



Peabody, in Kayenta Exit, Is Abandoning Native Workforce Ahead of Reclamation Work

Company Proceeds With Mass Layoffs; Production Shutdown Imminent; Navajo-Hopi Lands Remain Scarred by Years of Coal Extraction

Overview

As Peabody Energy ceases production this month at the Kayenta Mine complex in northern Arizona, the company is abandoning its long-time workforce even as it faces a vast amount of reclamation responsibility in the area.

The photograph below—part of a series that appear in this report—suggests the scale of cleanup work that remains at the complex.



An aerial photograph taken in late May shows an active Kayenta Mine area, part of a roughly 3-mile-long cut that is one segment of a bigger Peabody Energy operation on Navajo and Hopi lands dating from the early 1970s.

Photo courtesy of EcoFlight.

The company has filed a Worker Adjustment and Retraining notice with the state but has otherwise been quiet about its intention to lay off the remaining 295-workers on the payroll at the complex, which has been in operation since 1973. While such notification “protects workers, their families, and communities,” according to guidelines published by the U.S. Department of Labor, little if anything is being done in response by government agencies at the federal, state or tribal levels. Peabody filed the notice on June 13 and will begin issuing pink slips on Aug. 12 on a timetable that will terminate all Kayenta employees by the end of the month, according to published reports. The mine complex is the sole supplier to the aging Navajo Power Station, which is being closed in December as the result of competitive market forces driven by cheap fracked gas and the rise of renewables.

The layoffs are occurring even though Kayenta miners have the very expertise and heavy-equipment skills needed for the required reclamation work, which will take years to complete and require a sizeable workforce.

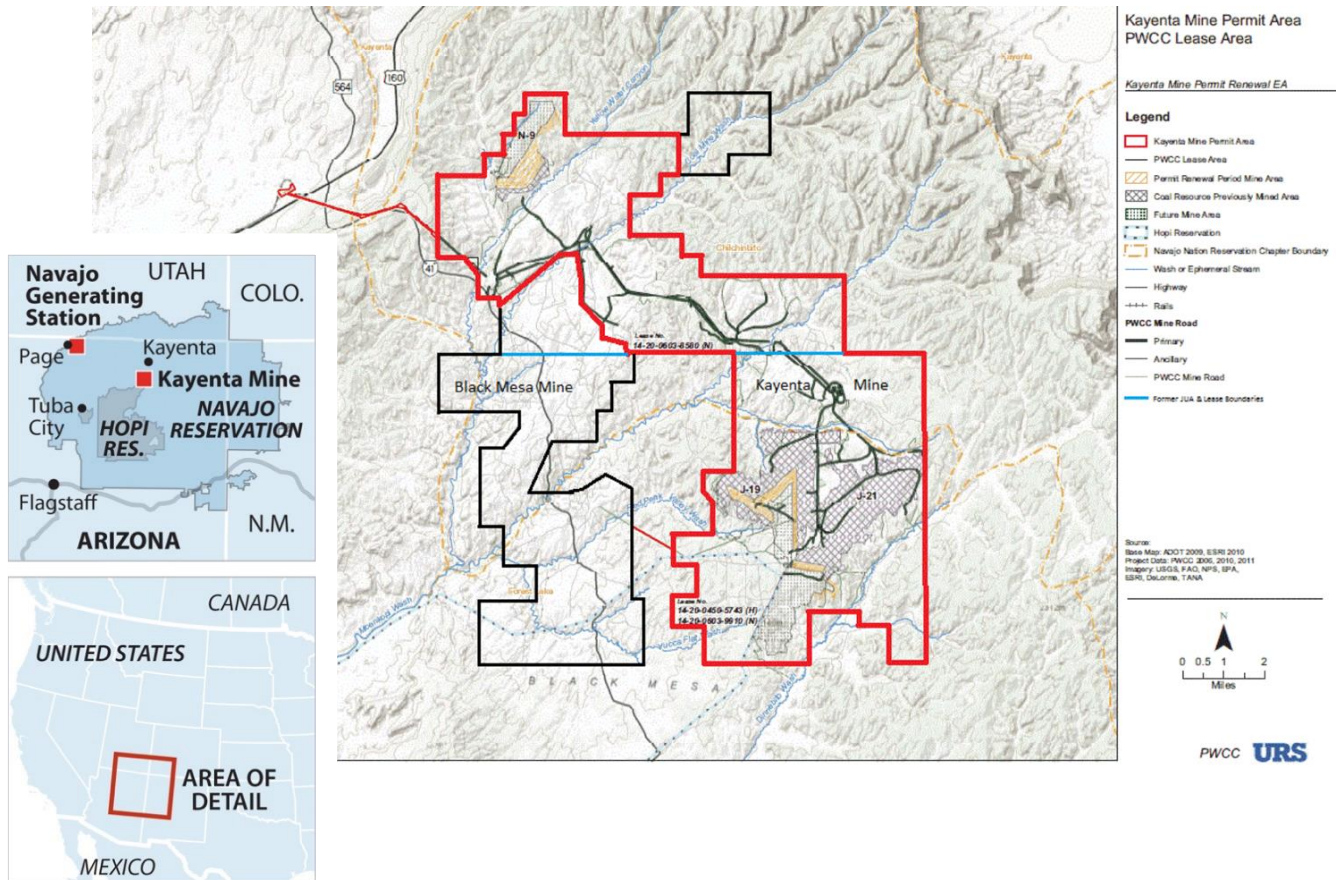
Core findings:

- A vast amount of reclamation work remains to be done across several areas of the complex, including across open-pit operations and infrastructure holdings such as coal handling stations and shipment facilities, road networks and coal-transport facilities.
- While Peabody has not said how it will staff reclamation jobs, its employee-termination plan appears to be the product of a corporate strategy geared toward saving money by dismissing long-time employees and bringing in lower-paid contract workers. In any case, the company’s local contract with the United Mine Workers of America expires in September.
- Peabody is stepping up its efforts to cash out more than \$100 million in bonds it has posted for cleanup work, a signal that the company is aiming for an aggressive timetable around its Kayenta exit.
- Peabody’s actions come at a time when other coal companies also are moving to strand whole communities through abrupt layoffs and cutting benefits and pensions, all while seeking to avoid making good on tax obligations.
- A post-coal reclamation economy can be developed around the closures of the Kayenta complex and the NGS power plant in a way that can treat the community far more responsibly than what Peabody apparently has in mind. **Peabody itself estimates cleanup associated with the Kayenta complex will take at least two years and will employ almost 200 workers, estimates that—because they come largely from Peabody—may very well be underestimating the scope of the requisite reclamation.**

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Putting the Kayenta Complex into Context

The map immediately below, taken from public filings, shows the area in the larger context of northern Arizona. The red lines mark the boundaries of Navajo and Hopi lands leased for the Kayenta project, the black lines the boundaries of an older lease, for the now-defunct Black Mesa Mine. In total, 23,103 acres of land (36 square miles), have been disturbed over the years, 18,268 inside the Kayenta lease.



The five images that follow, taken in late May, exemplify the variety and scale of the project, underscoring how what typically is described simply as “the Kayenta Mine,” is, in fact, a sprawling complex that includes assorted pits, piles, roads, buildings, tracks, power lines, distribution systems and related infrastructure.

The smaller maps notched into each of the following pictures place each component photographed in the context of the entire complex.

The Southern Pit

This image, taken from over the southern Kayenta pit, shows a cut that is roughly three miles long at the southern portion of the complex, which in its entirety—including active mining, reclamation work, roads and coal-distribution infrastructure—extends for more than 10 miles. This image is from the active “J-19 mining unit,” where the Hopi and Navajo governments share lease revenues. Over the years, 3,974 acres have been disturbed in this unit. Today, 1,165 acres (more than 1.5 square miles) remain to be backfilled and graded, soiled, revegetated and then monitored for 10 years to assure the reclamation is successful. An additional 175 acres of roads, buildings and other facilities must be removed in this unit.



Photo courtesy of EcoFlight.

Road Networks and Unreclaimed Land

This view captures a typical tangle of roads associated with the complex—roads that are cut, graded and scaled for heavy equipment use. Spoils are piled concentrically in the middle-left and middle portions of the frame, unreclaimed ground takes up the foreground of the picture, previously mined land—still marked by roads and other mining activity—extends into the landscape beyond the open cut.



Photo courtesy of EcoFlight.

Infrastructure Remnants

This image captures a portion of the extensive infrastructure that ties the complex together. This view, looking northwest toward Navajo Mountain in the distance, shows one of three coal-processing facilities within the Kayenta complex, this one about 1.5 miles north of where the previous two images were taken. It includes a load-out site where raw coal is brought for processing, a coal-crushing facility, a domed storage building for processed coal, part of a covered conveyor system that transports crushed coal, heavy-equipment roads, assorted buildings, and employee parking lots

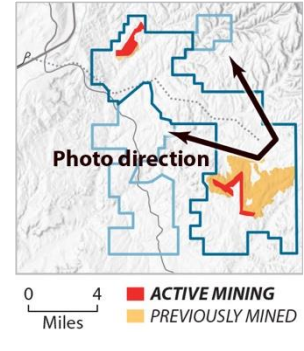


Photo courtesy of EcoFlight.

More Infrastructure Remnants

This view, one of many other examples of the distribution infrastructure at the complex, is of a transfer point between the mining pits in the complex and a silo where coal is sent on by rail to the power plant in Page. Peabody is required under its permits to demolish and remove all its structures unless the Navajo Nation chooses to take ownership of them. The complex's coal-conveyor system covers roughly 16 miles.

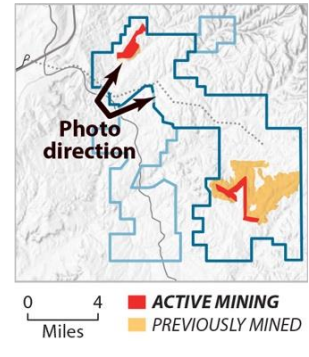


Photo courtesy of EcoFlight.

The Northern Pit

This view, of the N-9 unit, shows the pit in the far northern part of the lease, more than 10 miles northwest of the southern pit in the J-19 area. This is one of the two major pits supplying the coal that moves from the Kayenta complex via a conveyor system that ties into a transfer station to a dedicated rail line just beyond the northwest corner of the complex.

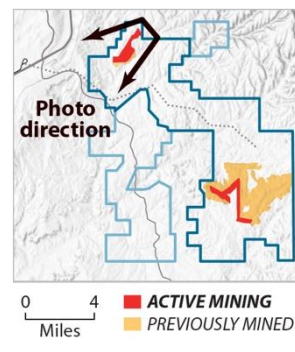


Photo courtesy of EcoFlight.

What Is Peabody Doing?

All mining at Kayenta is scheduled to stop this month, yet Peabody has offered next to nothing in the way of public guidance on the fate of Kayenta workers.

Peabody has the resources to prepare for a responsible shutdown, which would include supporting Kayenta-complex workers by ensuring pensions, health benefits and reclamation jobs on par pay-wise with mine jobs.

Peabody filed a Worker Adjustment and Retraining (WARN) notice with the state on June 13¹ but has issued no press release or made any public statements beyond the WARN filing. A WARN notice is required by law 60 days in advance of employee terminations that involve more than 100 workers.²

In Peabody's quarterly earnings call on July 31, company executives made only glancing mention of the Kayenta complex. CEO Glenn L. Kellow said the mine is "sequencing favorably"—apparently in reference to the company's Kayenta closure and employee-termination plans—but did not elaborate.

Maintaining Public Silence, Quietly Proceeding With Mass Layoffs

The company—aside from its WARN filing and its brief earnings-report statements—has maintained a policy of public silence, proceeding quietly with layoffs that began last winter³, picked up in this spring⁴, and are now expected to end with the termination of the remaining 295-person Kayenta Mine complex workforce by the end of this month after layoffs resume on Aug. 12, according to published reports.⁵

Most Kayenta Mine employees are members of the United Mine Workers of America. The company's strategy following the workers' termination evidently is to replace them with contract employees who will not only be lower paid but will likely receive far less in benefits.

Maneuvering for Release of Millions in Reclamation Bonds, Payments From NGS Owners

In the months since NGS owners announced plans to close the plant by December, Peabody has been working to take care of its own financial interests.

¹ State of Arizona. [WARN Listing Properties Peabody Western Coal Company](#). June 2019.

² Arizona Department of Economic Security. [Worker Adjustment & Retraining Notification Act Notices and Local Layoff Alerts](#).

³ Arizona Republic. [Miners laid off at Kayenta coal mine on Navajo and Hopi land as closure looms](#). March 2019.

⁴ IEEFA. [IEEFA U.S.: Peabody quietly lays off over 150 long-time Native American miners ahead of Kayenta coal closure](#). June 2019.

⁵ White Mountain Independent. [Peabody Coal announces Aug. 12 closing of Navajo County mine](#). June 2019.

Specifically, in 2017 Peabody began collecting payment on “final reclamation costs” from the NGS owners who, through their coal supply contract, are responsible for more than 70% of the total cost of the cleanup. In April 2017, Peabody estimated the remaining reclamation costs at the Kayenta and Black Mesa Mines at \$187.9 million.⁶ (See the following table.)

Final Reclamation Cost Estimates for Kayenta Mine Closure

	Total \$ (Millions)
Final Pit Closure	49.4
Final Pit Closure	13.2
Facilities, Roads & Infrastructure Removal	26
Facilities, Roads & Infrastructure Removal	4.5
Topsoil Replacement - Mined Areas	18.6
Revegetation & Maintenance	11.6
Post Reclamation Monitoring (to Phase 1 Bond Release)	0.7
Post Reclamation Monitoring (After Phase 1 Bond Release to Final Bond Release)	4.9
Bonding (to Phase 1 Bond Release)	8.2
Bonding (After Phase 1 Bond Release to Final Bond Release)	16.7
Overhead, Unallocated and Other (to Phase 1 Bond Release)	20.4
Overhead, Unallocated and Other (After Phase 1 Bond Release to Final Bond Release)	13.7
Final Reclamation Costs Sub-Total	\$187.9

Source: Peabody: *Notice to Navajo Participants of Responsibility for the Funding and Payment of Liabilities under the CSA [Coal Supply Agreement] and Other Related Documents*. April 2017.

The company began telling its shareholders in earnings reports, for 2018 and for the first quarter 2019,⁷ that it was accelerating depreciation and increasing collection of reimbursements of certain costs from NGS owners including final reclamation costs at the Kayenta complex.

Peabody also began applying for millions of dollars of reclamation bond releases associated with the Kayenta complex. From May 2017 to October 2018, the company filed applications with the Officer of Surface Mining Reclamation for the release of \$38,395,078 in bonds for the initial phase of reclamation on 2,529 acres.⁸

⁶ Peabody: *Notice to Navajo Participants of Responsibility for the Funding and Payment of Liabilities under the CSA [Coal Supply Agreement] and Other Related Documents*. April 2017

⁷ SEC. Peabody 10-K 2018, Peabody 10-Q1 2019.

⁸ Arizona Newspapers Association. *Public Notice: Peabody Western Coal Company (PWCC) has filed an application with the Office of Surface Mining or bond release on a portion of the lands in the J16 Coal Resource Areas within the Kayenta Mine Permit AZ-0001E*. June 2017; Arizona Newspapers Association. *Public Notice: Peabody Western Coal Company (PWCC) has filed an application with the Office of Surface Mining Reclamation and Enforcement (OSMRE) for bond release on a portion of the lands in the J19 and J21 Coal Resource Area (CRAs) within the Kayenta Mine Permit AZ-0001F*. March 2018. Arizona Newspapers Association. *Public Notice. Peabody*

In May of this year, the company, for the first time in more than 40 years of mining at Kayenta, applied for bond release for full reclamation—on 1,384 acres associated with \$4,385,048 in reclamation bonding.⁹ OSMRE is reviewing this request.

Peabody’s Proposed Bond-Release Timeline

May 10, 2017	J16 Phase I	Coconino	PUBLIC NOTICE Peabody Western Coal Company (PWCC) has filed an application with the Office of Surface Mining or bond release on a portion of the lands in the J16 Coal Resource Areas within the Kayenta Mine Permit AZ-0001E.	463	\$6,833,912
March 15, 2018	J19 and J21 Phase I	Apache	PUBLIC NOTICE Peabody Western Coal Company (PWCC) has filed an application with the Office of Surface Mining Reclamation and Enforcement (OSMRE) for bond release on a portion of the lands in the J19 and J21 Coal Resource Area (CRAs) within the Kayenta Mine Permit AZ-0001F.	1212	\$20,935,338
October 11, 2018	N11 Phase I	Apache	PUBLIC NOTICE Peabody Western Coal Company (PWCC) has filed an application with the Office of Surface Mining Reclamation and Enforcement (OSMRE) for bond release on a portion of the lands in the N11 Coal Resource Area (CRA) within the Kayenta Mine Permit AZ-0001F.	854	\$10,625,828
May 22, 2019	J21 Phase III	Coconino	PUBLIC NOTICE Peabody Western Coal Company (PWCC) has filed an application with the Office of Surface Mining Reclamation and Enforcement (OSMRE) for bond release on a portion of the lands in the J21 Coal Resource Area (CRA) within the Kayenta Mine Permit AZ-0001F.	1384	\$4,385,048
<u>Total 2017-2019 Bond Release Requests</u>				3913	\$42,780,126

Western Coal Company (PWCC) has filed an application with the Office of Surface Mining Reclamation and Enforcement (OSMRE) for bond release on a portion of the lands in the N11 Coal Resource Area (CRA) within the Kayenta Mine Permit AZ-0001F. October 2018.

⁹ Arizona Newspapers Association: Public Notice: Peabody Western Coal Company (PWCC) has filed an application with the Office of Surface Mining Reclamation and Enforcement (OSMRE) for bond release on a portion of the lands in the J21 Coal Resource Area (CRA) within the Kayenta Mine Permit. May 2019.

Altogether, through these actions, Peabody is working to collect \$132 million from NGS participants and nearly \$43 million in bond releases—a \$175 million addition to its bottom line, while making no public commitments to the community or Kayenta workers.

Stranding the Community

Peabody's retreat bears all the hallmarks of irresponsible strategies adopted by other coal companies facing market-driven changes that have been in the works for years.

Indeed, Peabody's abrupt abandonment of the Native communities where it has done business for decades stands to create financial chaos like that being witnessed now in the Powder River Basin of Montana and Wyoming and at Appalachian mines.

"Despite ample warning," the coal industry and its government sponsors at all levels "have done little to support and protect mine and plant workers and their communities during this fast-moving transition," IEEFA noted in early June. "Instead, they are left to deal with the financial crisis that comes from lost jobs, lost retirement and health benefits, lost tax and royalty payments and falling property values after a lifetime of honest work."

Peabody's strategy in northern Arizona closely tracks the approach taken by other companies, including Blackjewel, Cloud Peak and Westmoreland. In each of those instances, thousands of people have suffered severe financial hardship because of what the companies are doing in terms of abrupt layoffs and benefits suspension. Specifically regarding cuts in pensions and benefits, Blackjewel is the most notorious recent example, having bounced checks to workers and left business partners dangling.

Such corporate irresponsibility deeply affects local households and businesses—and has major fiscal implications for local governments as well.

What Are the Local Possibilities for a Post-Coal Reclamation Economy?

Reclamation work on the Kayenta Mine will take years to complete and—by any estimate—will require scores of skilled employees.¹⁰

Even by Peabody's own projections as reflected in its mine permit bond filings, it will take at least 171 full-time jobs to clean up the worst of the surface mess (108 full-time jobs to backfill and put topsoil on the active pits, and 63 full-time jobs to demolish the remaining buildings, and restore the unneeded roads and ponds).

¹⁰ IEEFA. [Long-Term Opportunity for Navajo Nation in Post-Coal Reclamation Economy](#). December 2018.

Revegetation and monitoring of areas across the mine's 23,000 acres of disturbed land will add many additional hours of work.

All this work, and all these jobs, are to accomplish the minimum amount of reclamation to qualify for reclamation bond release. Additional reclamation work may be required.

About IEEFA

The Institute for Energy Economics and Financial Analysis conducts research and analyses on financial and economic issues related to energy and the environment. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy. www.ieefa.org

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