

Peabody Closes on Agreement With American Municipal Power-Ohio to Purchase 368 Megawatts of the Prairie State Energy Campus

PRNewswire-FirstCall
ST. LOUIS

Peabody Energy today announced that it has closed on an agreement with American Municipal Power-Ohio (AMP-Ohio) to purchase 368 megawatts of the Prairie State Energy Campus being developed in Southern Illinois. The agreement includes the purchase of an additional 68 megawatts, bringing AMP-Ohio's ownership to 23 percent of Prairie State's output.

"This transaction completes our partner agreements for the project, with Peabody retaining a 5 percent equity position," said Rick A. Bowen, Peabody's President of Generation and Btu Conversion. "Prairie State is leading the largest build out of clean coal plants in two decades and is important for delivering reliable baseload electricity at a time when demand is significantly higher than capacity."

Speaking on behalf of the Prairie State Generating Company, Indiana Municipal Power Agency President and Chairman of the Prairie State board of directors Raj G. Rao welcomed AMP-Ohio to the coalition. AMP-Ohio, serving five states in the Midwest, brings broad public power support to this project.

AMP-Ohio is part of the Prairie State equity partner group, which includes the 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., Southern Illinois Power Cooperative (SIPC) and Peabody Energy subsidiary Lively Grove Energy Partners.

"Participating in Prairie State is core to our strategy of securing a clean, low-cost, long-term supply of electricity to serve our 123 member communities," said AMP-Ohio President and CEO Marc S. Gerken.

"The addition of this new baseload electricity generation is critical to meeting our customers' demand for reliable, affordable power and gives our organization its strategically needed baseload capacity in the MISO territory."

Prairie State is a planned 1,600 megawatt supercritical electricity generating station that will be among the cleanest U.S. coal-fueled power plants, providing electricity for more than 1.7 million families throughout the Midwestern and Eastern United States.

The mine and power plant will create more than 500 permanent jobs and will inject nearly \$125 million into the region each year, according to a recent economic study by the University of Illinois at Urbana-Champaign. Prairie State is expected to begin operation in the 2011-2012 timeframe.

The Prairie State partners gave engineering, procurement and construction management (EPCM) contractor Bechtel Power Corporation full notice to proceed on Oct. 1, 2007. Craft hiring is expected to reach more than 2,300 jobs at the peak of construction in the second quarter of 2010.

AMP-Ohio serves more than 520,000 customers through member utilities in Ohio, Kentucky, Pennsylvania, West Virginia, Virginia and Michigan. AMP-Ohio is a nonprofit corporation organized in Ohio in 1971 for the purpose of providing wholesale power and related services to its member utilities.

Peabody Energy is the world's largest private-sector coal company. 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; customer

performance and credit risk; supplier performance, and the availability and cost of key equipment and commodities; 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

Derrell Carter
(314) 342-7667

AMP-Ohio:
Kent Carson
(614) 337-6222

First Call Analyst:
FCMN Contact:

SOURCE: Peabody Energy

CONTACT: Derrell Carter of Peabody Energy, +1-314-342-7667; or Kent Carson of AMP-Ohio, +1-614-337-6222

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