

Peabody Energy Enters Into 10-Year Agreement to Supply 60 Million Tons of Coal to TVA

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Peabody Energy today announced that its COALSALES, LLC subsidiary has entered into a 10-year coal supply agreement with Tennessee Valley Authority to supply 6 million tons per year of Illinois Basin coal. The coal supplied under this agreement is expected to be sourced from a combination of existing and future Illinois Basin mines. Coal sales under the first five years of the agreement are expected to be in excess of \$1 billion. The agreement represents the continuation of a mutually beneficial relationship between COALSALES, LLC and TVA.

"We are pleased to strengthen our valued customer relationships through long-term coal supply agreements with key customers like TVA," said Peabody Executive Vice President and Chief Marketing Officer Richard M. Whiting. "Peabody has a long tradition as a reliable supplier and offers the strength of vast resources and flexibility of sourcing through multiple mines, thanks to our unmatched 10 billion ton reserve portfolio."

Peabody currently has a customer backlog of more than one billion tons through long-term coal supply contracts.

TVA is the nation's largest public power provider. TVA provides power to large industries and 158 power distributors that serve approximately 8.7 million consumers in seven southeastern states. TVA also manages the Tennessee River and its tributaries to provide multiple benefits, including flood damage reduction, navigation, water quality and recreation.

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.

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 Nov. 20, 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.

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