



This file photo taken May 25, 2013, shows an aerial view of Colstrip power plants 1,2,3 & 4 and the Westmoreland coal mines near Colstrip, Montana. THE BILLINGS GAZETTE VIA AP

One of oldest coal firms in US files for bankruptcy

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HELENA, MONTANA: One of the oldest coal companies in the US filed for bankruptcy protection on Tuesday to deal with more than \$1.4 billion in debt amid declining demand for the fuel.

Englewood, Colorado-based Westmoreland Coal Co filed for voluntary Chapter 11 protection in US Bankruptcy Court in Houston as part of a restructuring agreement with an unnamed group of lenders.

Westmoreland, which operates mines across the US and Canada, is the fourth major coal company to file for bankruptcy in the past three years, joining Peabody Energy Corp, Arch Coal and Alpha Natural Resources.

Westmoreland officials said operations wouldn't be interrupted and there were no expected staff reductions.

"After months of thoughtful and productive conversations with our creditors, we have developed a plan that allows Westmoreland to operate as usual while positioning Westmoreland for long-term success," interim CEO Michael Hutchinson said in the statement.

Coal companies have struggled as demand drops due to a glut of cheap natural gas, the rise of renewable energy sources and plans by some states to reduce or eliminate coal from their energy portfolios.

There are no new coal plants being built in the US, and two major coal consumers, China and India, have canceled projects as they seek to reduce air pollution.

Westmoreland officials warned in August that declining industry conditions and significant debt "give rise to substantial doubt about our ability to pay our obligations as they come due," according to a filing with the US Securities and Exchange Commission.

Westmoreland has \$770 million in assets and \$1.4 billion in debt, according to the bankruptcy filing. One of its creditors is the US Bureau of Indian Affairs, which Westmoreland owes \$1.8 million in royalties, according to the bankruptcy filing.

"The restructuring agreement, which must be approved by a judge, includes refinancing an outstanding loan and a

business transformation meant to significantly increase cash flow," the company statement said, without providing details.

"The group of lenders that holds a majority of Westmoreland's debt also plans to bid for the company's assets," the statement said.

An affiliated company, Westmoreland Resource Partners, is being sold off separately.

Westmoreland was incorporated in 1854 in Pennsylvania. It has coal mines in Montana, Wyoming, New Mexico, Ohio, North Dakota and Texas, and a coal-fired power plant in North Carolina.

Westmoreland also has mines in Canada that are not part of the bankruptcy filing.

In Montana, coal demand involving Westmoreland's Rosebud mine is expected to drop when two of the four units of the Colstrip power plant cease operations by 2022.

The company's other major Montana mine, the Absaloka mine on the Crow Indian Reservation, has already seen demand drop.

Crow chairman Alvin "A.J." Not Afraid said the mine provided a significant portion of the tribe's revenue. But there is less potential for financial harm after Westmoreland renewed a contract earlier this year with an Xcel Energy power plant in Minnesota, which burns coal from the Absaloka mine.

In New Mexico, Westmoreland's San Juan mine also serves a power plant that's looking to get out of coal use earlier than expected.

In response to the bankruptcy filing, conservation groups renewed calls for Westmoreland to ensure it has enough money in reserve to clean up its mines and pay severance to workers if it ceases operations.

"Nothing can stop America's shift away from coal and toward clean energy, but the transition should be managed to ensure workers are treated with respect and that vital environmental obligations are honored," said Mary Anne Hitt of the Sierra Club.

Westmoreland officials have previously said the company is fully bonded to cover future reclamation work at its mines. AP