

Peabody Commissions the El Segundo Mine in New Mexico to Serve Major Southwest Electric Utilities

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Peabody Energy today announced it has commissioned the new El Segundo Mine in Northwest New Mexico, which is ramping up to produce 6 million tons of coal per year to serve rapidly expanding electricity needs in the Southwest.

The El Segundo Mine will serve a 19-year, 65-million-ton coal supply agreement for Arizona Public Service Company's Cholla Generating Station near Joseph City, Ariz. The mine will also supply Tucson Electric Power Company's Springerville Generating Station in Springerville, Ariz., through a long-term contract that runs to 2020. Both power plants primarily serve Arizona communities.

Arizona is among the nation's fastest-growing states, with electricity demand expected to climb 85 percent in the next 25 years. Peabody is continuing discussions with other potential Southwest customers.

"El Segundo is the fourth major mine that Peabody has completed in the past year, demonstrating the superb capabilities of our number one global reserve base," said Peabody Executive Vice President and Chief Operating Officer Eric Ford. "Projects like El Segundo are vital for fueling record electricity needs in a region that has some of the fastest-growing electricity demand in the country."

Peabody has invested approximately \$70 million in capital to develop El Segundo -- "The Second" in Spanish -- which is located adjacent to Peabody's Lee Ranch Mine. It is the first new coal mine developed in New Mexico in more than two decades.

Both El Segundo and Lee Ranch ship coal to customers via the Burlington Northern Santa Fe and Union Pacific Railroads. Together they employ nearly 265 workers and will annually inject more than \$85 million in direct economic impacts into the region in wages and benefits, vendor contracts and taxes, implying a total economic benefit of nearly \$350 million.

Coal's role in clean electricity generation is crucial for energy security at a time when electricity demand is growing more than twice as fast as new generation, according to the North American Electric Reliability Corporation.

Coal has been the world's fastest-growing fuel for five years, serving half of U.S. electricity needs and costing just one-fourth of the delivered price of natural gas in 2007. The states that use the most natural gas for electricity generation have power costs that are 120 percent greater than those states that use the most coal.

Arizona Public Service (APS) is Arizona's largest and longest-serving electricity utility, with about 1.1 million customers in 11 of the state's 15 counties. With headquarters in Phoenix, APS is the principal subsidiary of Pinnacle West Capital Corp. . The Cholla Generating Station is operated by APS, which owns three generating units capable of producing 615 megawatts of electricity. PacifiCorp owns the fourth generating unit, which produces 380 megawatts.

Tucson Electric Power Company is the principal subsidiary of UniSource Energy and serves 400,000 customers in Southern Arizona.

Peabody Energy is the world's largest private-sector coal company, with 2007 sales of 238 million tons and \$4.6 billion in revenues. Its coal products fuel approximately 10 percent of all U.S. electricity generation and 2 percent of worldwide electricity.

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