

Prairie State Energy Campus Completes Financial Closing

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Peabody Energy today announced the Prairie State Energy Campus equity partners have completed financial closing and given Bechtel Power Corporation notice to proceed to full-scale construction for the planned 1,600 megawatt supercritical power plant. Bechtel has an engineering, procurement and construction management contract to develop the project's power-related facilities.

Partners have committed to purchasing nearly 1,435 megawatts or more than 90 percent of the project's output, and late-stage discussions are continuing with the existing partner group to finalize ownership of the few remaining shares. Peabody expects to retain a 5 percent ownership position in the project.

The Prairie State partner group includes American Municipal Power-Ohio (AMP-Ohio); Illinois Municipal Electric Agency (IMEA); Indiana Municipal Power Agency (IMPA); Kentucky Municipal Power Agency (KMPA); Missouri Joint Municipal Electric Utility Commission (MJMEUC); Northern Illinois Municipal Power Agency (NIMPA); Prairie Power, Inc.; and Southern Illinois Power Cooperative (SIPC).

The Prairie State Energy Campus will be developed in Washington County, Ill., and will be among the cleanest U.S. coal plants. It is expected to begin generating electricity in the 2011 to 2012 timeframe.

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.

CONTACT

Vic Svec
(314) 342-7768

First Call Analyst:
FCMN Contact:

SOURCE: Peabody Energy

CONTACT: Vic Svec, +1-314-342-7768, for Peabody Energy

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