO position was to supply spot coal at the contract price. Mr. Hamilton had a somewhat different view, which led to "shuttle diplomacy": NERCO in one room, competitors in others, with Al going back and forth. A deal was struck without the parties ever coming face to face because of legal concerns.

Al Hamilton was a master of PR. The first train ceremony was an elaborate event with many dignitaries in attendance. The shiny BN train ran through a huge banner. There wasn't much of a stockpile base when the first car was dumped, and the coal falling from the telescopic chute was picked up by a sudden wind gust

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and headed to Nebraska. The scene was memorable.

NERCO had an abundance of young talent, including Duane Richards, John Hart, and Gordon Fletcher, who would go on to forge long careers in the business. And then there was Ramesh Malhotra, who would teach me forward thinking. I can still hear Ramesh asking, "What is your next step?" as we reviewed sales prospects.

In 1984 I joined Perma Resources. Dave Wolach selected me to help expand his coal marketing team with the Kaiser Coal acquisition in play. Perma operated the Chimney Rock mine in Colorado, whereas Kaiser operated the Sunnyside mine near Price, Utah, and the York Canyon and West Ridge mines near Raton, New Mexico.

As I walked toward the office on day one, I couldn't help but notice a young lady bouncing down Tejon Street in Colorado Springs as in the intro to the old Mary Tyler Moore TV show. She turned out to be Baylor grad Linda Landers, who was also joining Perma from Kaiser as Manager of Marketing Services. Tragically, Linda would die in a plane crash in 1986 along with three customers and the pilots.

The Perma/Kaiser lead team read like a who's who of industry talent, including Charlie McNeil, Clyde Borrell, Brett Harvey, long wall guru Johnny Palacios, Dan Baker, and Bob King. However, the acquisition burden and corporate issues ultimately proved to be too much.

In the fall of 1988 with the Kaiser bankruptcy lingering on, a coal sourcing and marketing opportunity with Total American Mining opened up. I accepted the position, moving to Houston in January of 1989. Total's small PRB mine, Fort Union Coal, also hosted the controversial K-Fuel coal beneficiation project. Total sold Fort Union in 1990, withdrawing from U.S. coal.

Back to the Beginning

Jim McCarthy, Fuel Manager at the St. Johns River Power Park (SJRPP), alerted me to an opening for a Supervisor of Coal at Florida Power & Light

Company (FPL). I had met Jim during my Consumers Power days when he worked for Detroit Edison and later marketed for Pickands Mather.

FPL had pursued coal projects for many years, utilizing the expertise of John Spencer, Tim McSherry, and ex-Peabody engineer Cindy Crooks. FPL and joint venture partner JEA built SJRPP, which had an ocean port and unit train rail service. During the hiring process, I learned that FPL and JEA intended to buy Scherer 4 from Georgia Power and convert the unit to burn PRB coal. With an oil back-out clause in place, the coal possibilities at FPL seemed limitless.

It didn't play out that way, but my 28 years as FPL's "coal guy" were busy, challenging, and rewarding. The work took me from Wyoming to Colombia, South America, and all places "coal" in between. SJRPP, burning both domestic and foreign coal, consistently dispatched well. Plant Scherer was often the largest fossil generator in the U.S., with FPL's burn on Unit 4 contributing to that notoriety.

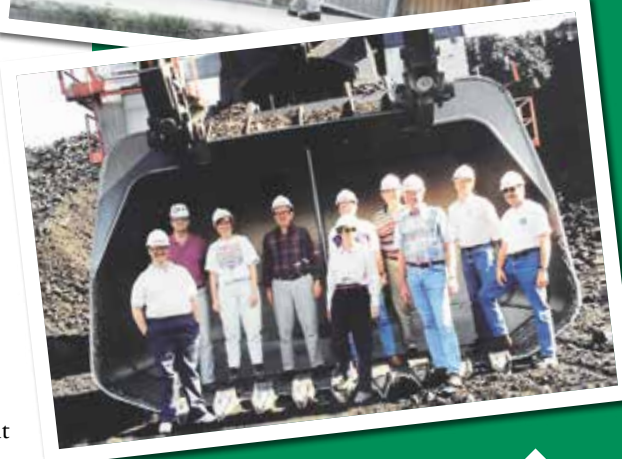
When HL&P's Terry Finley had to resign from the WCTA Board of Directors, I was asked to fill the vacancy. I was subsequently elected to two terms and served as BOD Secretary and President. Hopefully, my service gave back a small measure to the industry I love.

Epilogue

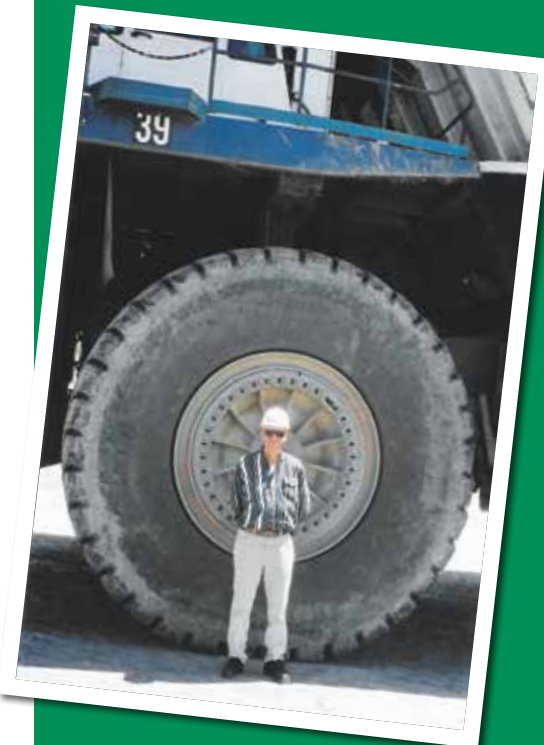
When FPL offered an enhanced retirement package, I decided it was time to start a new chapter in life this year. My wife, Barb, and I have yet to get into a retirement routine, but maybe that's the idea. She retired from Lifecare of Florida in August of 2018. Barb still has occasional ownership opportunities at Lifecare, but we are generally free to do whatever. I vow to plan better going forward, as this past winter we managed to hit both the polar vortex in Michigan and the bomb cyclone in Colorado.

Hope your lumps of coal have been as good as mine. Happy coal sails! ▲

Visiting the general store in Bill, WY, at the end of a Powder River Basin mine trip day.



A group photo of some of the Scherer Plant's co-owners, including Oglethorpe Power Corporation's Quint Boyd and Larry Graus.



Here I am on another Powder River Basin mine trip.

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"My 28 years as FPL's 'coal guy' took me from Wyoming to Colombia, South America, and all places 'coal' in between."