

Peabody Enters Into Long-Term Coal Supply Agreements for Springerville Generating Station in Arizona

PRNewswire-FirstCall
ST. LOUIS

Peabody Energy today announced that its subsidiaries have entered into long-term coal supply agreements with the owners and operators of Tucson Electric Power's Springerville Generating Station, who are developing a new coal-fueled generation unit to serve growing energy needs in the Southwest.

Peabody will provide up to 51.5 million tons of coal from the Lee Ranch and North Antelope Rochelle mines in New Mexico and Wyoming, furthering a long-term relationship with Tucson Electric Power. The agreements extend a current Lee Ranch Mine contract to 2020, a decade beyond the existing arrangement. A new 15-year agreement with the North Antelope Rochelle Mine will supply the generating station with ultra low sulfur coal. Shipments will begin based on the customer's requirements.

"Peabody's customers are developing new coal generating units to improve emissions and meet the demand for low-cost electricity," said Peabody Chairman and Chief Executive Officer Irl F. Engelhardt. "With our operations in all key regions and our 9 billion tons of coal reserves, Peabody is uniquely positioned to serve these customers."

Located in eastern Arizona, the Springerville Generating Station has two 380-megawatt coal-fueled generating units and plans to break ground for another 400-megawatt unit this year. The station is operated by Tucson Electric Power, Arizona's second-largest investor-owned electric utility.

Peabody Energy is the world's largest private-sector coal company, with 2002 sales of 198 million tons of coal and \$2.7 billion in revenues. 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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