CMS Enterprises Joins Prairie State Consortium as Operating Partner

PRNewswire-FirstCall
ST. LOUIS

Prairie State Energy Campus and CMS Enterprises today announced they have entered into a partnership to co-develop Prairie State. The joint venture expects to hold an equity interest of approximately 30 percent and will oversee development and operation of the generating station and coal mine. CMS Enterprises brings expertise in power plant operations to the project, and Peabody continues as lead developer of the Lively Grove Mine that will fuel Prairie State. CMS Enterprises is a subsidiary of CMS Energy.

"Selecting CMS Enterprises as operator marks significant progress in our development process, allowing Prairie State to move forward with a recognized leader to deliver clean, low-cost energy for the region," said Peabody President of Generation and Btu Conversion Rick A. Bowen. "CMS Enterprises brings terrific expertise in power plant construction and operations that complements Peabody's skills."

Prairie State has received all major permits needed to begin construction, which include a recent affirmation of the project's air permit from the U.S. Environmental Protection Agency. Prairie State has continued to finalize engineering plans.

"Prairie State fits within our disciplined growth strategy that is focused on enhancing future earnings and cash flow with low financial risk," said David Joos, CMS Energy's President and Chief Executive Officer. "With Prairie State, we will have a strong partnership team, long-term power purchase contracts and extremely stable fuel costs. It's a project that also allows CMS Enterprises to utilize our main strengths, building and operating power plants."

The Prairie State Energy Campus will be among the cleanest major coal-fueled power plants in the United States, with emissions that would be one-fifth the average for U.S. coal plants.

Prairie State will generate low-cost electricity for more than 1.5 million Midwest families, create more than 450 permanent jobs and inject nearly $100 million in economic benefits into the regional economy each year, according to a study by Southern Illinois University at Carbondale.

Michigan-based CMS Enterprises is a subsidiary of CMS Energy and Prairie State's seventh equity partner. The Prairie State Interest Group is a consortium of Midwest utilities that includes:

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

Peabody Energy is the world's largest private-sector coal company, with 2005 sales of 240 million tons of coal and $4.6 billion in revenues. Its coal products fuel approximately 10 percent of all U.S. electricity generation and 3 percent of worldwide electricity.

CMS Energy is a Michigan-based company that has as its primary business operations an electric and natural gas utility, natural gas pipeline systems, and independent power generation. CMS Energy's subsidiaries and their affiliates operate and have a full or partial ownership in generating assets able to produce more than 16,000 megawatts of power.

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 Sept. 6, 2006. These factors are difficult to accurately predict and may be beyond the control of the company. These risks include, but are not limited to: growth in coal and power markets; future economic conditions; weather; rail, barge and port performance and costs; ability to renew sales contracts; successful implementation of business strategies; regulatory and court decisions; future legislation; changes in post-retirement benefit and pension obligations; negotiation of labor contracts and labor availability and relations; capacity and cost of surety bonds and letters of credit; effects of currency exchange rates; risks associated with customers; risks associated with performance of suppliers; availability and costs of key commodities such as steel, tires, diesel fuel and explosives; performance risks related to high-margin metallurgical coal production; geology and equipment risks inherent to mining; terrorist attacks or threats; replacement of reserves; implementation of new accounting standards and Medicare rules; inflationary trends; effects of interest rates; effects of acquisitions or divestitures; revenues related to synthetic fuel production; revenues and other risks detailed in the company's reports filed with the Securities and Exchange Commission (SEC). The use of "Peabody," "the company," and "our" relate to Peabody, its subsidiaries and majority-owned affiliates.

CONTACT:
Vic Svec
Peabody Energy
(314) 342-7768

Jeff Holyfield
CMS Enterprises
(517) 788-2394

First Call Analyst:
FCMN Contact:

SOURCE: Peabody Energy

Contact: Vic Svec of Peabody Energy, +1-314-342-7768, or Jeff Holyfield
of CMS Enterprises, +1-517-788-2394

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