

Study Shows Navajo Generating Station Can Be Competitive With Natural Gas Through 2040 Using Peabody's Reduced-Price Fuel Proposal

ST. LOUIS, April 6, 2017 /PRNewswire/ -- Peabody today presented findings from a third-party study demonstrating that the Navajo Generating Station (NGS) can continue to be competitive with natural gas and other coal-fueled power plants through 2040. The conclusions counter suggestions that natural gas would render the plant uncompetitive and are based on a reduced-price fuel proposal by Peabody and a long-term analysis of the plant's economic performance conducted by Navigant Consulting, Inc.

Key findings, presented during an Arizona Corporation Commission working group meeting in Phoenix, offer an enhanced view of the plant's projected economic performance to keep the plant operating beyond 2019. Peabody's efforts to extend operations also include examining the potential for a new plant ownership structure and are aimed at protecting thousands of Arizona jobs, hundreds of millions in annual tribal economic benefits and a critical source of low-cost baseload electricity that moves water across the state. NGS uses an Arizona energy resource and supports over 825 Arizona jobs at the mine and power plant.

The study was commissioned by Peabody and analyzed anticipated changes in power and fuel markets affecting the Western United States.¹ Based on Peabody's reduced-price fuel proposal and other assumptions outlined in the full report, the Navigant study projects that NGS is expected to:

- Remain one of the lowest variable cost generating resources in the region, dispatching at a high level with an annual capacity factor averaging over 80 percent from 2020 to 2040. Power plants with the lowest costs typically dispatch first and have a high capacity rate.
- Continue to be economically viable with positive operating margins and energy market cash flow savings of \$700 million (net present value) to Arizona ratepayers and contributing to capital recovery for new plant ownership.
- Continue to have variable operating costs below regional natural gas combined cycle plants with the potential for greater non-fuel operating and maintenance cost savings of approximately \$160 million through 2040.
- Provide fuel diversity for the state while minimizing the risk of potential supply disruptions. Essentially all natural gas in Arizona is imported with 70 percent of the supply coming from the El Paso pipeline. Arizona does not have the natural gas storage to buffer price increases or supply disruption. The study authors note a supply disruption in this pipeline was one of the triggering events for the California energy crisis in 2000 and 2001.
- Protect against interruptibility of the supply of natural gas, price volatility and price increases, which are expected based on increased demand from electric generators, industrial load and liquefied natural gas exports. The study also points to additional risk from lagging natural gas infrastructure.
- The study also found that continued operation of NGS would be more economical than replacement alternatives in the near and long term. The cost of operating NGS is projected to be \$392 million (net present value) below the cost of market replacement of energy and capacity from 2020 through 2040. In each sensitivity case reviewed, the operating cost for NGS is lower than alternatives.

"Peabody's fixed-price proposal represents a very competitive cost of fuel versus alternate generation sources and demonstrates our commitment to finding solutions that will keep the plant operating for the foreseeable future," said Peabody President – Americas Kemal Williamson. "We are helping to advance a plan with our other stakeholders to make NGS one of the most competitive baseload generating stations in the region and provide reliable, low-cost electricity for the benefit of Arizona, and the Navajo Nation and Hopi Tribe."

Both the Navajo Nation and Hopi Tribe have expressed support to find solutions to keep the plant operating. "The power plant and mine that fuels it are vital to the jobs and economic strategy of the Navajo Nation," said Navajo President Russell Begaye. "The Nation has taken a seat at the table with stakeholders who are committed to keep the plant operating long term. This study provides important new information demonstrating the plant can continue to be competitive well into the future."

Hopi Tribe Chairman Herman Honanie reinforced the tribe's support for a transparent and collaborative decision-making process. "The study's conclusions tell us that Navajo Generating Station can remain a beacon for energy production in the Southwest in the years ahead that will continue to operate in a cost competitive manner," Honanie said. "Working together we can find solutions to see that the plant keeps operating over the long haul."

The Navajo Generating Station, located in Page, Ariz., is sited on tribal lands using tribally owned coal and began producing power in 1974 with the expectation of running 70 years until 2044. Both the power plant and Peabody's Kayenta Mine that fuels it create enormous economic benefits for tribal communities and the state. The mine has approximately 325 primarily Native American employees and provided approximately \$430 million in direct and indirect economic benefits in 2016.

Navigant specializes in energy market research and consulting services, which includes a prior economic study of NGS. The firm has nearly 50 offices across the United States, Canada, Europe, the Middle East and Asia.

Peabody (NYSE: BTU) is the world's largest private-sector coal company and a Fortune 500 company. The company is also a leading voice in advocating for sustainable mining, energy access and clean coal technologies. Peabody serves metallurgical and thermal coal customers in more than 25 countries on five continents. For further information, visit PeabodyEnergy.com.

¹Navigant utilized its proprietary base case market assumptions and price forecasts as the baseline for analyzing NGS and utilized NGS proposed coal prices provided by Peabody. Navigant completed detailed hourly dispatch analysis of NGS to develop energy market projections. Navigant utilized its Generation Knowledge System (GKS) database to estimate Non-Fuel O&M Cost for NGS. NGS fixed costs are assumed to be in line with the median of other coal plants, but transparency on fixed costs is limited.

The information contained in this press release concerning the report is a summary and reflects Navigant's current expectations based on market data and trend analysis. Navigant's market predictions and expectations are inherently uncertain and actual results may differ materially from those contained in this press release or the report. Please refer to the full Navigant report for a complete understanding of the assumptions underlying the report's conclusions and the methodologies.

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Certain statements included in this release and the Navigant report are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. The Company uses words such as "anticipate," "believe," "expect," "may," "forecast," "project," "should," "estimate," "plan," "outlook," "target," "likely," "will," "to be" or other similar words to identify forward-looking statements. These forward-looking statements are made as of the date the release was filed and are based on numerous assumptions that the Company believes are reasonable, but these assumptions are open to a wide range of uncertainties and business risks that may cause actual results to differ materially from expectations. These factors are difficult to accurately predict and may be beyond the Company's control. Factors that could affect the Company's results include, but are not limited to: the effects of the Company's emergence from its voluntary petitions for reorganization under Chapter 11 of Title 11 of the U.S. Code (the Chapter 11 Cases) on the operations of the Company, including customer, supplier, banking, insurance and other relationships and agreements; the outcome of all other pending litigation; increased advisory costs associated with the Chapter 11 Cases; the Company's ability to use cash collateral and the possibility that the Company may be required to post additional collateral; the effect of the Chapter 11 Cases on the Company's relationships with third parties, regulatory authorities and employees; the Company's ability to execute its business plan; increased administrative and legal costs related to the Chapter 11 Cases and other litigation; the cost, availability and access to capital and financial markets, including the ability to secure new financing; the risk that the Chapter 11 Cases will disrupt or impede the Company's international operations, including the Company's business operations in Australia; competition in the energy market and supply and demand for the Company's products, including the impact of alternative energy sources, such as natural gas and renewables; global steel demand and the downstream impact on metallurgical coal prices, and lower demand for the Company's products by electric power generators; the Company's ability to successfully consummate planned divestitures, including the planned sale of the Metropolitan Mine; the Company's ability to appropriately secure its requirements for reclamation, federal and state workers' compensation, federal coal leases and other obligations related to the Company's operations, including its ability to utilize self-bonding and/or successfully access the commercial surety bond market; customer procurement practices and contract duration; the impact of weather and natural disasters on demand, production and transportation; reductions and/or deferrals of purchases by major customers and the Company's ability to renew sales contracts; credit and performance risks associated with customers, suppliers, contract miners, co-shippers, and trading, bank and other financial counterparties; geologic, equipment, permitting, site access, operational risks and new technologies related to mining; transportation availability, performance and costs; availability, timing of delivery and costs of key supplies, capital equipment or commodities such as diesel fuel, steel, explosives and tires; impact of take-or-pay arrangements for rail and port commitments for the delivery of coal; successful implementation of business strategies, including, without limitation, the actions the Company is implementing to improve its organization; negotiation of labor contracts, employee relations and workforce availability, including, without limitation, attracting and retaining key personnel; changes in postretirement benefit and pension obligations and their related funding requirements; replacement and development of coal reserves; effects of changes in interest rates and currency exchange rates (primarily the Australian dollar); effects of acquisitions or divestitures; economic strength and political stability of countries in which the Company has operations or serves customers; legislation, regulations and court decisions or other government actions, including, but not limited to, new environmental and mine safety requirements, changes in income tax regulations, sales-related

royalties, or other regulatory taxes and changes in derivative laws and regulations; the Company's ability to obtain and renew permits necessary for the Company's operations; litigation or other dispute resolution, including, but not limited to, claims not yet asserted; terrorist attacks or security threats, including, but not limited to, cybersecurity threats; impacts of pandemic illnesses; potential volatility in trading prices for the shares of new common stock (Reorganized PEC Common Stock) and the lack of an established trading market for the preferred stock (Preferred Equity) issued on the Plan Effective Date, and potential dilution of Reorganized PEC Common Stock due to future issuances of equity securities; the Company's ability to generate sufficient cash to service all of its expected post-emergence indebtedness; limitations under the Company's post-emergence debt instruments and capital structure on the Company's ability to pay dividends and repurchase common stock; the Company's ability to comply with financial and other restrictive covenants in various agreements, including the credit facility entered into on the Plan Effective Date; and other risks detailed in the Company's reports filed with the SEC. The Company does not undertake to update its forward-looking statements except as required by law. As outlined in the Plan, the Company's old equity securities under the ticker symbol BTUUQ were cancelled and extinguished upon the Plan Effective Date, and holders thereof are not be entitled to receive, and did not receive or retain, any property or interest in property on account of such equity interests.

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