



PEOPLE POWER COMMUNITY

2013 A YEAR IN REVIEW

PRAIRIE STATE

Generating Company

PRAIRIE STATE

GENERATING COMPANY





The Prairie State Generating Company, LLC is a model for the future of energy.

As one of the largest energy projects in the United States, Prairie State serves as an example of how legislators, regulators, public power agencies, corporations, and communities can work together to provide domestic, reliable, and environmentally friendly energy to a region.

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Prairie State Generating Company

People. Power. Community.

For decades, public power utilities and rural electric cooperatives have been meeting the needs of their customers with responsible and affordable power, exceptional service, and a local focus on community initiatives. The power is quite literally in the hands of the public, as rates and generation decisions are made by members of the communities they serve.

To reliably meet growing power demands and ensure customers stable rates for the future, eight public power agencies and the world's largest coal company invested in a technologically advanced electrical generation facility and adjacent coal mine, now known as the Prairie State Energy Campus (PSEC). Since 2012, Prairie State has been providing base-load electricity on behalf of its owners to more than 2.5 million families, across 180 communities from Missouri to West Virginia.

Public power agencies are able to prepare for inevitable market changes, by hedging future risk and investing in their own sustainable generation assets. The public power investment in Prairie State is an example of progressive planning. Energy Expert and Former Director of the Illinois Power Agency, Mark Pruitt, further explains generation asset investment analysis

in the October 2012 issue of *Illinois Country Living Magazine*.

"My Sunday school teacher used to ask 'When did Noah build the Ark? It was before the rain.' It was hard for Noah, with years and years of effort and everyone wondering why he did it. I personally believe that electric co-ops are doing the hard work necessary in the current challenging times to prepare for the long-term best interests of their members. And I would suggest that co-op members are likely to be thankful in the future for the foresight that co-op leaders have demonstrated."

Prairie State and its employees maintain the same principles, as set forth by public power: to supply our owners with reliable power produced in a safe and environmentally responsible manner. Upholding our mission has some added benefits, including supporting the economic growth of our campus's home community in Washington County, Illinois.

In 2013, Prairie State's power plant continued on its path of progress. While the year had its operational challenges, it did yield many changes and actions that will produce important improvements in Prairie State's performance in the years to come. The power plant successfully

completed its first scheduled maintenance outage in the fall on Units 1 and 2, making significant progress on increasing future reliability. Throughout the year, Prairie State's team of industry experts worked urgently and aggressively to mitigate issues as quickly as possible, while maintaining safety and compliance standards well above the industry average. Prairie State's senior leadership team members have an average of more than 30 years of diversified industry experience. Prairie State is actively developing and deploying strategies, including human error prevention tools, in order to achieve much higher reliability while driving towards a zero-accident and injury environment for all its employees.

Through February of 2014, Prairie State's power plant is exceeding its budgeted availability numbers and is focused on continued reliability improvement throughout the year. With an intense focus on our company's core values: safety, integrity, stewardship, respect, and innovation, the Prairie State Energy Campus will continue to move energy forward in communities across the Midwest for decades to come.

A photograph of a construction site for a new building. Two workers in orange safety vests and hard hats are on a red scissor lift, working on the upper part of the structure. The building has a dark brown metal roof and light-colored vertical siding. In the foreground, there are stacks of lumber and a yellow sawhorse. A large, semi-transparent circular graphic is overlaid on the left side of the image, containing the text '\$785M' and a paragraph about economic impact.

\$785^M

Prairie State's estimated economic impact on the region annually

Community Impact

Prairie State works to be a good neighbor, giving back to the community in a number of ways.

- Since inception, Prairie State has hired more than 250 local vendors and suppliers, spending more than \$80 million in Washington County, IL alone.
- Prairie State's location within the West Washington County School District enabled the completion of a new K through 12 facility, with a reduced building fund contribution for local taxpayers. In 2013, the district celebrated its first day of school in this modern learning environment, with more than 540 students.
- Through Prairie State's contribution and dedication to the community, a new Lively Grove Township Hall was constructed. In October 2013, Prairie State and its neighbors celebrated with a ribbon cutting and dedication of the building, now being used for Township Board meetings, voting, and equipment storage for road maintenance vehicles.

Workers build a new township hall for Lively Grove.

A photograph of a pumpkin festival. In the foreground, several large, orange pumpkins are displayed on a paved area. In the middle ground, a man in a black shirt stands with his back to the camera, looking at a large pumpkin being moved by a white forklift. The forklift operator is wearing an orange shirt. Other people, including children and a man in a red shirt, are scattered around. In the background, there are white tents, trees, and a large building with a green roof. The sky is blue with scattered white clouds.

stable

Having enough power in an increasingly unsure power supply world

New Bremen, Ohio

A long-term strategy for stability and security.

In 2007, New Bremen, Ohio was faced with endlessly increasing market power rates. All of the city's wholesale contracts were headed for non-renewal, and the town owned only about 20 percent of its sources. Prairie State seemed like the only viable solution.

"Most people are unaware of how clean Prairie State is compared to coal plants of 30-40 years ago."

– Wayne York, Village Administrator of New Bremen, Ohio

"Prairie State was a long-term strategy for New Bremen," said Wayne York, village administrator of New Bremen.

The New Bremen Giant Pumpkin Growers set a Guinness World Record for the World's Largest Pumpkin Pie on September 25, 2010 with a twenty-foot-diameter pie that weighed 3,699 pounds.

"The intent of getting into Prairie State was to ensure that New Bremen had a reliable and adequate supply of power in an increasingly unsure power supply world."

New Bremen now has firm generation owned assets for 10.2 MW or 74% of its peak summer load, providing stability and security for its 3,000 residents.

"It's going to be around for a long time," said York. "We believe the Prairie State project will prove to be a huge benefit to the community."

American
Municipal Power



About AMP

American Municipal Power, Inc. is a non-profit leader in wholesale power supply for municipal electric systems. AMP serves 129 members in the states of Ohio, Pennsylvania, Michigan, Virginia, Kentucky, West Virginia and Delaware. Combined, these publicly owned utilities serve approximately 625,000 customers.

Illinois Municipal Electric Agency



About IMEA

The Illinois Municipal Electric Agency provides wholesale electricity to its 33 members, which they resell on the retail market. IMEA's goal is to keep power costs low and to be insulated from the high prices that are increasingly common in the short-term power market.

growing

Powering new construction
and area jobs





Mascoutah, Illinois

Powering growth in the community.

Mascoutah, Illinois, offers the benefits of small town relaxation and quiet, while being close to big city amenities like airports and universities. Lately, Mascoutah’s appeal has been catching on, causing a few growing pains for its utility.

“Reliability and long-term, stable power costs are very important to my city and my citizens,” said Gerald Daugherty, mayor of Mascoutah. “Prairie State is a key component of the power supply we receive through the Illinois Municipal Electric Agency and will provide benefits to my community for decades to come.”

“Prairie State allows us to provide the best services for our citizens,” said Cody Hawkins, city manager of Mascoutah. “We can stay competitive with our rates, and our response time is twice as effective.”

Young basketball talent plays a tight game at the Mascoutah Civic Center.

“Prairie State is a good source of reliable power, and it’s having a huge impact on jobs in the community and southern Illinois.”

– Cody Hawkins, City Manager of Mascoutah, Illinois

“Our citizens appreciate that when our power goes down, we have our own people out there to fix it,” said Daugherty. He adds that when Prairie State was built, the whole area was excited about the employment opportunities.

“We definitely get an economic boost from the plant,” said Hawkins. “We get a lot of plant employees passing through town – and we’ve seen some new construction and interest from developers in the area.”

dependable

Recognizing the benefits and
reliability of public power



Peru, Indiana

Putting coal resources to maximum use.

Located in north central Indiana, Peru Utilities covers the city of Peru and one-third of Miami County, serving a total of 10,300 customers. As a member of the Indiana Municipal Power Agency (IMPA), the utility has a blended portfolio of resources, which includes Prairie State.

“We ought to make maximum use of our abundant coal resources,” said Roger Merriman, general manager of Peru Utilities. “I believe coal should continue to be the primary fuel in America, since it is plentiful and inexpensive. Prairie State is especially efficient because it sits on top of a coal mine, saving fuel in transportation costs.”

The people of Peru were grateful for their utility’s performance and dedication to service this past winter. While many other

local utilities’ customers lost power for days, only two Peru customers were temporarily without power.

“The benefits of public power, generation ownership, and the reliability of Peru Utilities is well-known throughout the community.”

“We invested significant money in Peru’s distribution system, and it’s paying off,” said Merriman. “We have an extremely talented group of employees – the community recognizes that and appreciates what we do.”

“We’re not here to produce dividends for shareholders – we’re here to provide reliable, cost-efficient service to our customers.”

– Roger Merriman, General Manager of Peru Utilities

The community of Peru recognizes and appreciates the reliable power it receives from Peru Utilities and Prairie State.

Indiana Municipal Power Agency



About IMPA

As a non-profit organization governed by its members, the Indiana Municipal Power Agency (IMPA) focuses on providing the 60 municipal electric utilities it serves with a wholesale power supply that is low cost, reliable and environmentally responsible. Peru is a founding member of IMPA.

Missouri Public Utility Alliance



About M^PUA

The Missouri Public Utility Alliance is a not-for-profit service organization that represents municipally-owned electric, natural gas, water, wastewater and broadband utilities working together for the benefit of their customers – customers who, in effect, “own” the utilities in their community. The joint action agency portion of M^PUA is the Missouri Joint Municipal Electric Utility Commission (MJMEUC), which currently has 67 municipal members serving 347,000 customers, with a combined peak load of over 2,639 MW.



strategic

Lower power rates
benefitting the city and
its citizens



Kirkwood, Missouri

Long-term cost savings tailored to the local community.

Called the “Queen of the St. Louis Suburbs,” the city of Kirkwood, Missouri, serves 10,000 households in a six-mile radius. Known for its historic homes and abundance of trees, the city also boasts a historic downtown, an Amtrak passenger train station, an active farmer’s market, and the Magic House, a renowned children’s museum.

“Our power strategy gives us enough margin that we can apply 5% of our revenues to the general fund – for police, fire and street work.”

– Mark Petty
Director of Kirkwood Electric

The Kirkwood fire department benefits from revenue generated by the city’s power strategy.

Kirkwood joined the Missouri Public Utility Alliance (MPUA) in 1981, banding together with other municipalities to purchase power from Prairie State Energy Campus. Mark Petty, director of Kirkwood Electric, said having ownership of the policies and practices of an essential commodity has given the community greater security and reliability.

“We help people out by saving them money,” Mark said, “and they can depend on us on a regular basis. It’s rewarding to do this for our own community.”

“Our power strategy gives us enough margin that we can apply 5% of our revenues to the general fund – for police, fire and street work,” Mark said. “Low cost power benefits the city without raising taxes on our residents.”

Prairie Power, Inc.



About PPI

Prairie Power, Inc. is a member-owned, not-for-profit electric generation and transmission cooperative, which produces and supplies wholesale electricity to 10 electric distribution cooperatives in central Illinois. PPI's distribution cooperatives provide retail electric service to approximately 78,000 consumers within their local service territories. PPI owns and operates approximately 590 miles of transmission lines at 138 kV, 69 kV and 34.5 kV; 141 MW of oil and gas-fired peaking units; and 78 distribution and transmission substations to serve its members.

common
sense

Better serving their
customers and the
environment





Eastern Illini Electric Cooperative

Promoting energy from Illinois.

Covering an area 100 miles north to south, and 50 miles east to west, of Paxton, Illinois, Eastern Illini Electric Cooperative serves 13,500 metered accounts with coal-fired power from Prairie State.

“We had a contract with Ameren, and when that ended, we looked at alternative power,” said Brad Ludwig, director of Eastern Illini. “Prairie State looked like a good plan – it had long-term advantages and reasonable prices.”

“We wanted to promote Illinois power and achieve stable prices,” added Mike Wilson, manager of communications and community relations at Eastern Illini. The co-op is not shy about promoting the benefits of using Illinois coal.

Eastern Illini has improved power reliability in Paxton, Illinois, even during ice storms.

“Prairie State is an excellent example of new coal technology,” said Bob Hunzinger, CEO of Eastern Illini. “We have over 500 years of coal reserves. It’s a security issue – we don’t have to import.”

“Prairie State is an excellent example of new coal technology.”

– Bob Hunzinger, CEO of Eastern Illini Electric Cooperative

“It’s a common sense approach,” said Wilson. “By getting clean power from Prairie State, we can be mindful of the environment and better serve our member-owners.”

Southern Illinois Power Cooperative



About SIPC

Southern Illinois Power Cooperative is a generation and transmission cooperative providing wholesale electric power to seven member distribution cooperatives and two wholesale customers in Illinois. Annual revenues are \$200 million and assets are approaching \$1 billion. SIPC owns and operates over 900 miles of high-voltage transmission lines and multiple substations.

Egyptian Electric Cooperative Association

A partnership for the future.

Headquartered in Steeleville, Illinois, Egyptian Electric serves Jackson, Perry and Randolph counties, as well as parts of St. Clair and Washington counties. In 2006, facing anticipated growth in industry, the utility needed to expand its plant or build a new one. The most logical solution was to partner with Prairie State.

“It’s a pleasure working for an organization where the primary focus is on serving our co-op members and not having to worry about short term gains for investors.”

– Bryce Cramer, Member Services Manager of Egyptian Electric

“Prairie State offers us a long term power supply solution to hedge against future volatility,” said Bryce Cramer, member services manager for Egyptian Electric.

“Besides, coal is important to our region – many of our members are employed in the coal industry.”

“It’s a pleasure working for an organization where the primary focus is on serving our co-op members and not having to worry about short term gains for investors,” said Cramer. In addition to helping people use electricity more efficiently, the utility supports the community in other ways.

Egyptian Electric recently offered six \$500 Classroom Empowerment Grants to fund innovative projects in schools located within the co-op’s service area. Qualifying projects needed to improve the learning environment or increase educational resources for the school. James Riddle, executive vice president and general manager of Egyptian Electric, said, “We are committed to the community, and improving conditions for local students is a priority.”

Prairie State helps power the Bigham family farm and other agricultural businesses near Steeleville, Illinois.



committed

Handling load needs
well into the future



reliable

Continuing to improve
system reliability and
safety for all customers

Princeton, Kentucky

Called reliable for a reason.

Located just 48 miles east of Paducah, Kentucky, Princeton Electric Plant Board chose to purchase power from Prairie State in order to lock in the cost of electricity with the fixed cost of coal, providing more stable rates for its customers. Although over three-fourths of those customers are residential, it's Princeton Electric's partnership with a manufacturing company that really put its name to the test.

"We demonstrated through Prairie State that we can burn coal cleanly. It's a shining example of what we can do with coal."

– John Humphries, General Manager of the Princeton Electric Plant Board

The Bremner Food Group manufactures cookies and crackers, employing 600 at its plant in Princeton. When Bremner had a problem with the power shutting off about

Utility and plant officials in Princeton, Kentucky work together to improve system reliability and safety.

once a week, the company experienced a significant amount of lost raw materials and labor. "It turned out they were tripping off the high-side fuses on our transformers," said John Humphries, general manager of the Princeton Electric Plant Board. "They couldn't continue to operate like that, and we couldn't continue to buy transformers."

Utility and plant officials worked together to improve reliability, and now the power almost never goes off at Bremner's plant. Even though the cause of the outage problem has been eliminated, Princeton Electric continues to work on improving system reliability and safety. As a result, Bremner has decided to expand operations in Princeton.

"Princeton Electric has improved rates and improved economic development in the area," said Humphries. "We have a good story to tell, and part of that includes reliable power."

Kentucky Municipal Power Agency



About KMPA

The Kentucky Municipal Power Agency delivers affordable and reliable electric power to customers, while keeping in mind a responsibility to the environment. KMPA helps its members in planning, construction and operation of new energy facilities, as well as joint purchases, sales and exchanges of electric power.

Northern Illinois Municipal Power Agency



About NIMPA

The Northern Illinois Municipal Power Agency (NIMPA) was established by a group of Illinois cities that furnish retail electric service to the public through municipally owned electric utilities. NIMPA jointly develops electric energy generation projects that their member communities would not otherwise be able to develop on their own.

Geneva, Illinois

Taking control of their destiny.

The quiet town of Geneva, Illinois, is situated on the Fox River, 40 miles from Chicago, where 20,000 commuters take the train to the windy city every day. Over the years, the city has grown from a quaint river town to a flourishing community with a vibrant downtown, and historic homes and businesses, making it a highly desirable place to live.

“This is the largest investment the city of Geneva has ever undertaken, and we believe we got it right.”

– Kevin Burns, Mayor of Geneva, Illinois

“Our history is one of independence – we’ve always owned our own utility,” said Kevin Burns, mayor of Geneva. “Partnering with Prairie State allows us to take control of our own destiny. It’s a long-term investment for the next 30 years.”

Having a fixed price makes it easier to budget for other city operations, such as snow removal or street work. “We can expand capacity as needed,” said Burns. “It’s a balanced portfolio with Prairie State the anchor to our energy needs.”

“Prairie State was affordable, secure, and the cleanest coal-producing energy of its kind,” said Burns. “For economical and reliable energy, Prairie State is the best solution.”

Graham’s Chocolates, located in Geneva, Illinois’ charming downtown, relies on Prairie State power.



control

Fixed pricing, making it
easier to budget for other
city operations



About Peabody Energy

Peabody Energy (NYSE: BTU) is the world's largest private-sector coal company and a global leader in sustainable mining and clean coal solutions. The company serves metallurgical and thermal coal customers in more than 25 countries on six continents. Peabody Energy's sustainable energy solutions enable economic prosperity and a better quality of life.



coal

Clean, abundant, affordable
energy for the world



Advanced Energy for Life

Energy poverty. It's the world's number one human and environmental crisis. It holds people and societies down, cripples health and damages the environment.

Access to energy is an essential gateway to modern living, longer lives and powerful economies. Peabody Energy is leading a comprehensive global campaign, Advanced Energy for Life, aimed at building awareness and support to end energy poverty, increasing access to low-cost electricity and improving emissions using today's advanced clean coal technologies.

Advanced coal technologies include high-efficiency supercritical coal generation, state-of-the-art emissions control applications and coal conversion methods through gasification.

A critical step in improving emissions around the world would be far greater deployment of these existing technologies. Let's work together to improve energy access for all. Visit AdvancedEnergyForLife.com.

"We need to recognize the enormous health and environmental benefits in ending energy poverty, eliminating household air pollution and increasing access to low-cost electricity. Everyone in the world deserves to live as well as those in developed nations. Let's use more energy, more cleanly, every day."

– Gregory H. Boyce, Chairman and Chief Executive Officer of Peabody Energy



Campaign powered by Peabody Energy

Path to Progress

2013 Milestones

In 2013, Prairie State Generating Company's (PSGC) power plant successfully completed its first scheduled maintenance outages on Units 1 and 2. PSGC completed the outages on schedule and on budget for planned work. During the Unit 1 scheduled maintenance outage, corrosion issues were identified and then mitigated, preventing future reliability problems, but extending the outage schedule. PSGC successfully completed the Unit 2 scheduled maintenance outage ahead of the 14 day schedule. The scheduled maintenance outages produced direct positive impact on the units' reliability, which is already showing up in 2014's first quarter results.

Continuing its path to progress, PSGC's power plant also successfully completed the shakedown period of its U.S. Environmental Protection Agency's (EPA) Clean Air Act Prevention of Significant Deterioration (PSD) of Air Quality Permit, proving to the Illinois and U.S. EPA that Unit 1 meets and in some instances, beats, its emissions limits and requirements. PSGC's Unit 2 will complete its shakedown period in May 2014.

PSGC and Bechtel Power, the construction company that built the power plant, finalized its Engineering-Procurement-Construction

Agreement, drawing PSGC's construction phase to a close at the end of 2013.

PSGC believes its employees are the company's greatest asset, and the driving force for its overall success. Safety is an integral part of PSGC culture, and it continues to build upon a first-class safety and health program with an aim of making PSGC one of the safest companies and the employer of choice for the best people in the industry. In 2013, PSGC is proud to report that the power plant did not have one lost work day injury as defined by the Occupational Safety and Health Administration's (OSHA) regulations and only two recordable injuries. The power industry average for lost work day injuries is one injury per year and three recordable injuries, per 100 employees.

The coal mine also showed great success in its safety record, recording only 1.98 total recordable injuries using the Mine Safety and Health Administration's (MSHA) standards for 2013. The mining industry average for 2013 was 5.3 recordable injuries. Coal mining is a heavily regulated industry and PSGC will host, on a daily basis, federal and/or state inspectors on its premises. The mining industry average for citations is 1.5 per inspection day; PSGC's



coal mine had an average of 0.56 citations per inspection day in 2013.

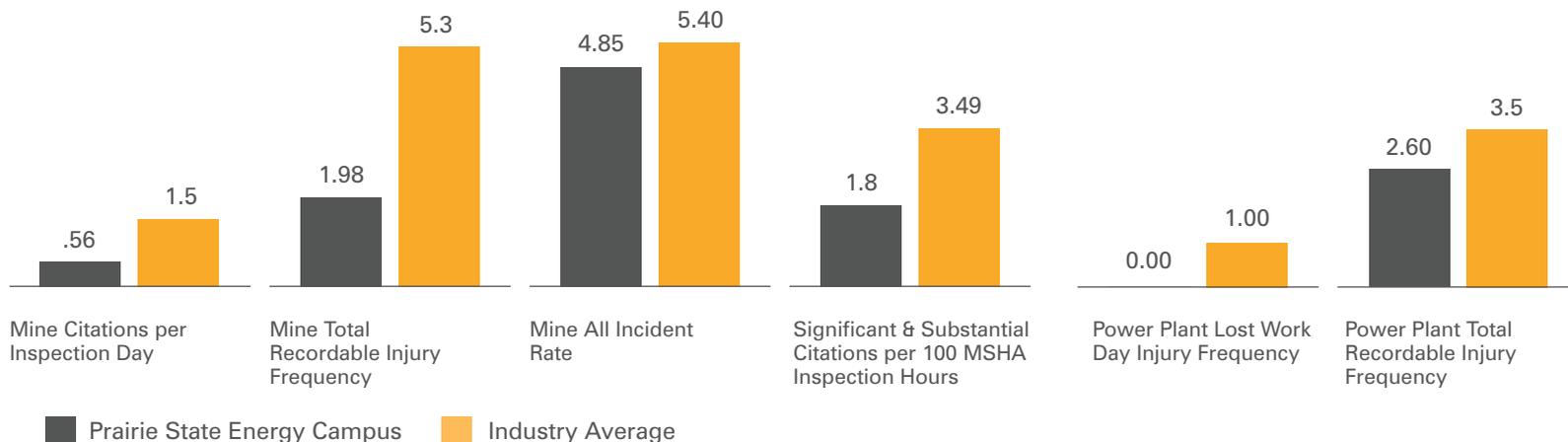
As PSGC closed out 2013 and focuses on its mission of "Safety. Reliability. Cost." for 2014, it is excited to demonstrate immediate improvement in the first quarter of 2014. PSGC's current EFOR is better than planned. While the year has just begun, PSGC continues to focus on improved reliability in all aspects of its business for 2014.

"If you are going to achieve excellence in big things, you develop the habit in little matters. Excellence is not an exception, it is a prevailing attitude."

– Colin Powell

Operational Status	Unit 1		Unit 2	Total Unit 1 & 2
	Net Generation (MWh)	3,895,650	4,511,753	8,407,403
Coal Consumption (Tons)	2,227,863	2,593,035	4,820,898	

Campus Safety & Compliance



Mine Production

4,629,711
Tons

3.76
Tons of coal per man hour

Power Plant EAF

62.67%
2013 EAF

81.7%
2014 EAF Goal

**EAF: The equivalent availability factor (EAF) is the proportion of hours in a year that a unit is available to generate at full capacity.*

2014 1Q Improvement – Through February

	Budget 2013	Final 2013	Budget 2014 YTD	2014 YTD
Safety (TRIF/LWDIF)		1.71/1.97		0/0
EAF	85.14%	62.67%	76.8%	80.6%
Coal Production Cost (\$/MMBtu)	\$0.86	\$1.18	\$1.01	\$1.06
EFOR	5.00%	28.35%	23.2%	19.4%
Generation (MWhs)	11,557,970	8,407,414	1,677,326	1,710,272
Operating Cost per MWh	\$19.69	\$27.48	\$24.38	\$26.92



PSGC hosted its first Employee Appreciation Day on campus at the Power Plant Assembly Hall on December 7, 2013 to celebrate the holiday season with employees and their families. More than 450 attendees enjoyed campus tours, games for all ages, visits with Santa, and plenty of food, fun and frivolity! PSGC employees are proud of the campus and were thrilled to share it with their friends and families.



Members of the PSGC Mine Rescue Team competed and placed third for the fastest overall time in the Illinois Mine Rescue and Bench Contest in Marion, Illinois—securing the team a spot at the National Mine Rescue Competition in Columbus, Ohio.

Management Committee



*Jack Alvey,
Senior Vice President
of Generation,
Indiana Municipal
Power Agency*



*Jay Bartlett,
President and CEO,
Prairie Power, Inc.*



*Michael Buffington,
President, Northern
Illinois Municipal
Power Agency*



*Bob Childers,
Senior Vice President
and CFO, Illinois
Municipal Electric
Agency*



*David Clark,
Paducah Power
System General
Manager, Kentucky
Municipal Power
Agency*



*Marc Gerken,
President and CEO,
American Municipal
Power*



*Don Gulley,
President and CEO,
Southern Illinois
Power Cooperative*



*Duncan Kincheloe,
General Manager and
CEO, MJMEUC*



*Jacob Williams,
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Alternate Members



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*Dan Dinges,
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*Randy Fisher,
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*Kevin Gaden,
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*Todd Gallenbach,
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*John Grotzinger,
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