

Group of Electricity Suppliers Signs Letter of Intent for Ownership in Prairie State Energy Campus

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Peabody Energy announced today that a group of Midwest rural electric cooperatives and municipal joint action agencies have signed a letter of intent to acquire partial ownership in the Prairie State Energy Campus, which will provide the group with approximately one-third of the annual electricity output of the plant.

(Photo: <http://www.newscom.com/cgi-bin/prnh/20040518/CGTU024>)

Prairie State is a planned 1,500 megawatt generating plant and coal mine under development by Peabody Energy in Washington County, Ill. The plant will provide clean, low-cost electricity using state-of-the-art technologies that would make it among the cleanest major coal-fueled plants in America. Peabody is also holding discussions with other potential partners and wholesale customers for Prairie State.

The group includes the Indiana Municipal Power Agency (IMPA), the Missouri Joint Municipal Electric Utility Commission (MJMEUC), Wolverine Power Supply Cooperative (WPSC) in Michigan, and other municipal joint action agencies and cooperatives. The agreement calls for the group to own approximately one-third of the project, which includes the coal reserves, generating plant and output. The letter of intent is subject to a number of conditions including final agreements, permitting, financing and construction of the plant.

"Prairie State represents a secure, reliable, low-cost electricity source for our members," said Indiana Municipal Power Agency President Raj Rao. "In an age of high-priced competing fuels like natural gas, we look forward to securing long-term electricity supplies using coal."

"We see shrinking reserves of low-cost baseload electricity generation in the region, and Prairie State offers our customers good peace of mind very near our loads, just across the Mississippi River," said Missouri Joint Municipal Utility Commission General Manager and Chief Executive Officer Duncan Kincheloe. "Prairie State will provide low-cost electricity in an environmentally responsible manner for decades to come."

"Wolverine's interest in the Prairie State project is made possible because of the Federal Energy Regulatory Commission's vision to establish regional transmission organizations and the independence of the Midwest Independent System Operator, which creates open, regional access to broader wholesale markets," said Wolverine President and Chief Executive Officer Tom Stevenson.

"We are delighted to be working with these organizations, who are committed to providing low-cost electricity to their members for years to come," said Peabody Executive Vice President of Corporate Development Roger B. Walcott Jr. "The mine-mouth model for a new coal plant uses abundant Midwestern coal and advanced technologies to satisfy growing energy needs and generate clean, low-cost electricity."

Peabody Energy is the world's largest private-sector coal company, with 2003 sales of 203 million tons of coal and \$2.8 billion in revenues. Its coal products fuel more than 10 percent of all U.S. electricity and more than 2.5 percent of worldwide electricity.

The Indiana Municipal Power Agency is the not-for-profit wholesale power provider to 40 cities and towns across Indiana who own and operate the municipal electric distribution systems in their communities. IMPA member communities deliver electric service to approximately 150,000 households, businesses and industries throughout Indiana.

The Missouri Joint Municipal Electric Utility Commission is a public body of the State of Missouri established to assist municipal utilities in providing their communities reliable, low-cost electricity service. MJMEUC has 56 municipal members and is an affiliate of the Missouri Public Utility Alliance.

Wolverine Power Cooperative, headquartered in Cadillac, Mich., is a generation and transmission electric cooperative owned by five member-cooperatives. Wolverine's four transmission member-cooperatives serve more than 600,000 residents throughout

rural portions of 35 Michigan counties. Wolverine's fifth member, Wolverine Power Marketing Cooperative, is a retail electric cooperative serving commercial and industrial customers who wish to purchase electric energy at retail in the Michigan customer choice marketplace.

Certain statements in this press release are forward looking as defined in the Private Securities Litigation Reform Act of 1995. These statements involve certain risks and uncertainties that may cause actual results to differ materially from expectations as of the date of this release. For detailed risk factors, please refer to the company's filings with the U.S. Securities and Exchange Commission. These factors are difficult to accurately predict and may be beyond the control of the company.

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