

Arch Coal, Inc. and the Los Angeles Department of Water and Power Announce Amendment of Coal Supply Agreements

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St. Louis, Mo. – January 21, 1999 - S. David Freeman, General Manager of the Los Angeles Department of Water and Power (LADWP), and Steven F. Leer, President and Chief Executive Officer of Arch Coal, Inc. (NYSE:ACI), jointly announced today the amendment of the coal supply agreements pursuant to which Canyon Fuel Company, LLC (which is 65% owned by Arch and 35% owned by ITOCHU Corporation of Japan) supplies coal to the Intermountain Power Agency's (IPA) Intermountain Generating Station (IGS). The amendments also resolve long-standing contractual disputes under the agreements.

The coal contracts which were amended provide about 40% of the coal needs at IGS. The price of the coal under the contracts has been significantly above market for some time. The contracts were originally with a subsidiary of Coastal Corporation. That subsidiary and the contracts were sold to ARCO Coal and ITOCHU Corporation in late 1996, and subsequently Arch Coal acquired ARCO Coal's U.S. coal properties in 1998.

"Circumstances have totally changed since the original coal contracts were executed in the early 1980s," Mr. Freeman said. "For LADWP and our Southern California municipal partners in the Intermountain Project, it was imperative that the problems with these contracts be resolved. It was LADWP's responsibility as Operating Agent for the project to negotiate the resolution of these problems. By doing so, LADWP and our California partners have taken a giant step towards reducing our costs and thus ensuring our future competitiveness."

"Arch has always tried to meet the needs of its customers in a cooperative, mutually beneficial manner," Mr. Leer noted. "Today's amendments, which put the problems of the past behind us, have positioned both Arch and LADWP to be ready for the deregulated electric utility environment. Arch and ITOCHU Corporation, our partner at Canyon Fuel, look forward to working cooperatively with the Intermountain Power Project for many years to come."

"With today's settlement, we have resolved the legal disputes by amending the long-term coal supply agreements with IPA," Mr. Leer said. "We have also completed agreements with the previous owners of the Canyon Fuel operations to make the amendment of these contracts possible. We are pleased that, through these various steps, we have met the needs of our customer and created value for our shareholders."

"By Jan. 1, 2002," Mr. Freeman noted, "Canyon Fuel will deliver coal to IGS at market-based prices. The total coal supply for the plant will then average a competitive price. This, in turn, will allow LADWP and our partners to offer the lowest possible prices to our retail residential, commercial and industrial customers. This overriding, critical objective – to reduce our costs and be as competitive as possible – is what drives the business decisions at LADWP. Our customers expect no less."

Under the amended agreements, the price received by Canyon Fuel for coal shipped to IGS will remain at the current level until Jan. 1, 2002. Thereafter, the amendments provide that pricing will be market-based. The amendments also extend the commercial relationship between Canyon Fuel and IPA to 2010, with a mutual option to further extend to 2015 by mutual agreement. In addition, under the amended contracts, Canyon Fuel obtained greater flexibility in choosing the most economic source for future coal shipments.

"The ability to supply more coal from lower-cost operations, such as Canyon Fuel's SUFCO mine in Sevier County, Utah, is an important component of this transaction," Mr. Leer said. "We believe this flexibility will translate into substantial economic value for IPA, Arch and ITOCHU and our respective shareholders in the future."

Further terms of the amendments were not disclosed.

Arch Coal is the nation's second largest coal producer, with subsidiary operations in West Virginia, Kentucky, Virginia,

Illinois, Wyoming, Colorado and Utah. Through these operations, Arch Coal provides the fuel for approximately 6% of the electricity generated in the United States.