

Midwest Electricity Suppliers Enter Into Agreement for 47 Percent Ownership of Prairie State Energy Campus

PRNewswire-FirstCall
ST. LOUIS

Peabody Energy today announced that a group of Midwest rural electric cooperatives and municipal joint action agencies have entered into a definitive agreement to acquire 47 percent ownership of the Prairie State Energy Campus and an equal amount of the plant's electricity output.

The Prairie State Energy Campus, a \$2 billion-plus project, is a major coal-fueled electric generating station and coal mine planned for Washington County, Ill. Prairie State will be among the cleanest coal plants in America and is the largest capital project planned for Southern Illinois in the state's history. Prairie State will generate low-cost electricity for the Midwest, create more than 450 permanent jobs and inject nearly \$100 million in economic benefits into the Illinois economy each year, according to a study by Southern Illinois University at Carbondale.

The Prairie State ownership group includes:

- Indiana Municipal Power Agency (IMPA);
- Kentucky Municipal Power Agency;
- Missouri Joint Municipal Electric Utility Commission (MJMEUC);
- Northern Illinois Municipal Power Agency (NIMPA);
- Soyland Power Cooperative, Inc., in Illinois; and
- Wolverine Power Supply Cooperative, Inc., (WPSC) in Michigan.

"We share a goal with our partners to provide a reliable source of clean, low-cost electricity for families and businesses that will fuel long-term economic growth," said Peabody Executive Vice President of Corporate Development Roger B. Walcott Jr. "Prairie State will use 21st century technologies to protect the environment while creating hundreds of permanent jobs and billions of dollars in economic benefits."

The agreement calls for the group to own a pro rata share of the project coal reserves, generating plant and about 735 megawatts of output, and is subject to certain conditions including permitting, operating partner selection, power sales and financing. Peabody is continuing to hold discussions with other potential partners and additional wholesale customers for the project. The project will move forward following completion of permitting, partner selection, financing and marketing activities.

"Being a participant in Prairie State will provide our members with a low-cost and environmentally friendly supply of electricity for the coming decades, which is especially important given the rising prices for competing fuels," said Indiana Municipal Power Agency President and Chief Executive Officer Raj Rao. "We have peace of mind knowing our energy supply is secure for the coming decades."

"In today's markets, Prairie State offers us the rare opportunity to reduce our energy costs and pass those benefits on to our customers," said Kentucky Municipal Power Agency Chairman Ray McLennan.

Said Missouri Joint Municipal Utility Electric Commission General Manager and Chief Executive Officer Duncan Kincheloe: "We believe that a project like Prairie State is the best way for us to secure this substantial portion of our customers' needs for an affordable, long-term source of electricity. The project offers us cleaner energy from a convenient source located just across the river."

"Participating in Prairie State enables us to obtain reliable, low-cost electricity while being part of a project that will create jobs and huge economic benefits for our state," said Northern Illinois Municipal Power Agency President Gary Larsen. "We are proud to be a participant in a project that will be good for energy, the environment and the economy."

"We are proud to be a partner in a next generation project like Prairie State, which will deliver relatively low-cost power from a hometown source to our members," said Frank Betley, President & CEO of the Soyland Power Cooperative.

"Wolverine's ability to participate in Prairie State is made possible thanks to regional transmission organizations that create open, regional access to broader wholesale markets," said Wolverine President and Chief Executive Officer Tom Stevenson.

Peabody Energy is the world's largest private-sector coal company, with 2004 sales of 227 million tons of coal and \$3.6 billion in revenues. Its coal products fuel more than 10 percent of all U.S. electricity and 3 percent of worldwide electricity.

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 170,000 households, businesses and industries throughout Indiana.

Kentucky Municipal Power Agency will sell wholesale electricity to Paducah Power System, a supplier to Paducah and the surrounding community for more than 45 years.

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.

The Northern Illinois Municipal Power Agency is a not-for-profit power provider serving that state's northern communities, including Batavia, Geneva and Rochelle.

Soyland Power Cooperative, Inc. is part of Continental Cooperative Services based in Harrisburg, Pa., a generation and transmission cooperative with distribution in Illinois, New Jersey and Pennsylvania.

Wolverine Power Supply Cooperative, Inc., 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 choice electric cooperative serving commercial and industrial customers.

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.

CONTACT:
Beth Sutton
(314) 342-7798

SOURCE: Peabody Energy

CONTACT: Beth Sutton of Peabody Energy, +1-314-342-7798

Web site: <http://www.peabodyenergy.com/>
