

Peabody Energy Files Permit Application for Prairie State Energy Campus

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Peabody Energy today announced that it has filed a permit application for a 1,500 megawatt coal- fueled electricity generation project in Southern Illinois, marking Peabody's second generation development project using the company's coal reserves and land holdings. The Prairie State Energy Campus would provide low-cost, low- emissions electricity for up to 1.5 million families.

Located on the western edge of Washington County, the campus would include a 6 million ton-per-year underground coal mine that would fuel a 1,500 megawatt generating plant sited on Peabody property. Designed with advanced environmental controls to enable the use of the region's high sulfur coals, the Prairie State Energy Campus is expected to be among the cleanest coal- fueled plants in the Midwest. Like Peabody's planned Thoroughbred Energy Campus in Western Kentucky, Prairie State will offer an outreach program to local colleges and universities to provide academic research opportunities involving energy and environmental technologies, carbon management or biofuel production.

"Events of the past year have taught us that reliable, low-cost energy is essential to our economy, and that energy independence remains a top priority for America," said Peabody Chairman and Chief Executive Officer Irl F. Engelhardt. "Peabody is proud to announce the Prairie State Energy Campus. It will help to stimulate the local economy and will produce low-cost electricity to aid families, accelerate economic growth and enhance our nation's security.

"We commend the State of Illinois for having the foresight to develop legislation that encourages this growth and promotes coal, America's most abundant and secure energy resource," said Engelhardt. "We believe that the elements of America's energy crisis remain in place, although they are temporarily masked by soft economic conditions. America will address its energy strategies in due course, and we believe that clean, low-cost electricity from coal will remain the cornerstone of America's long-term energy supplies. All energy supplies require long lead times for development. By filing the permit application for Prairie State at this time, we aim to satisfy a portion of America's growing electricity requirements by 2006 to 2007."

Facility development would begin in late 2002 or early 2003 and would result in approximately 1,500 construction-related jobs for approximately four years. Prairie State is expected to create 400 to 500 permanent jobs and is projected to inject \$40 to \$60 million in annual economic benefits to the region.

"Peabody is the first company to utilize tax incentives in the Illinois coal package that was signed into law with the broad support of the General Assembly," said Illinois Governor George Ryan. "The people of Southern Illinois will surely profit from the jobs created by Peabody's investment."

"We applaud Peabody's longstanding leadership in the coal industry," said U.S. Congressman John Shimkus. "With the leadership of the State of Illinois in place, we hope to provide similar incentives for the development of coal at the federal level in order to meet our growing energy demands." Shimkus is a member of the House Energy and Commerce Committee.

Prairie State is expected to use the same technologies as its sister project, Peabody's 1,500 megawatt Thoroughbred Energy Campus in Kentucky. Extensive modeling and engineering have been completed on the Thoroughbred project, which will speed the Prairie State project's development. Peabody expects to manage initial project permitting, mine development and mine operations for both projects. Peabody also plans to secure partners for the projects with complementary skills in generating plant construction, operations and power marketing.

Nationwide, Peabody continues to explore other generation development opportunities to further enhance the company's long-term growth profile and maximize the value of the company's 9.3 billion tons of coal reserves and 300,000-plus acres of land holdings.

Peabody Energy is the world's largest coal company. Its coal products fuel more than 9 percent of all U.S. electricity generation and more than 2 percent of worldwide electricity generation.

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the date of this release. These risks include, but are not limited to, the ability to obtain necessary power plant and mining permits and financing; changes in coal and power markets; economic conditions; regulatory and court decisions; future legislation; and other risks detailed from time to time in the company's reports filed with the Securities and Exchange Commission. These factors are difficult to accurately predict and may be beyond the control of the company.

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