

ORIGINAL

PET. EX. #55

PRAIRIE STATE GENERATING COMPANY, LLC

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Peabody Presentation at Lehman Brothers CEO Energy/Power Conference
CEO Elect – Gregory H. Boyce
September 8th, 2005

Available at: <http://phx.corporate-ir.net/phoenix.zhtml?c=129849&p=irol-newsArticle&ID=752414&highlight=#splash>

Time: 18mins 42seconds – 25mins 55seconds

I'd like to talk about the 4th driver for growth and I'm not sure how much this gets talked about in other sections. But the Btu conversion technology are very very hot right now. These technologies are key to expanding our current traditional market in electricity generation, but more importantly, the concept of coal to gas and coal to liquid are extremely powerful, and we're seeing and having discussion with parties currently. You look at the generating side - what's happening with our Prairie State campus - this is a concept of taking a couple hundred million tons of Illinois basin coal and putting a power plant right on top of it, collapsing the transportation supply chain and providing economies and efficiencies on the scale and location and utilizing reserves that had been trapped for a period of time. Now the model that we've used here works and its indifferent to whether its an electricity generation facility, whether its an oil producing facility from coal or whether it's a pipeline natural gas quality producing facility from coal all sitting on Peabody sites.

Now these technologies are real and they are today's technologies. These are not emerging, they are not new. They only needed the market to recognize that they have a place and time. Coal gasification for pipeline quality natural gas - it looks like somewhere in a \$5 to \$6 per million Btu range, fully loaded. Coal to liquid, which is either diesel fuel or gasoline - \$35 to \$45 prospects. So you can understand why the interest and the discussions that we are having with the providers of this technology has increased significantly over the course of the last 6 to 9 months.

And lastly, coal can be turned into hydrogen. The FutureGen plant, which is the IGCC power plant coupled with carbon sequestration and hydrogen production which has been funded jointly between the federal government and a consortium of coal and utilities. It's really designed to show that that technology will be commercial and will provide the ability to supply hydrogen fuel for the transportation sector of the future from coal. And why do I focus on the future of Btu conversion technology? Because it is so meaningful for the company that has nearly 205 million Btu's. Just don't ask me how many zeros that is. But we talk about the size of Peabody's coal reserves and this chart puts it in perspective.

On a Btu equivalent basis, our reserves are nearly double the proven oil reserves in the continental U.S., they are greater than the proven oil and gas reserves of the largest market-capped company in the U.S., and they're greater than the natural gas reserves in the continental U.S. The reserves are important because to build these large facilities, you need a large block of contiguous reserves. As we look at our 9+ billion tons of coal in this country we've got 30 sites where we have a 100 million ton block of coal that can be converted to gas, converted to liquids, converted to electricity. Put it into another context, our coal reserves represent five years of all U.S. electricity demand and 10 years of all U.S. natural gas demand, and 42 years of diesel fuel requirements for the transportation sector. What does all that mean in value and why does Btu conversion represent a

value added for the coal commodity itself? If you just take those quantities and run them out at the current market rates for those, you can see that turning all the coal into electricity [doubles that] (?). If you turn it into gas and it's measured in trillions of dollars. You turn it into a transportation fuel, then it's 12 times your value that it is being sold for today. So at the end of the day a Btu conversion means a value conversion and we see that already today when you look at the relative bargain that investors are paying for Peabody's Btus versus what they're paying for the oil and gas companies Btus.

So to wrap it up here, we believe that coal's fundamentals are outstanding and if history is any guide, then U.S. coal industry has been subject to very long market cycles, but I would point out that previous cycles have always been supply disruptions, supply constraints. This is the first cycle that's been a demand coal cycle. We intend to use the favorable markets and our unique ability to add tremendous value and to continue a very strong record of performance and growing revenues, earnings and income, and strengthening our balance sheet.

So here's the bottom line, we expect to deliver continued growth. We've got an unmatched leverage for the very strong markets we are seeing today, we've got expanding margins thanks to our productivity improvement. We've got outstanding organic growth opportunities, and more in a long pipeline. We've got significant emerging markets from new generation, and completely new markets from Btu conversion technology. And with our terrific financial strength and our leading record of performance we intend to continue to build upon our growth performance.

So thank you for your interest, and I'd be happy to take questions from you at this time. Thank you.

Q&A: *(only questions relevant to IGCC)*

Time: 33mins 55seconds – 35mins 08seconds

Q: For the gasification, if you can just clarify what kind of coal works best, what kind of capital is involved, where you expand it quickly given where natural gas pipelines are now?

A: Yes, there were a couple of questions there. In the case of which coal works best really the gasification technology will work on virtually all coals. The things that you look for in terms of where you would locate gasification facilities is the size of the coal reserve you have and then the availability of infrastructure to move the gas product out once you have it in place. In the Powder River Basin you could build a facility and all the gas pipelines that came out of there from the coal bed methane you could move it. If you put it in the Illinois Basin there is certainly plenty of gas infrastructure to move that gas. Capital costs are high, there is no question about that, these are typically billion plus dollar plants depending on the size. They are almost all built in modules whether it's a gas plant, a coal to gas plant or a coal to liquids plant. They build them in modules or trains like you would with multi-unit power plants, so hopefully that answers your question.

Time: 36mins 06seconds – 37mins 20seconds

Q: Going back to your Btu conversion technology, do you envision yourself as a [6] (?) year supplier of coal into the market or do you see any opportunity to gain more value?

A: We would use a similar model to what we have used with our Prairie State energy campus. In that particular context we had the coal reserves, we used that part of our equity into the joint venture for the power plant and then in addition we bought on partners for the off-take, as well as bringing on partners to operate the facility. And we expect we will probably have a residual interest of about 20%, so in that context we got value from the reserves, we'll get on going value from the value added of the electricity conversion. I see the model working exactly the same on a coal to gas or coal to liquids type facility. We would look at a small equity participation to participate in that market but that would not, we would not intend to be the operator of these large, what are chemical conversion facilities.

Peabody



Lehman CEO Energy/Power Conference

September 8, 2005

NYSE **BTU**



Statement on Forward-Looking Information

Some of the following information contains forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934 and is intended to come within the safe-harbor protection provided by those sections.

Our forward-looking statements are based on numerous assumptions that we believe are reasonable, but they are open to a wide range of uncertainties and business risks that may cause actual results to differ materially from expectations as of July 19, 2005. These factors are difficult to accurately predict and may be beyond the control of the company. These risks include, but are not limited to: growth in coal and power markets; future economic conditions; weather; rail, barge and port performance and costs; ability to renew sales contracts; successful implementation of business strategies; regulatory and court decisions; future legislation; changes in post-retirement benefit and pension obligations; labor relations; negotiation of labor contracts and labor availability and relations; capacity and cost of surety bonds and letters of credit; effects of currency exchange rates; risks associated with customers; risk associated with performance of suppliers; performance risks related to high margin metallurgical coal production; geology and equipment risks inherent to mining; terrorist attacks or threats; replacement of reserves; implementation of new accounting standards and Medicare rules; inflationary trends; effects of interest rates; effects of acquisitions or divestitures; revenues related to synthetic fuel production; revenues and other risks detailed in the company's reports filed with the Securities and Exchange Commission, including the management Discussion and Analysis of the Annual Report filed on Form 10-K. We disclaim any intent or obligation to update these forward-looking statements.

EBITDA or Adjusted EBITDA is defined as income from continuing operations before deducting net interest expense, early debt extinguishment charges, income taxes, minority interests, asset retirement obligation expense & depletion, depreciation & amortization. For a reconciliation of EBITDA, a non-GAAP measure, to the most comparable GAAP measure, we refer you to PeabodyEnergy.com.

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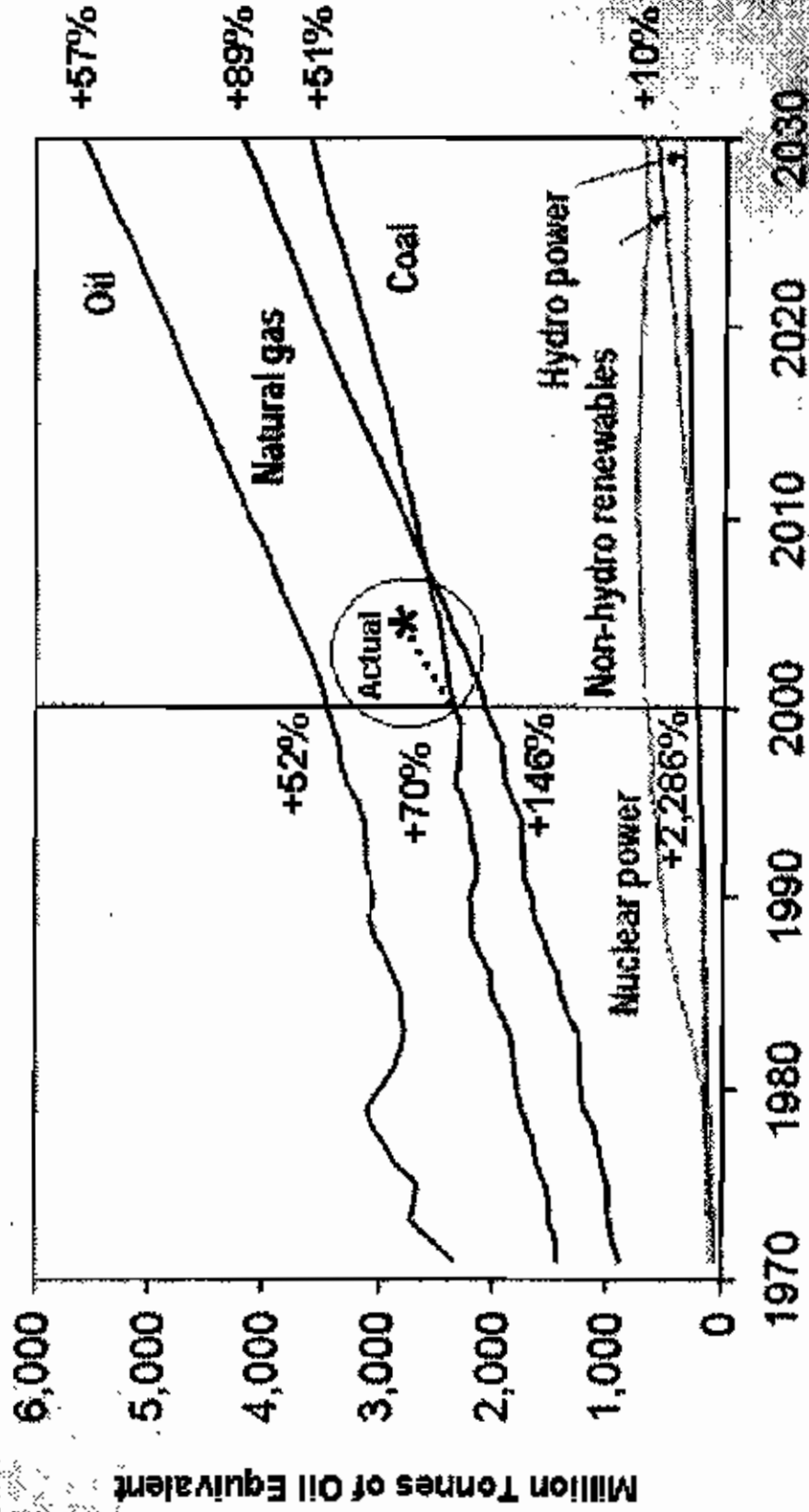
Coal Fundamentals Are Outstanding

Strong GDP Growth	Rising Energy Demand	Limited Alternatives	New Generation and Markets
Global economic growth fueled by twin engines from China & U.S.	All energy forms at record levels; Coal the fastest growing fuel in the world	Record high oil and natural gas prices & capped U.S. nuclear generation	449 gigawatts of new global capacity; New focus on Btu Conversion technologies

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Coal Growing 5 Times Faster Than Forecast

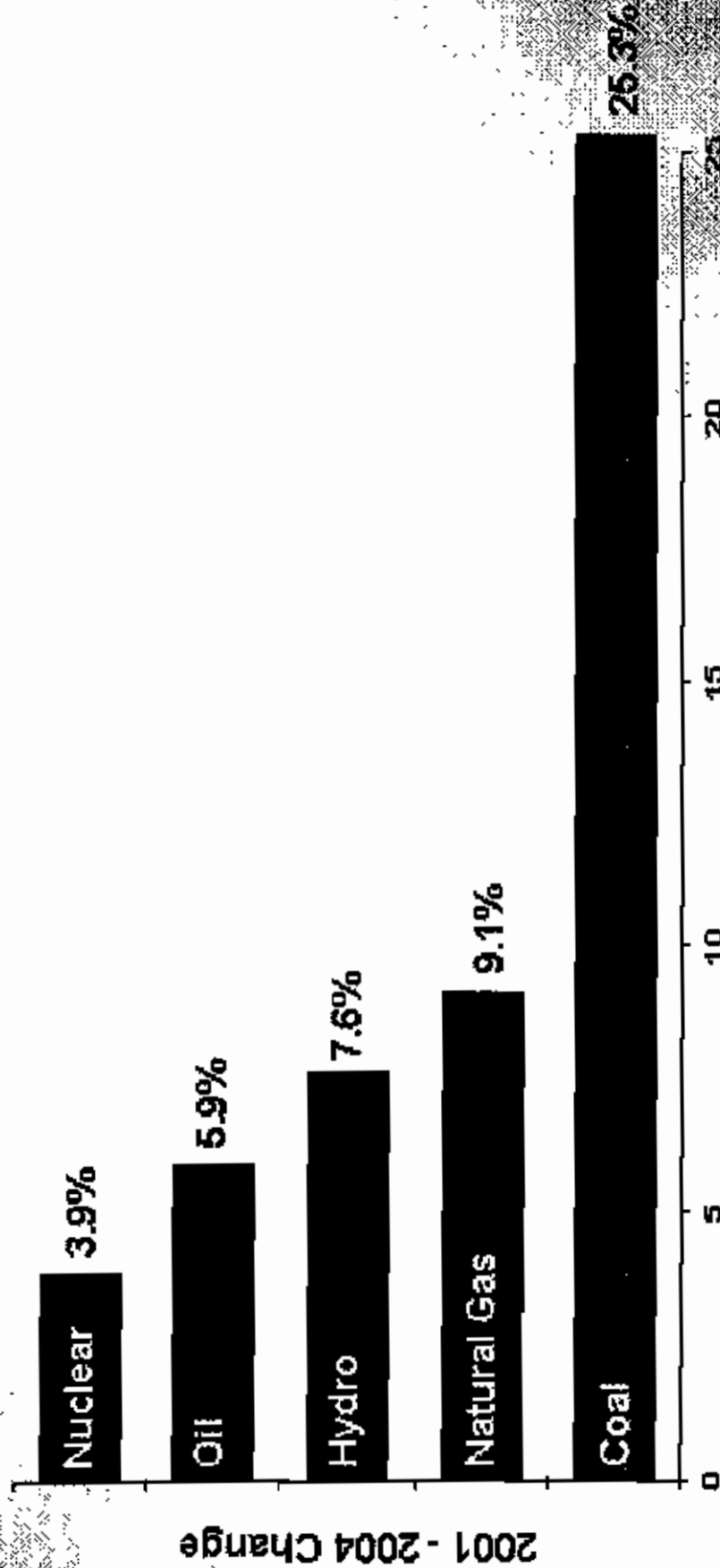
Global Energy Demand Forecast



Coal Resources Are Meeting Higher Demand

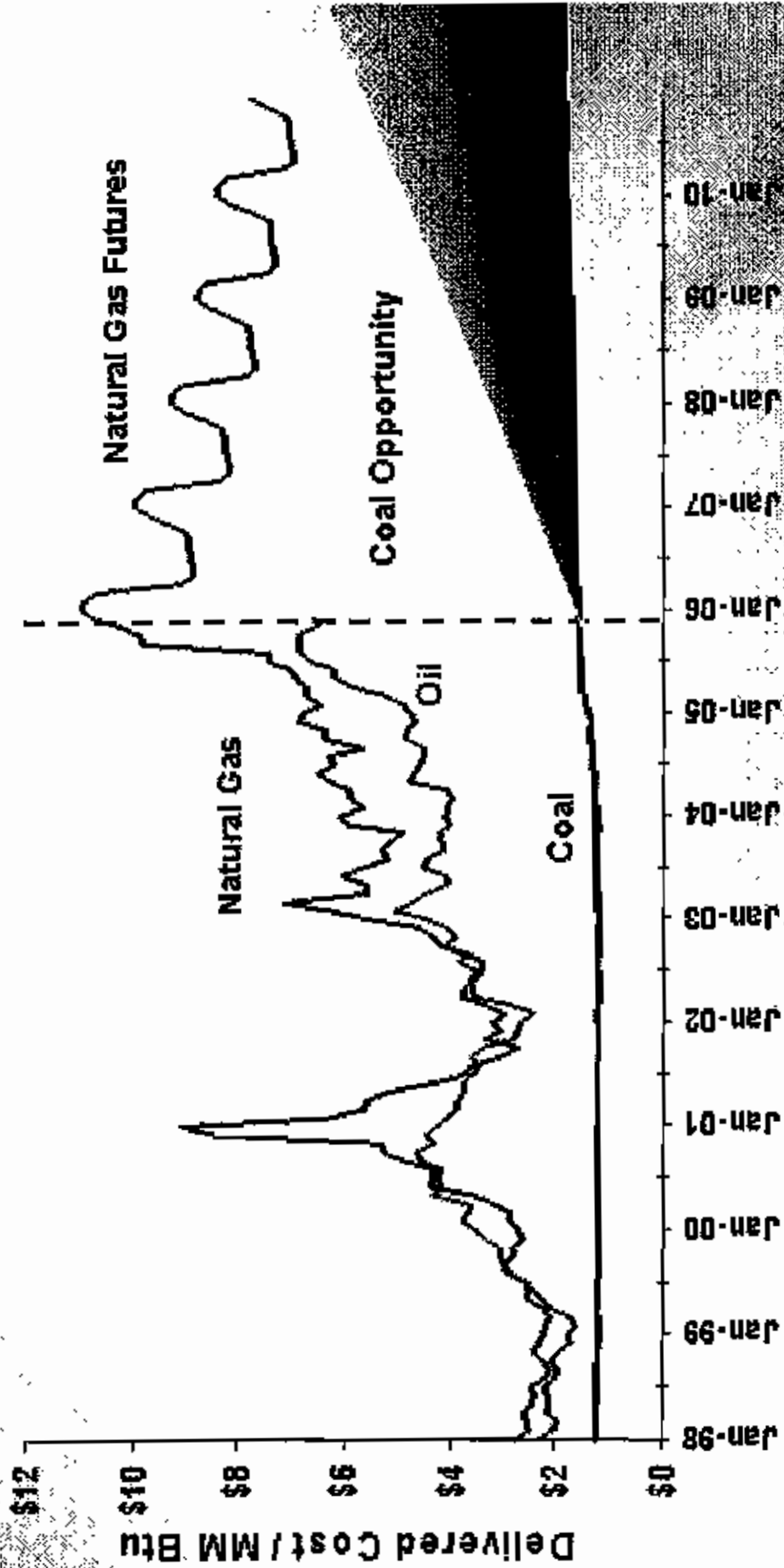
**Global Coal Use Soars 25%,
or 1.1 Billion Tons, in 3 Years**

Three-Year Percent Change in Global Energy Consumption



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High Oil and Gas Prices Magnify Coal's Competitive Advantage



Delivered cost of fossil fuel at steam-electric utility plants.
Source: Plains Fossil-Fuel Receipts at Steam-Electric Utility Plants through March 2005. EIA July 2005 Short-Term Energy Outlook. NYMEX HH Futures Market Close at no.com on Aug. 26, 2005.

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Coal Resurgence Reflects Fuel Realities

Electricity Generation

1990s Model

- Underutilized nuclear capacity
- Surplus coal plant capacity
- New baseload and peaking capacity from natural gas

New Model

- Nuclear at capacity
- Surplus coal plant capacity
- High prices limit natural gas to peaking

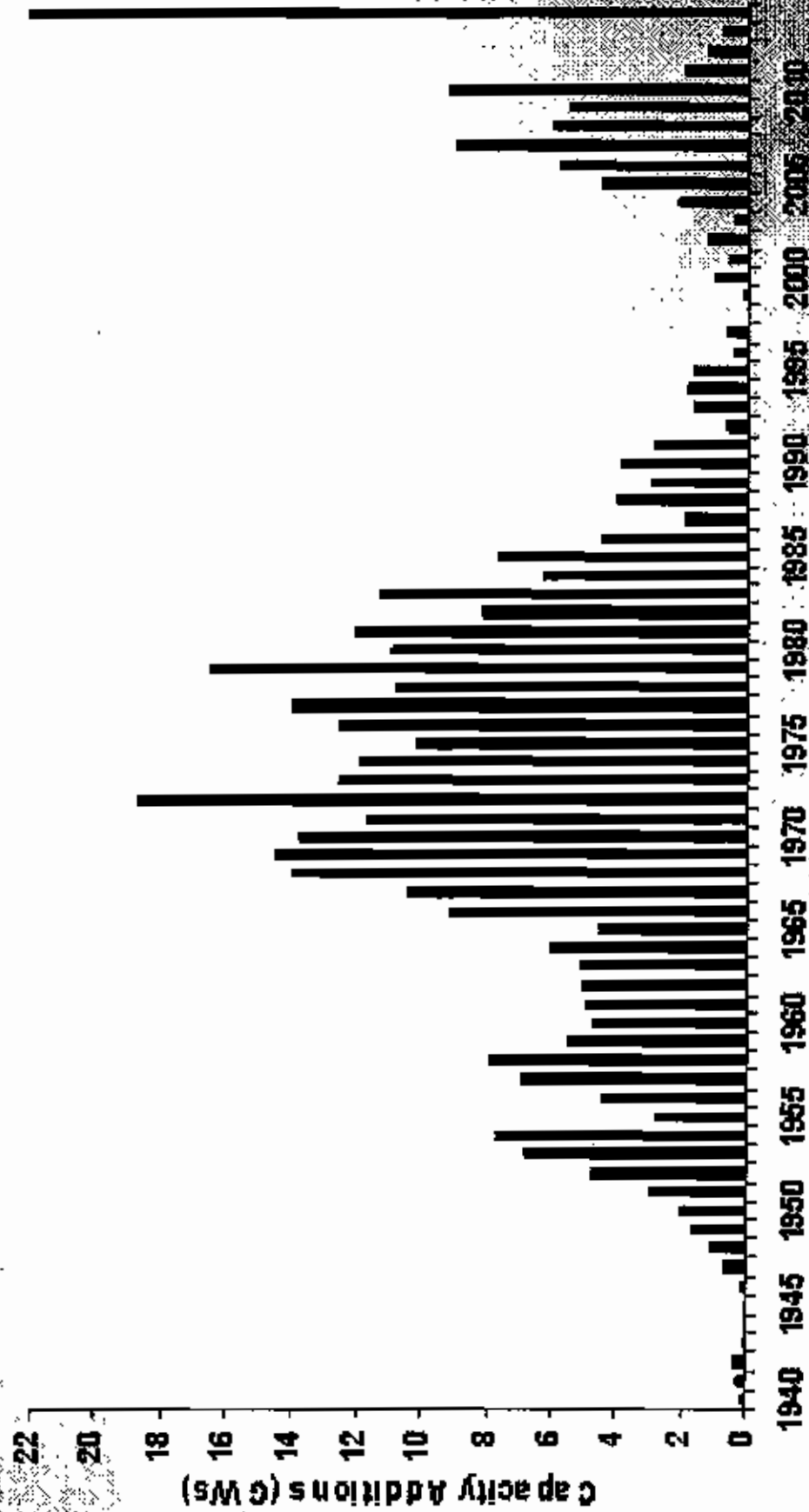
Benefit for Coal

- Increased baseload from existing and new plants
- 150 to 200 MTPY from higher utilization of existing plants
- 250 MTPY from planned plants

Peabody

U.S. Forecasts Largest Increase in Coal Generation in Decades

Planned Coal-Fueled Plants Represent 250 MTPY of Coal Use

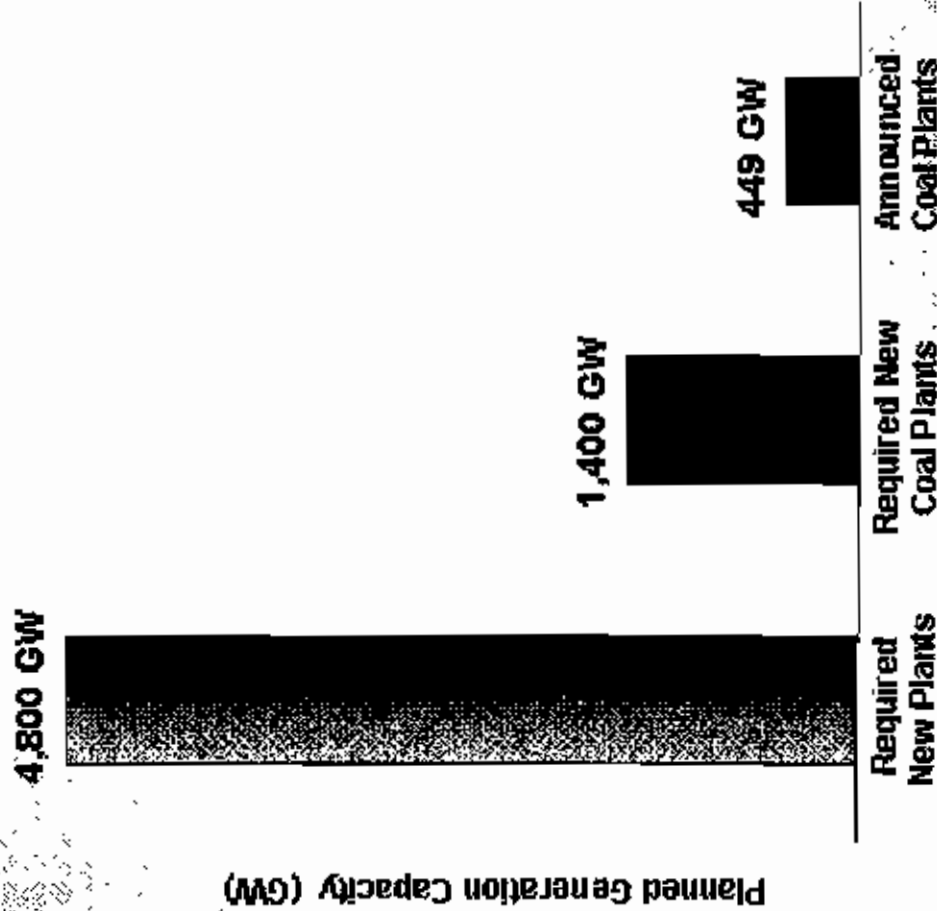


* Timing not yet committed.

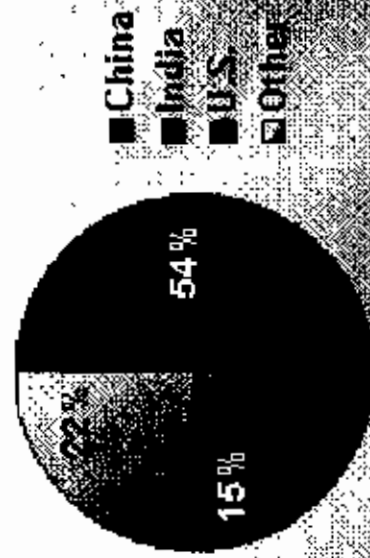
Source: U.S. Department of Energy's National Energy Technology Laboratory

Planned Global Electricity Generation Capacity

- The world requires 4,800 GW of new plants by 2030
- 1,400 GW of new coal plants projected
- Just one-third of this has been announced
- 449 GW requires 1.5 billion tons per year of coal



Planned Coal-Fueled Plants



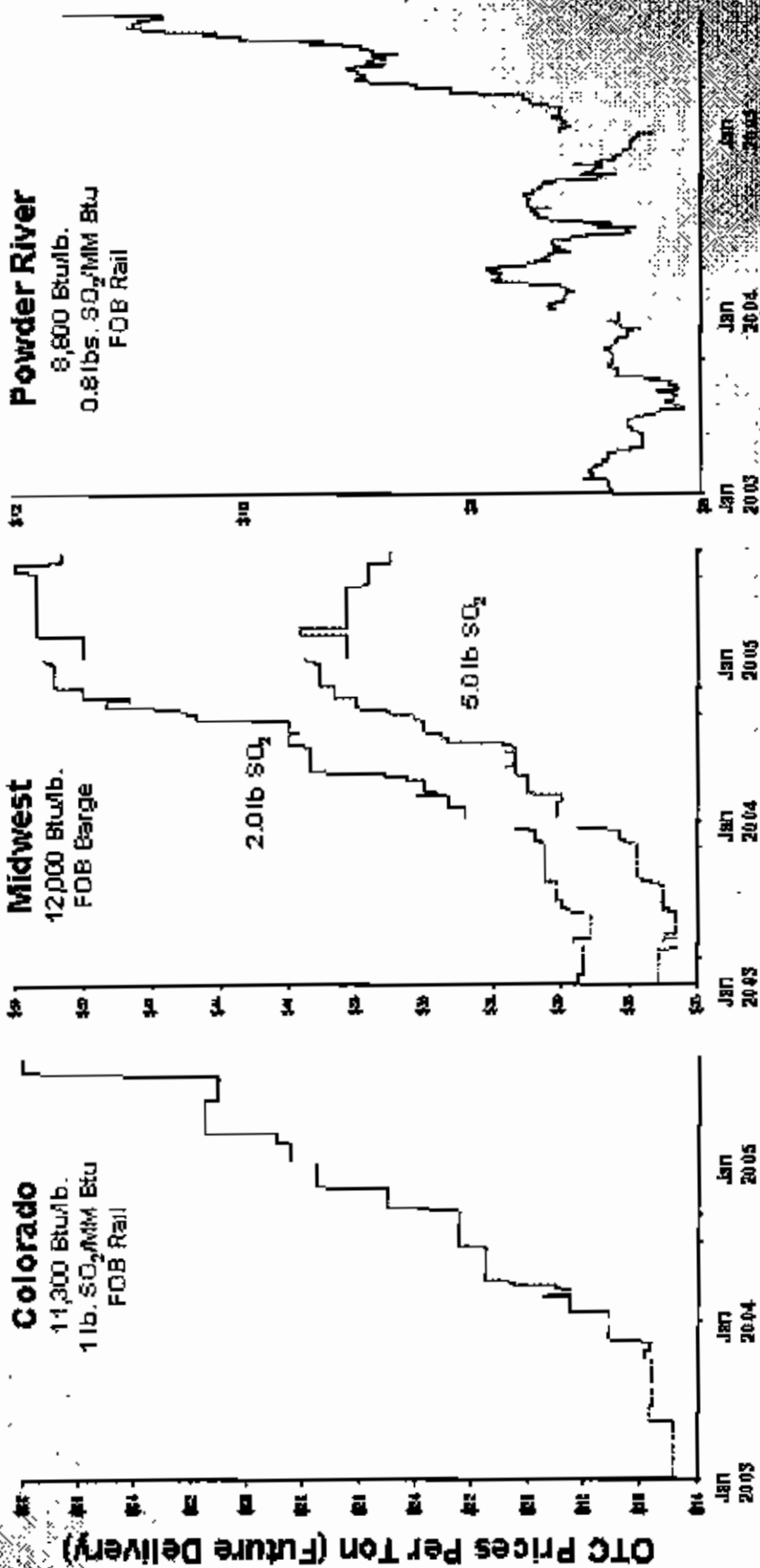
- Global coal plant generation at record high levels
 - Capacity utilization of 75%
- U.S. power plant stockpiles at record low levels
 - 20% below five-year average (25 million tons)
- Global transportation infrastructure strained
 - Ports, rail, barges struggle to keep up with demand

- China steel production up 28% YTD
- Global steel demand expected to reach another record of 1.2 billion tonnes in 2006
- China, India and Brazil will dominate growth in global steel production
- Supply constraints will remain

Peabody

Peabody Has Best Leverage to Strongest Markets

Peabody is #1 in Colorado, the Midwest & Powder River



9 - 11 Million Tons Per Year 35 - 40 Million Tons Per Year 125 - 135 Million Tons Per Year

Values represent average over-the-counter (OTC) prices per various broker sources for ratable delivery in subsequent calendar year. This is a thinly traded market for small quantities of coal. (Updated Aug 31, 2005)

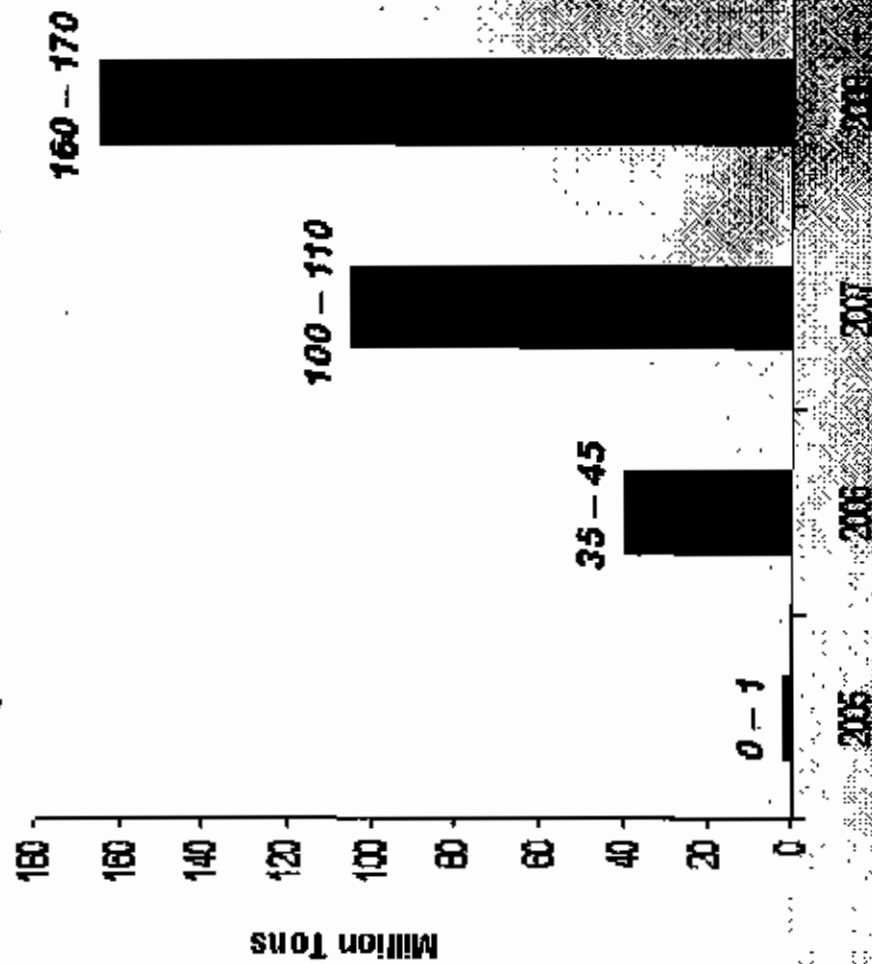
Peabody

Peabody Has Best Leverage to Strongest Markets

Significant Upside Due to Unpriced Volume

- More than 75% of unpriced volumes are in the Powder River Basin, Midwest and Colorado
- Peabody is the #1 producer in each of these improving markets
- Revenue growth enhanced by term contracts at current prices

Unpriced Tons At June 30, 2005



Peabody

Peabody Best Positioned to Grow Shareholder Value

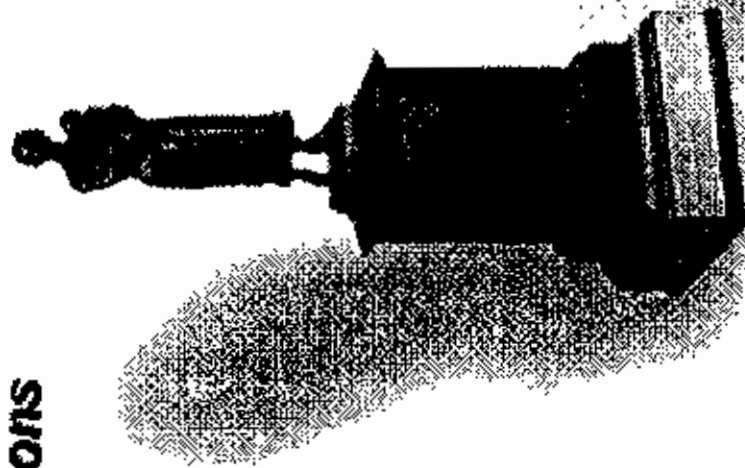
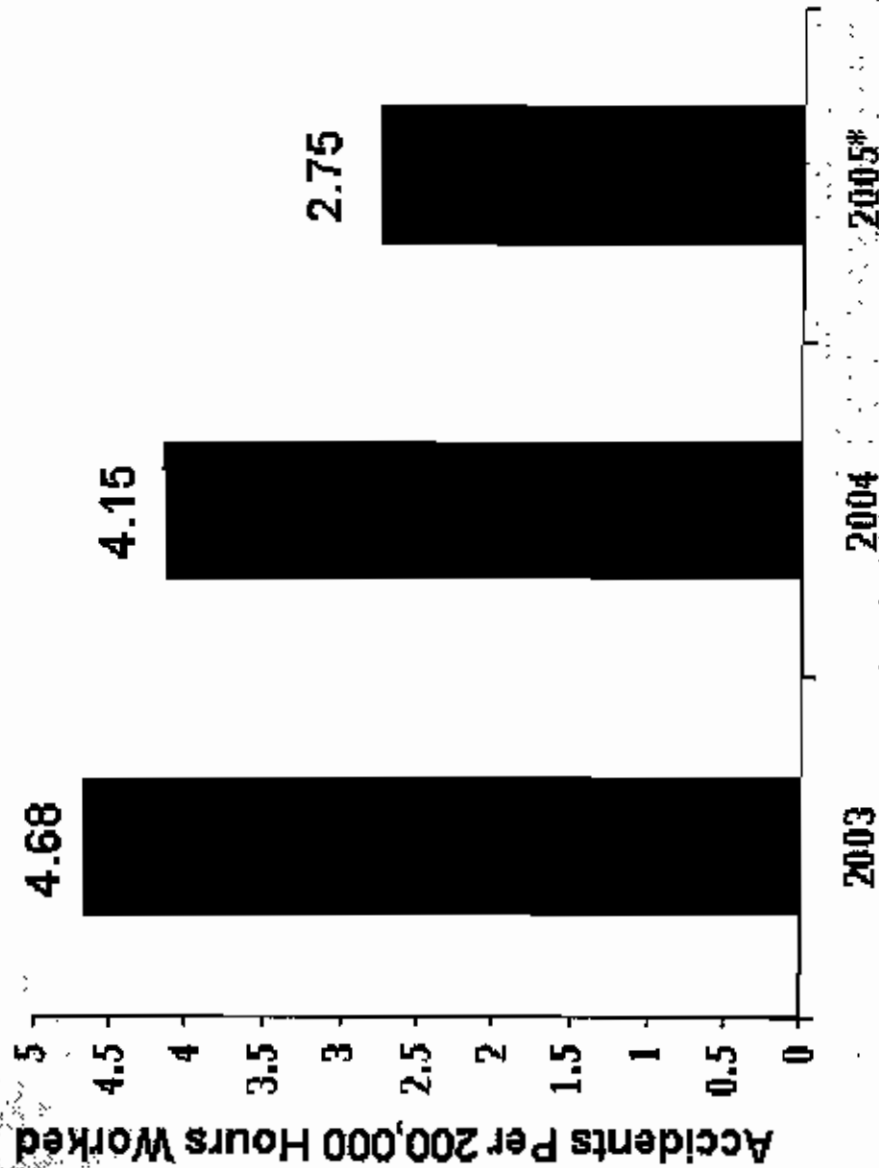
Growth Fueled By...

- Executing the basics
- Capitalizing upon organic opportunities
- Expanding into global markets
- New electricity generation
and Btu Conversion technologies

Peabody

Executing the Basics Improves Safety

Managing Safe, Low-Cost Operations



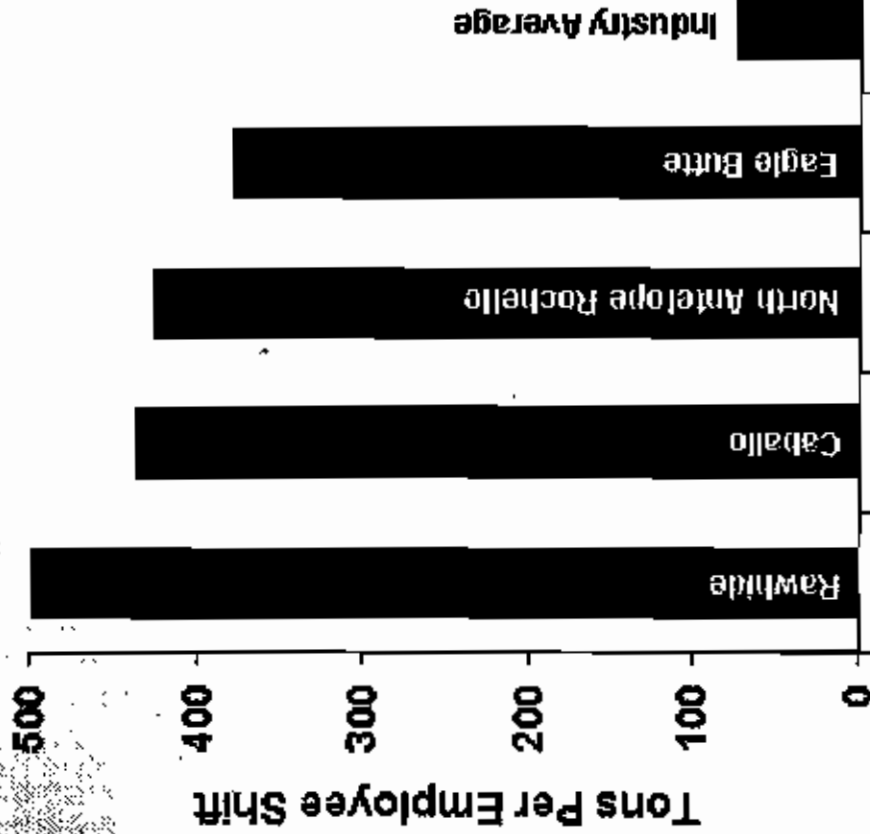
Peabody's North Antelope
Rochelle Mine was named
the safest surface mine in
the United States in 2004

Reportable U.S. accident incidence rate per 200,000 miner hours worked
*First half 2005.

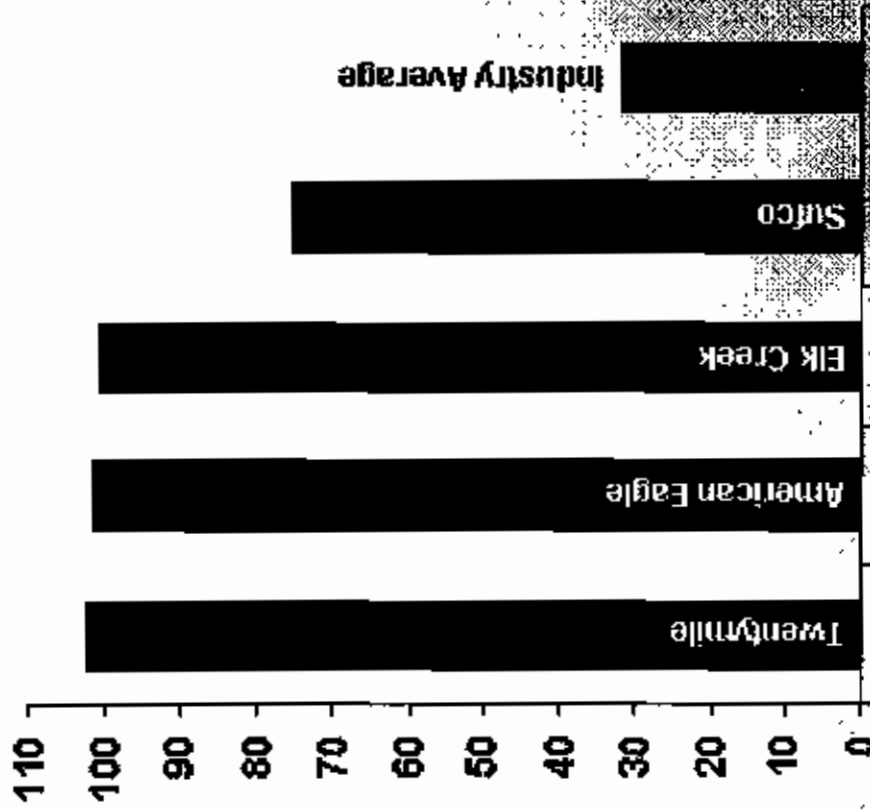
Peabody

Peabody Operates Most Productive Mines

Surface Mines



Underground Mines

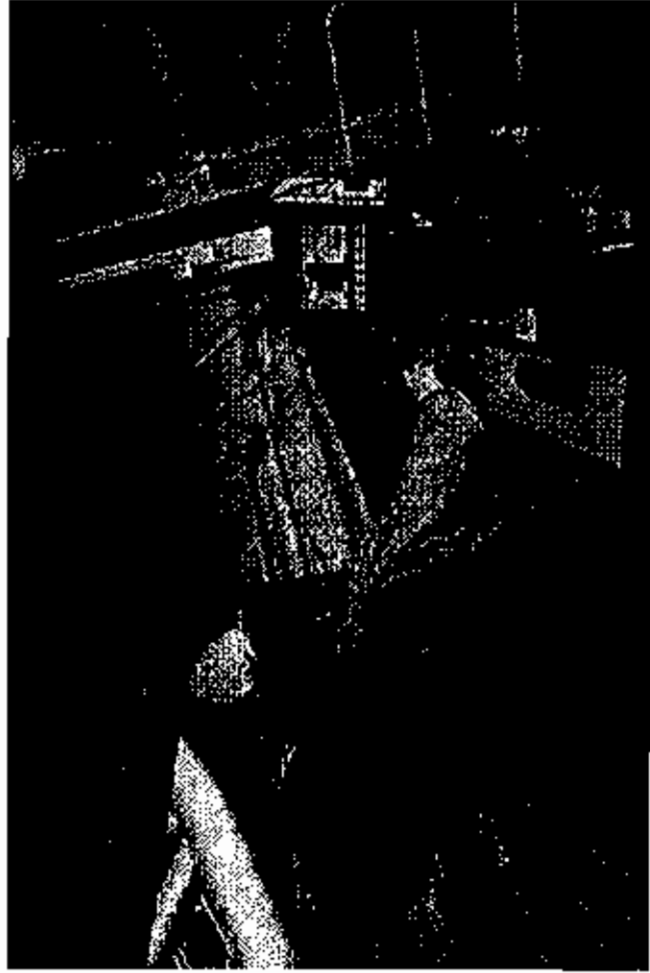


■ Peabody Mine

Peabody

Peabody Aggressively Manages Capital and Costs

Productivity Improvements Create Value



A 23% improvement in dragline productivity freed up a truck-shovel fleet, increasing production for no added capital.

- "Capital efficiency" projects
- Process improvement initiatives
- Fuel, steel and tire consumption teams
- Conditioned-based maintenance programs
- Creation of Peabody training centers

5% Productivity Improvement ~ \$100 Million in EBITDA

More than 30 Reclamation Awards in Five Years



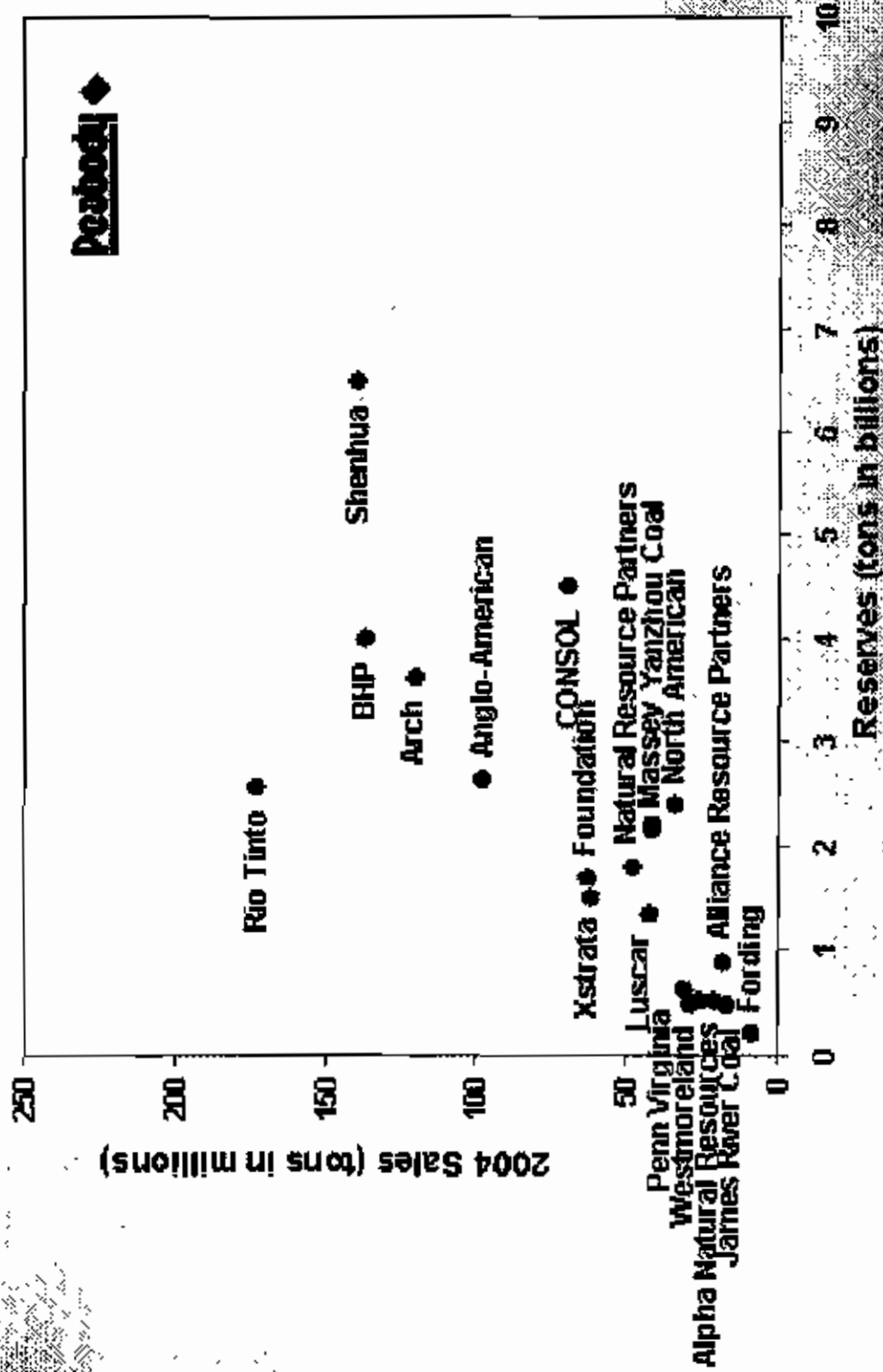
Farmersburg Mine in Southern Indiana was recognized for developing innovative reclamation techniques that improve crop yields.

- Mission Statement: "When the mining is complete, we will leave the land in a condition equal to or better than we found it."
- Peabody received six major awards in 2004
- BTU named "Coal Company of the Year" for three of past five years at Global Energy Awards

Peabody

Peabody Has Unmatched Organic Growth Opportunities

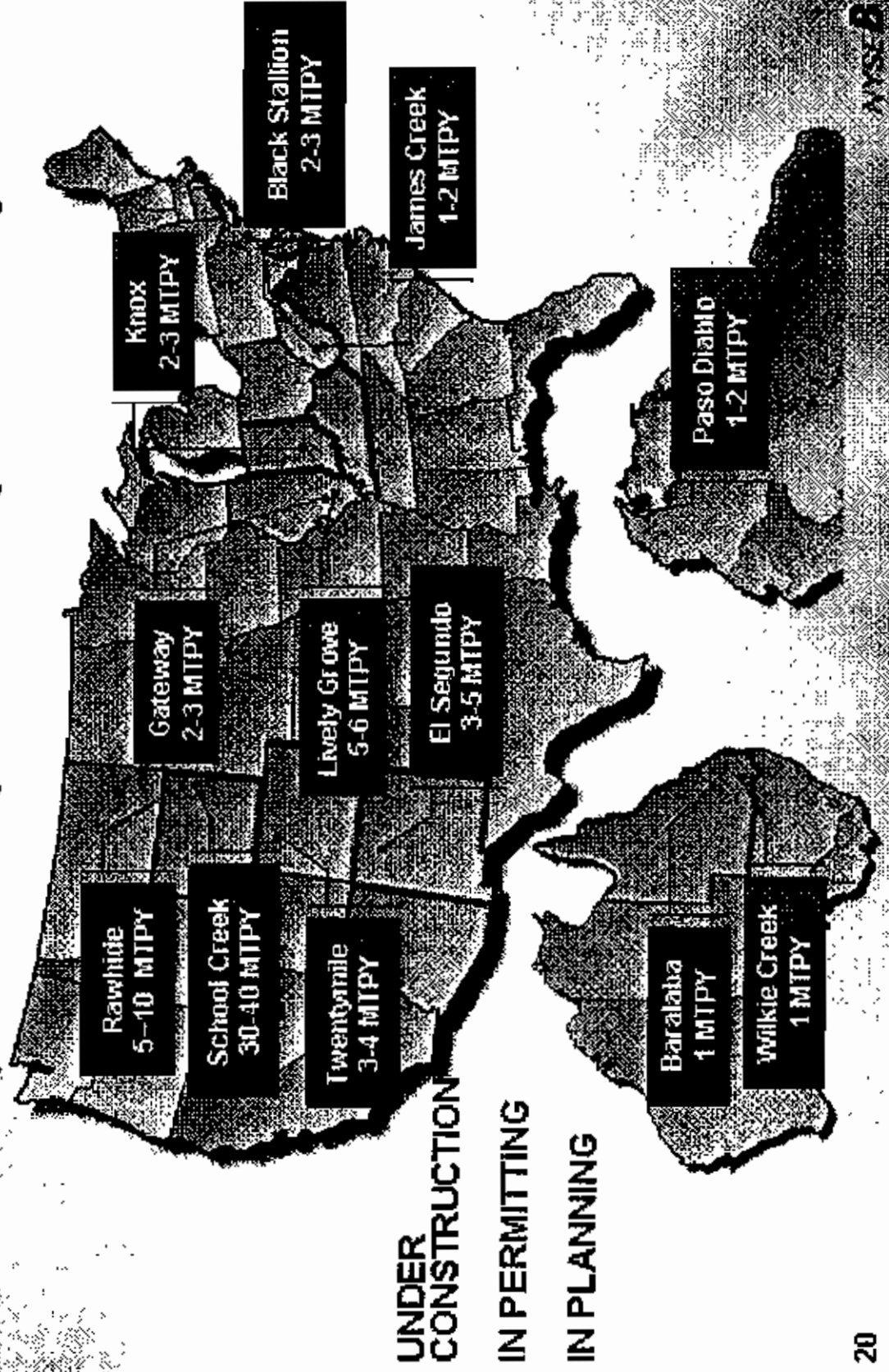
Leading Sales and Reserve Position



Peabody

Peabody Seeks to Double Prior Five-Year Volume Growth

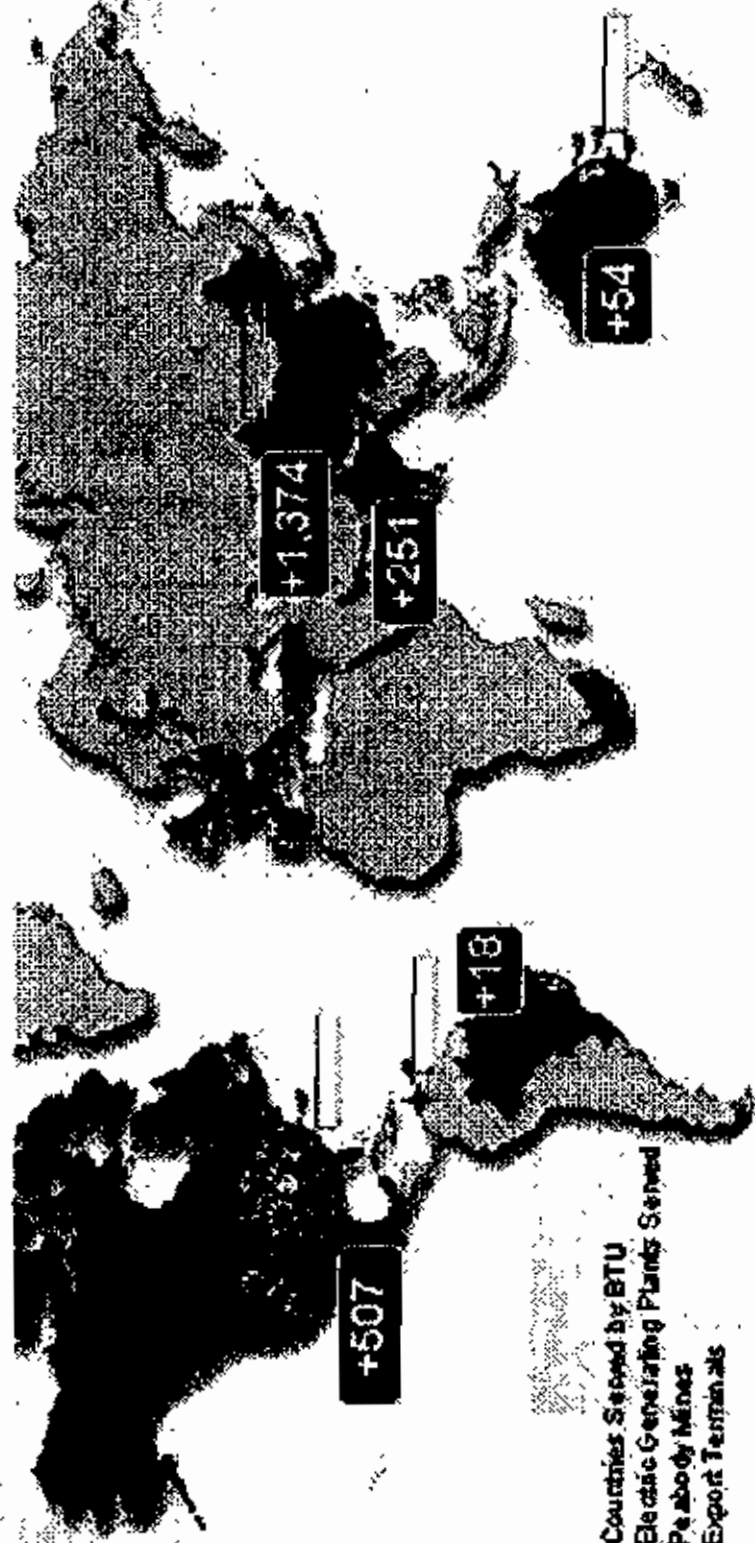
Developments and Expansions Add Up to 75 MTPY by 2010



Peabody

Peabody Expanding to Serve High Growth Markets

1 Billion Ton Sales Book Serves Customers in 16 Countries



- Countries Served by BTU
- Electric Generating Plants Served
- ★ Peabody Mines
- ▼ Export Terminals

■ Growth in Total Annual Coal Demand
2002-2025 (Million Short Tons)

Peabody

Peabody Expanding to Serve High Growth Markets

U.S., China, India Represent 90% of Expected Coal Growth

United States

- Largest economy growing at \$350 billion per year
- World's largest coal reserves
- Growing 25 million tons per year

China

- Fastest-growing economy; 9% GDP growth for two decades
- Growing by 200 - 300 million tonnes per year

India

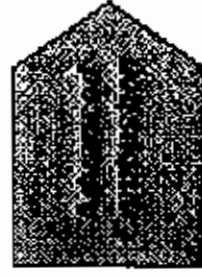
- 1 billion person population & 6% GDP growth
- World's largest increase in coal imports over next decade

Peabody

**Emerging Markets Create
Significant Demand Upside**

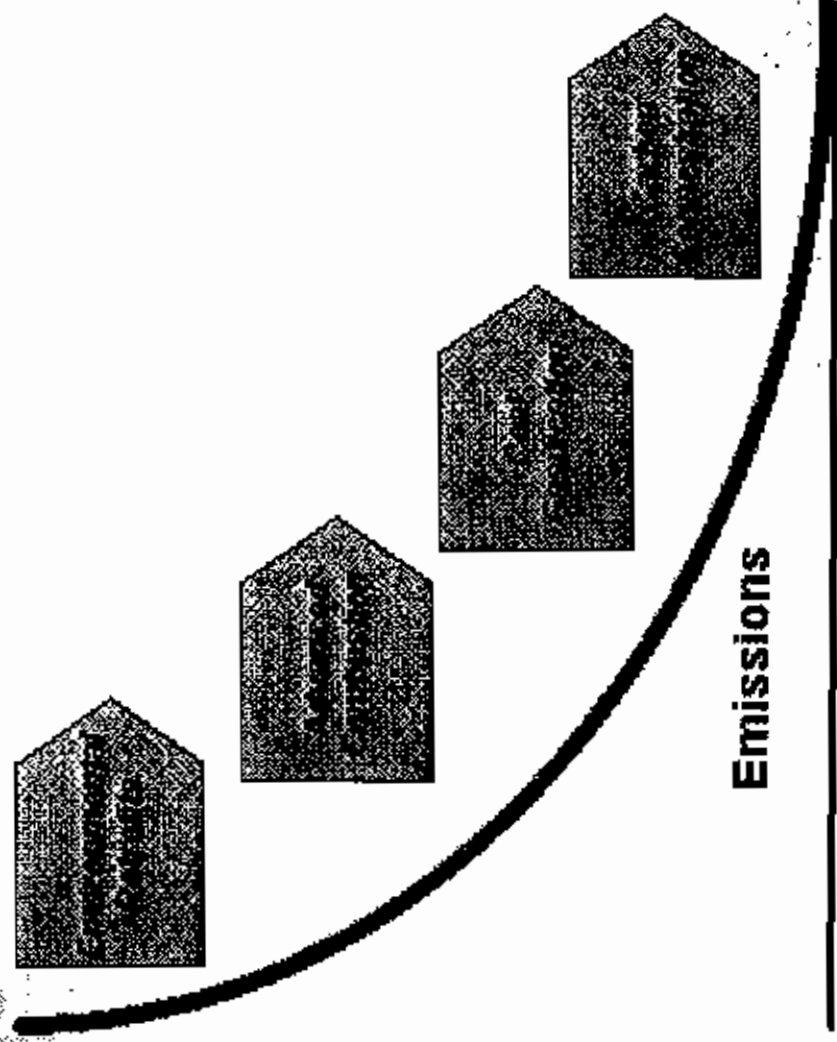
Technologies Expand Current Markets and Create New Markets

Current Markets



Emerging Markets

- **Gasification
for Pipelines**
- **Liquefaction**
- **Hydrogen
Production**



Today

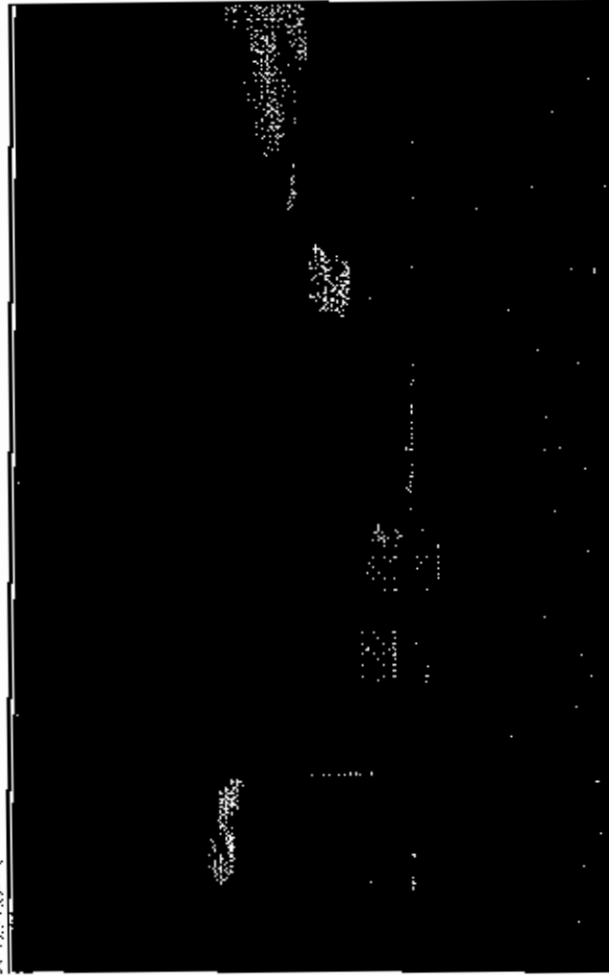
2025

Peabody

Mine-Mouth Generating Plants Unlock Value in Reserve Base

Two 1,500 MW Generating Stations Under Development

- Mine-mouth model offers 20% to 40% cost advantage
- Agreement with partners for 47% of Prairie State
- Final air quality permits working through appeals process
- Ultra-clean emissions from best available technologies

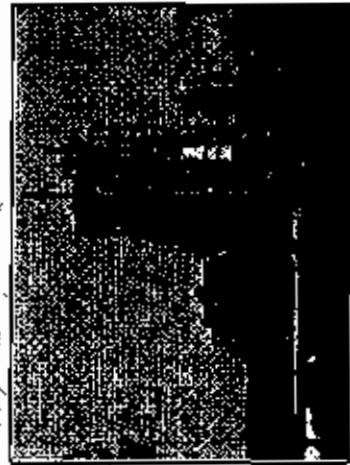


*The planned Prairie State Energy Campus
in Washington County, Ill.*

Peabody

Btu Conversion Technologies Commercial Now

Gasification



Coal Gasification Research Facility, Alabama

- Gasification for generation at \$3 to \$5/MM Btu
- Pipeline-quality gas at \$5 - \$6/MM Btu

Liquefaction



Planned "Coal to Diesel" Plant in Erdos, China

- High gas prices point to need for coal-to-liquids
- Coal-to-liquids at \$35 - \$40/barrel oil

Hydrogen



Proposed "Zero-Emissions" FutureGen Project

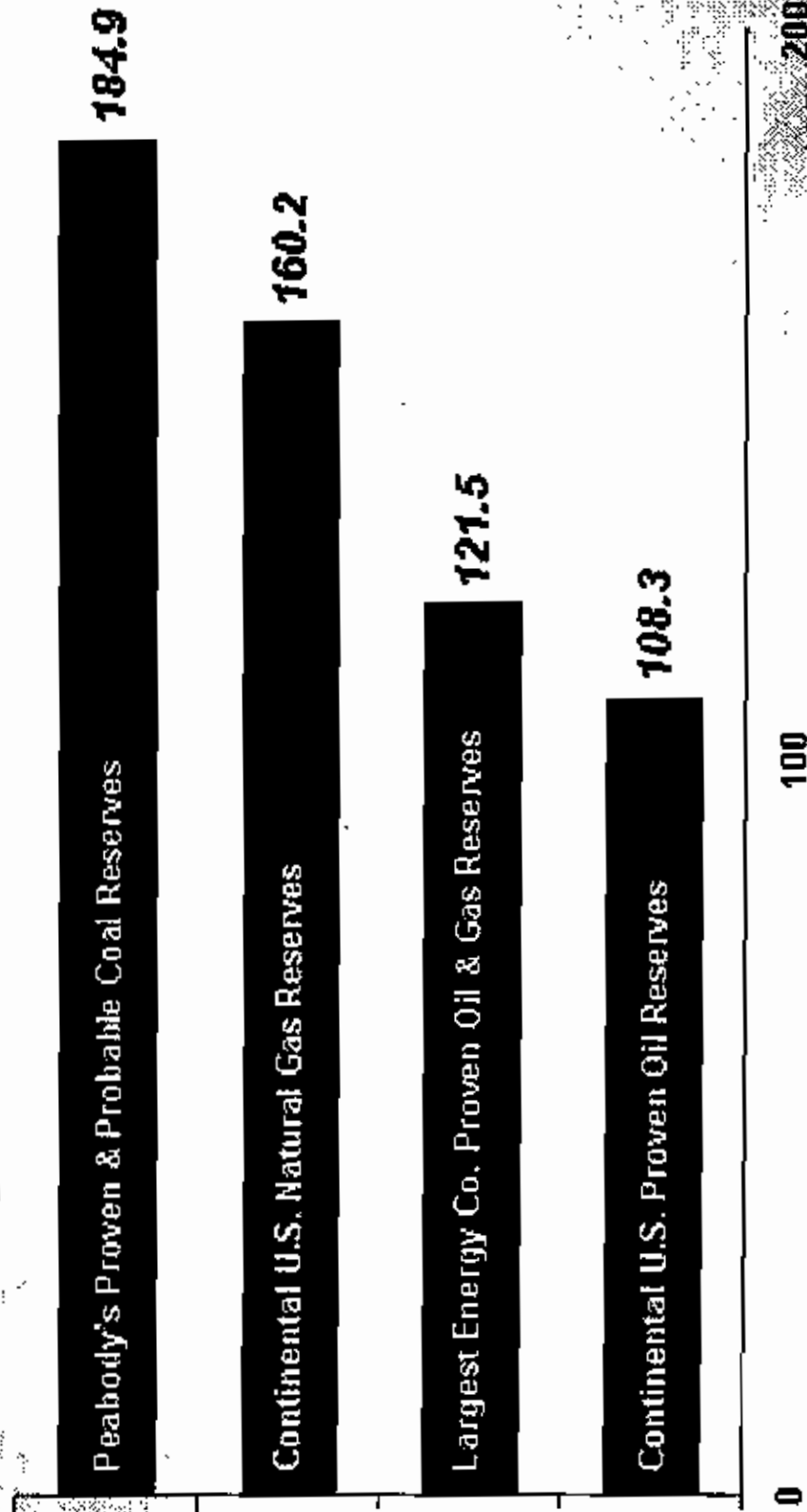
- Coal can produce H2 for fuel cells and transportation
- Peabody part of alliance to advance FutureGen

Energy Policy Act of 2005 Contains \$9 Billion for Coal Technologies

Peabody

Peabody's Reserve
Base is Unparalleled

Energy Value, Quadrillion British Thermal Units



BTU Has 30 New 100 Million Ton Sites for Generation / Btu Conversion

Source: 2004 annual reports for selected energy companies, Energy Information Administration's U.S. Crude Oil, Natural Gas, and Natural Gas Liquids Reserves.

Peabody

Peabody has Best Reserves to Participate in Btu Conversion

Peabody's 9.6 Billion Tons of Coal Represents

17,586

**TERAWATT HRS. =
OF ELECTRICITY**

**5 years
of U.S.
electricity
demand**

243

**TCF OF
NATURAL GAS**

**10 years
of U.S.
natural gas
demand**

1.43

**TRILLION GALLONS
OF DIESEL**

**42 years
of U.S.
trucking fuel
demand**

Peabody

Btu Conversion has Tremendous Value-Add Potential

Coal

■ 9.6 billion tons x \$30/ton \$288 billion

Electricity

■ 17,586 TWh x \$40/MWh \$700 billion

Natural Gas

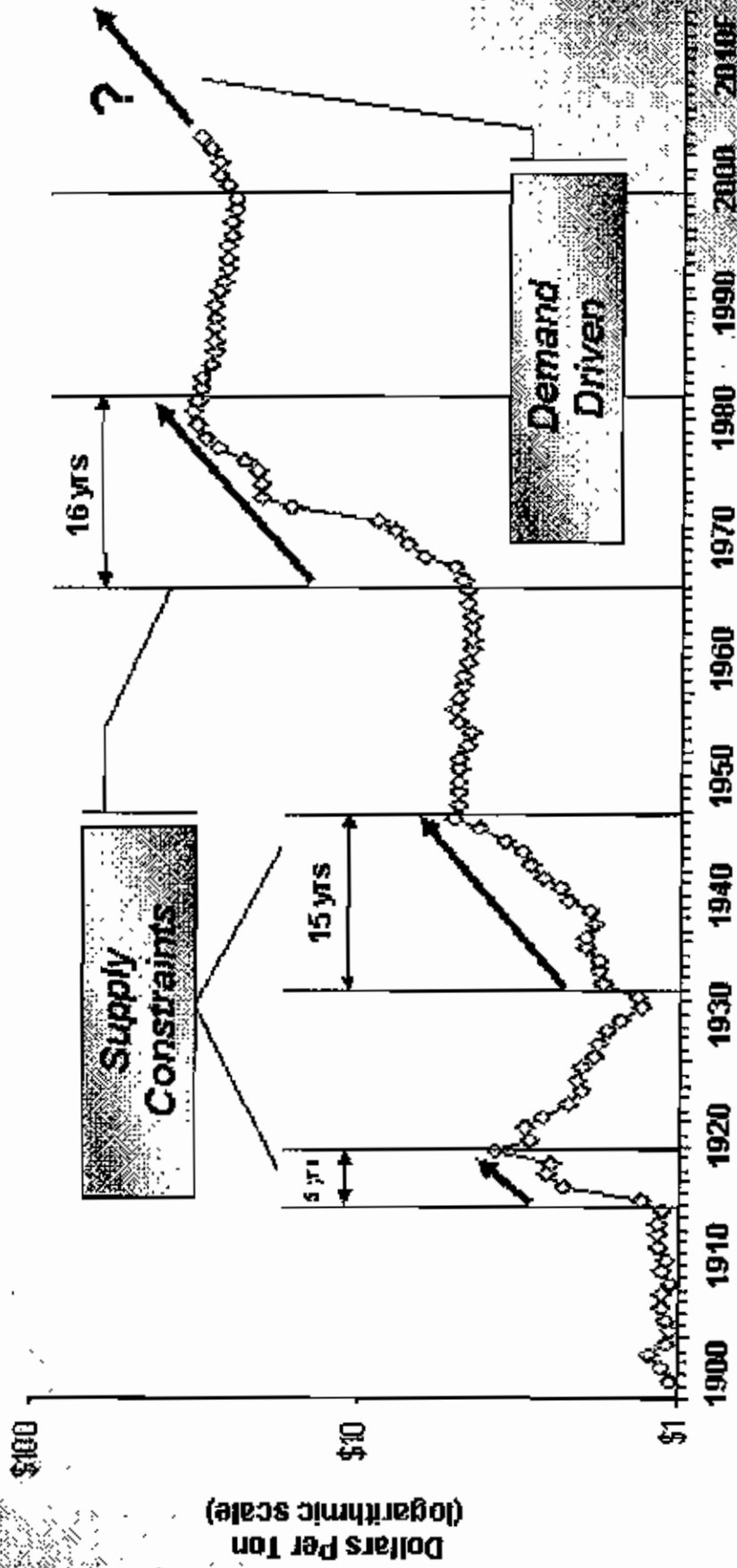
■ 243 tcf x \$7.50/mcf \$1.8 trillion

Diesel Fuel

■ 1.43 trillion gallons x \$2.50 \$3.6 trillion

Oil & Gas Companies Valued at 40x to 60x Coal on a Btu Basis

U.S. Bituminous Coal Prices

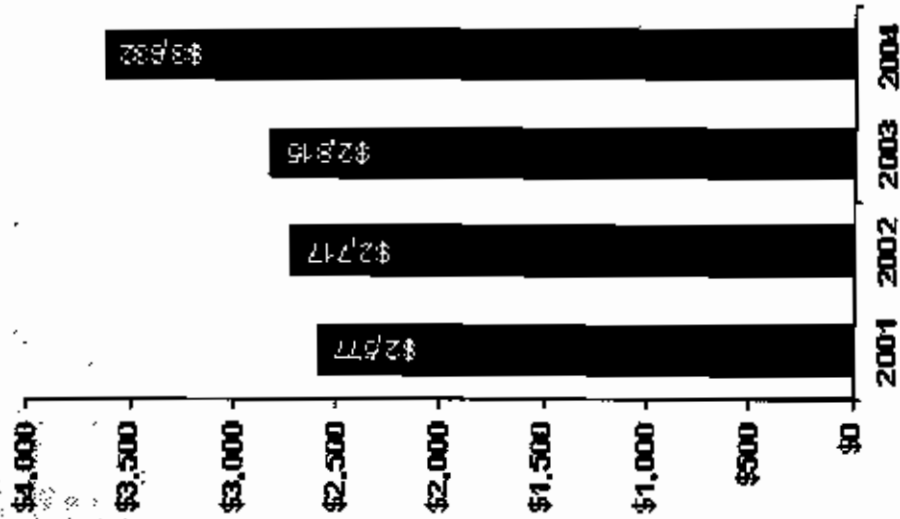


Nominal dollars.
Source: Bureau of Mines prior to 1940, EIA data 1940-2007, Peabody estimates 2002-2004

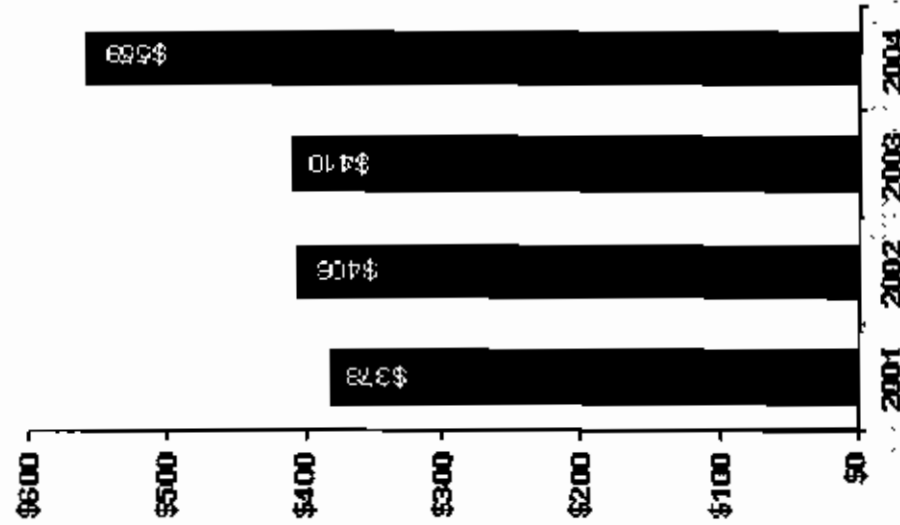
Peabody

Peabody's Record is Unmatched

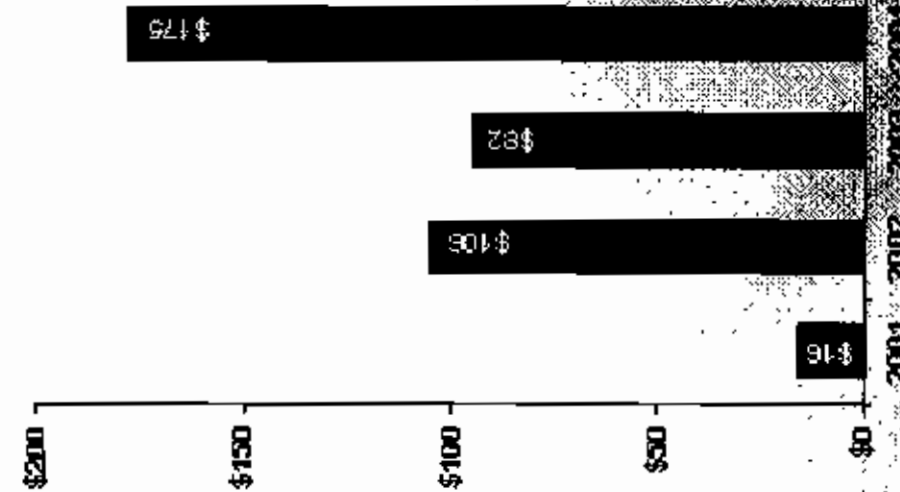
Revenues



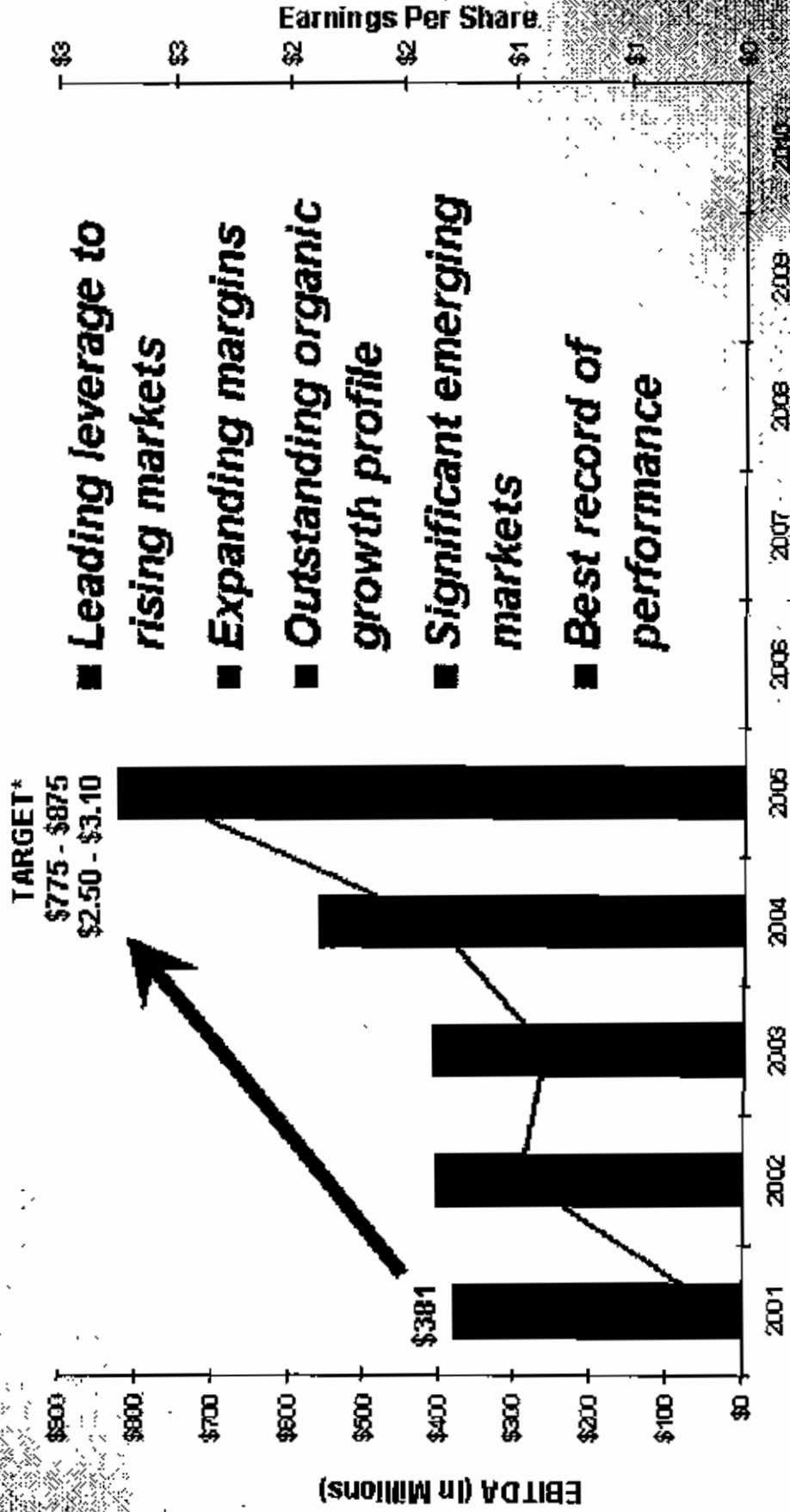
EBITDA



Income¹



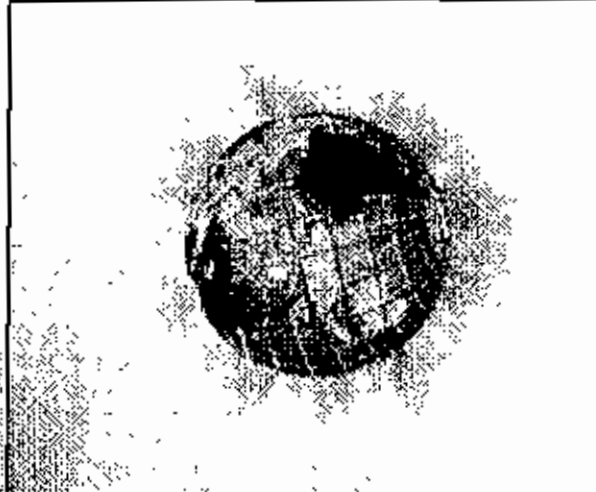
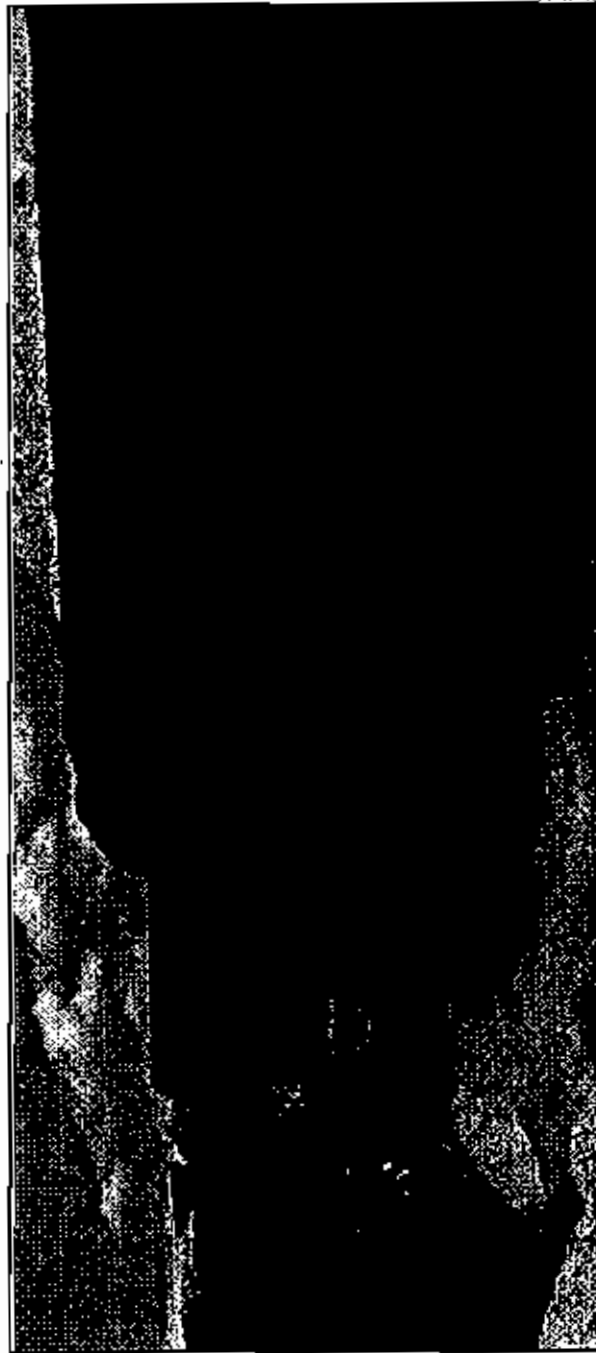
In millions. All years based on calendar 12-month performance. Excludes operations discontinued in 2001.
¹ Income from continuing operations, excluding charges related to 2003 pre-tax debt extinguishment.



Excludes discontinued operations, early debt extinguishment and cumulative effect of accounting changes. Earnings per share values reflect March 2005 2-for-1 stock split.

* Targets were announced on July 19, 2005 and are provided for historical purposes only. They have not been adjusted to reflect possible changes in expectations or current views.

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