

Prairie State Energy Campus Advancing to Construction With EPCM Contract, Technology Equipment Purchase and New Equity Partners

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Prairie State Energy Campus today announced that it is entering the final phase of project development and looks forward to beginning construction this fall. Prairie State has: signed a \$2.9 billion engineering, procurement, construction and management (EPCM) agreement with Bechtel Power Corporation for the power-related facilities; committed to state-of-the-art supercritical technologies and emission control equipment with three global technology firms; expanded agreements with current equity partners; and brought on board a new partner.

Bechtel has an agreement in place with the Southwestern Illinois Building and Construction Trades Council for plant construction and commenced preliminary foundation work at the site in late May. Initial craft hiring will begin this summer, with full civil work under way in the fall. The project schedule is planned to be four years.

As part of the EPCM contract, Prairie State has signed purchase orders for state-of-the-art technologies with Babcock & Wilcox Co. for the boiler system; Toshiba International Corp. for the turbines; and Siemens Power Generation, Inc. for emission controls. Supercritical technology will allow Prairie State to achieve high efficiencies and generate additional power while achieving emissions far superior to America's current generating fleet.

Prairie State, a 1,600 megawatt supercritical coal-fueled power plant being developed in Southern Illinois, will be among the cleanest U.S. coal-fueled plants, with as little as one-fifth the regulated emission rates of existing U.S. power plants. Its carbon dioxide emission rate would be approximately 15 percent lower than the typical U.S. coal plant.

"These commitments represent significant project milestones that allow Prairie State to move toward groundbreaking this fall," said Peabody Energy President and Chief Executive Officer Gregory H. Boyce. "America's electricity demand continues to grow, and Prairie State will provide much-needed baseload electricity generation for a nation that is rapidly running short of reliable, affordable power."

New to the Prairie State equity partner group is the Illinois Municipal Electric Agency (IMEA), in conjunction with adding the City of Naperville to the agency's membership. Existing partners -- Kentucky Municipal Power Agency (KMPA), Missouri Joint Municipal Electric Utility Commission (MJMEUC), Northern Illinois Municipal Power Agency (NIMPA), and Prairie Power Inc. -- have each increased their equity ownership positions. The partner group also includes Indiana Municipal Power Agency (IMPA).

These partner commitments for the 1,600 megawatt plant have reached approximately 1,000 megawatts, with another 300 megawatts expected to be added soon. Late stage discussions are under way with a number of interested equity partners, and Peabody expects ultimate ownership of approximately 5 percent.

The need for a clean source of low-cost electricity for families and businesses in the Midwest is underscored by the Prairie State partners.

Said IMEA General Manager and Chief Executive Officer Ronald D. Earl: "IMEA, its 30 power purchasing municipalities, and especially our members near the plant, are pleased to be a part of one of the largest construction projects in the history of Illinois. We'll benefit from the economical power that will flow from this facility, and we're proud to help bring billions of dollars of new investment and hundreds of new, well-paying jobs to our home state."

"Prairie State represents the next generation of clean electricity from coal, delivering low-cost energy to partners serving four states and nearly 1.7 million families," said IMPA President and Chief Executive Officer Raj G. Rao. "Efficient supercritical technology and state-of-the-art emission controls make Prairie State the new industry model."

"Prairie State means greater energy security for hundreds of communities throughout the Midwest," said MJMEUC General Manager and Chief Executive Officer Duncan E. Kincheloe. "We need this power and new transmission link providing another bridge across the river between Illinois and Missouri."

"Prairie State is the cornerstone of our efforts to lower customer rates to a level competitive with other Kentucky utilities and in turn, create more economic development opportunities for our community," said KMPA General Manager David R. Clark.

"Prairie State is a big win for the 56,000 people who call our communities home," said NIMPA President Gary W. Larsen. "We're especially pleased that our participation in Prairie State will bring the benefits of this project to the northern part of the state, and allow us to provide stable competitive rates for future generations."

"Prairie State will truly be our hometown energy supplier to rural neighborhoods across the state," said Prairie Power President and Chief Executive Officer Robert K. Harbour. "That's particularly good news for the families and businesses we serve in nearly 45 Illinois counties."

Construction is expected to create approximately 2,000 skilled jobs at the peak of a four-year process and inject more than \$560 million into the Illinois economy during development. Prairie State will 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.

For a virtual tour of the highly efficient power plant or to express interest as a job seeker or vendor, visit <http://www.prairiestateenergycampus.com/>.

Bechtel is a global engineering, construction and project management company. Privately owned with headquarters in San Francisco, Bechtel has 40 offices around the world and nearly 40,000 employees. The company had revenues of \$20.5 billion in 2006.

Peabody Energy is the world's largest private-sector coal company, with 2006 sales of 248 million tons of coal and \$5.3 billion in revenues. Its coal products fuel approximately 10 percent of all U.S. electricity generation and more than 2 percent of worldwide electricity.

Certain statements regarding Peabody Energy 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 be beyond our control and may cause our actual future results to differ materially from expectations. We do not undertake to update our forward-looking statements. Factors that could affect our results and this project include, but are not limited to: the outcome of commercial negotiations involving power purchase contracts or equity party transactions; customer performance and credit risk; supplier performance, and the availability and cost of key equipment and commodities; availability and costs of transportation; labor availability and relations; legislative and regulatory developments; the outcome of pending or future litigation; coal and power market conditions; weather patterns affecting energy demand; availability and costs of competing energy resources; interest rate fluctuation; wars and acts of terrorism or sabotage; and other risks detailed in the company's reports filed with the Securities and Exchange Commission.

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