

Peabody Energy Enters Into Agreement with TransAlta Corporation for Powder River Basin Coal

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Peabody Energy today announced that its COALSALES subsidiary has entered into an agreement with Calgary-based TransAlta Corporation to supply Powder River Basin coal to the Centralia coal-fueled plant in Washington state.

The agreement continues the long-term trend of coal demand shifting to the Powder River Basin, the fastest growing coal region in the United States. The Energy Information Administration estimates that the Powder River Basin will supply approximately three-fourths of the expected growth in U.S. coal demand through 2025. The Powder River Basin is expected to supply the majority of coal used by new coal plants planned over the next five years. And test burns for expanded Powder River Basin coal use are scheduled for electricity generators in New York, Pennsylvania, Maryland, West Virginia, North Carolina and Kentucky.

TransAlta will stop mining at its Centralia coal mine that was operated to fuel the Centralia plant. Coal for the TransAlta contract will be sourced through Peabody's Rawhide Mine, which is perennially among the nation's most productive. The contract may be extended subject to mutually acceptable terms.

Peabody has the number one position in the Powder River Basin and controls approximately 3.5 billion tons of Powder River Basin reserves. Rawhide Mine shipped 12.4 million tons of coal in 2005.

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.

Use of the words "Peabody," "the company" and "our" relate to Peabody, our subsidiaries and our majority-owned affiliates.

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