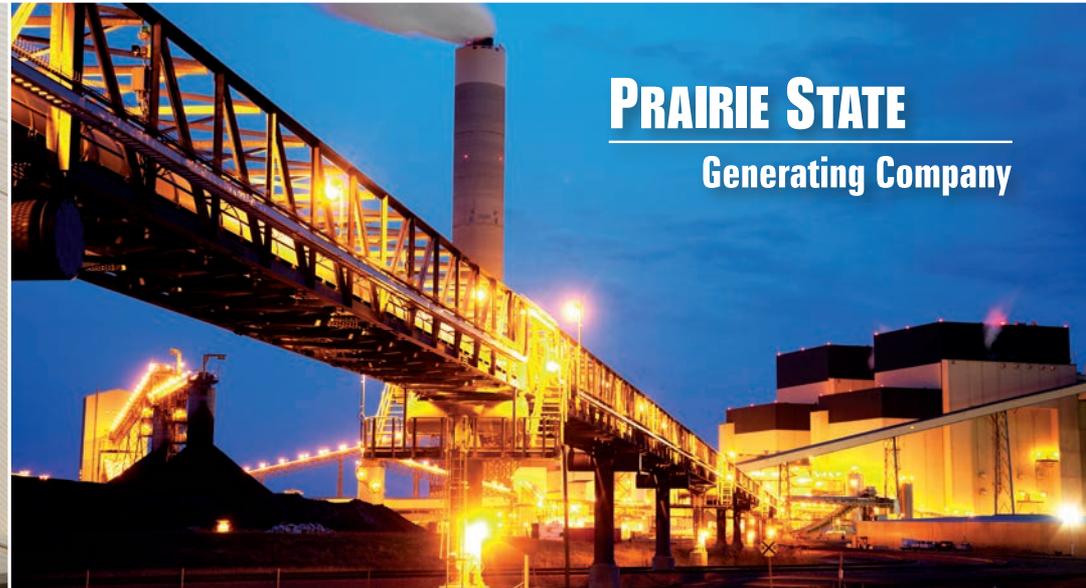




2014 | Leading Change for a Clean Energy Future



PRAIRIE STATE
Generating Company

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The Prairie State Energy Campus is a technologically advanced, mine-mouth electric generation facility, located in Washington County, Illinois, that utilizes domestic Illinois coal resources to power its 1600 megawatt power plant. The facility is owned by eight non-profit utilities and the world's largest coal company, all committed to creating a sustainable and secure energy future. Prairie State's Owners, which represent ten percent of public power, invested more than \$1 billion in environmental emissions control equipment, placing Prairie State's power plant among the cleanest in the nation.

The Prairie State Generating Company, the operating company of the Prairie State Energy Campus, is a model for the future of energy and is part of a balanced energy portfolio that can help transition to lower intensity carbon generation.

Leading Change for a Clean Energy Future

Letter to Our Owners



Don Gaston
President and CEO

It is my honor to address you as the President and Chief Executive Officer of the Prairie State Generating Company and present the 2014 Year In Review. Since joining Prairie State in November of 2014, I have had the opportunity to meet and work with the staff on campus, and it is clear that our Owners have recruited the most talented team I have ever seen to operate and maintain the facility.

The senior management team at Prairie State has more than 120 years of combined industry experience, and their dedication to achieve the results you and our member-owners expect and deserve is visible throughout the organization.

While 2014 proved to be a year of transition, realignment, and progress for Prairie State, I am confident in the abilities of our employees as strong individual performers. My job and mission moving forward is to bring that talent together to function better as a team so that we may demonstrate success in all areas of our business not just in 2015, but for decades to come.

Our strategic plan for 2015 and my definition of success at Prairie State focuses on the following:

First and foremost, we protect the people. Culture is the foundation of any successful company, and I want ours to inspire people to place safety at the forefront every day. I expect that we will operate one of the safest mines and safest power plants in the industry, and will not tolerate unsafe conditions or behaviors on our campus. We care about our employees and will make strides to ensure their safety every day. It is my strong belief that companies are only as good as their people, and the companies with the best talent win.

Second, we protect the environment. Protecting the environment while meeting the energy needs of our Owners goes hand-in-hand at Prairie State. Our power plant is state-of-the-art with the best

We protect the people. Culture is the foundation of any successful company, and I want ours to inspire people to place safety at the forefront every day.

possible pollution control equipment commercially available today, and consideration of the environment is incorporated in all campus practices at both the power plant and mine. I expect that the energy produced at Prairie State will be the cleanest that our Owners could purchase from coal-fired generation.

Third, we protect the asset. Our team will make decisions based on the long-term viability of the campus. Prairie State's equipment reliability will be feverishly managed through a comprehensive asset management plan, preventive maintenance testing, and proactive planning for upgrades and replacements. Well-maintained, reliable equipment will

deliver affordable electricity to those we serve. Our goal is to provide that reliability and affordability to our Owners' diverse fuel mix.

Last, but certainly not least, we will protect our Owners' interests by controlling cost. We will be good stewards of your investment and implement cost controls that provide a positive return on investment. I understand, and our employees understand, how important energy affordability is to our Owners, and with better management alignment and cost-cutting measures, we will carry this discipline into 2015.

We will be good stewards of the assets we manage and will ensure that we provide the greatest value possible to our Owners.

Prairie State's Year In Review highlights our past and ongoing efforts to provide affordable, reliable, environmentally responsible power to our Owners, while remaining sustainable in a changing industry. We are prepared for a stronger future and remain focused on delivering today's energy for a cleaner tomorrow.

Sincerely,



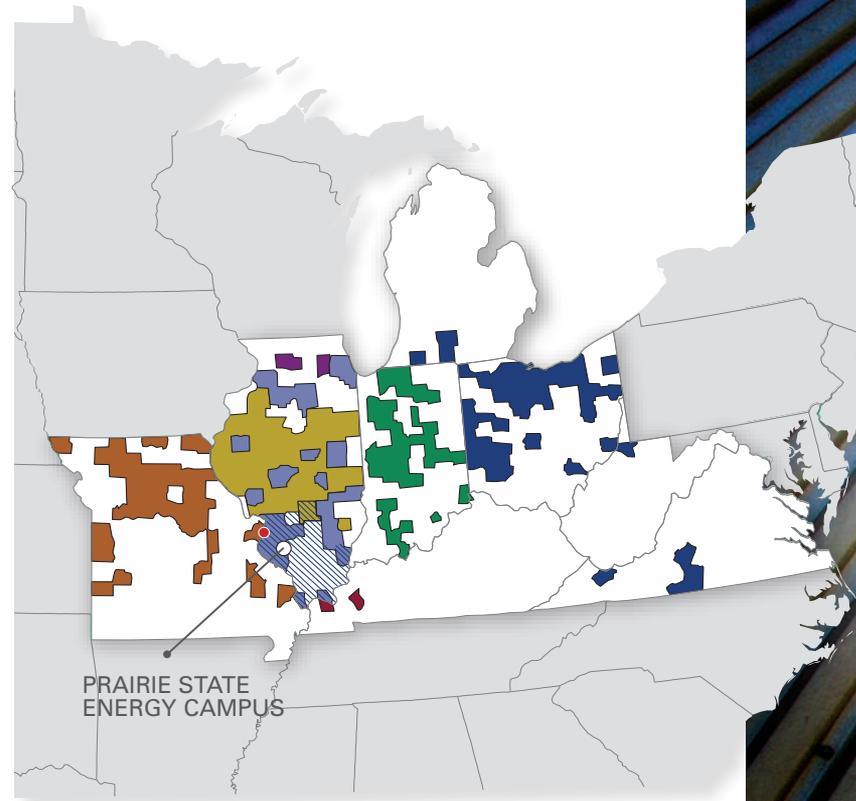
Don Gaston
President and CEO

Clean Energy for Our Communities

Our Footprint

Prairie State provides base-load electricity to its ownership group, which uses it to the benefit of its member-owner cooperatives and municipalities. As community-owned utilities, Prairie State's Owners focus on delivering reliable electricity to its members at a reasonable cost, while maintaining proper protection of the environment. In total, our Owners serve more than 2.5 million families across 180 communities from Missouri to West Virginia.

-  American Municipal Power
-  Illinois Municipal Electric Agency
-  Indiana Municipal Power Agency
-  Kentucky Municipal Power Agency
-  Missouri Joint Municipal Electric Utility Commission
-  Northern Illinois Municipal Power Agency
-  Prairie Power, Inc.
-  Southern Illinois Power Cooperative
-  Peabody Energy





PRAIRIE STATE IS
82% BELOW
THE U.S. COAL PLANT
AVERAGE FOR
SO₂ EMISSIONS



Maximizing Energy's Potential

Power Plant Operations Review and Results

Throughout 2014, and especially during the last quarter of the year, the Prairie State team made significant progress towards improved reliability and campus operations. A shift in executive and power plant leadership led to a more proactive approach for addressing operations and maintenance requirements, and delivered immediate results in the fourth quarter of the year – generation was increased by more than one million megawatt hours, the power plant recorded nearly a 30 percent higher Equivalent Availability Factor (EAF) and Net Capacity Factor (NCF), and there was an overall decrease of \$8.10 per megawatt hour, as compared to the fourth quarter of 2013.

In November of 2014, the power plant reached a significant station milestone, recording the highest EAF (95.4 percent) in plant history and exceeding the previous record of continuous operations with both units (36 days). The power plant finished the year with a final EAF of 72.48 percent, marking an overall 10 percent improvement in EAF from 2013 to 2014.

Everything our team did in 2014, and continues to do, is focused on getting the performance and reliability of the facility where it belongs, and where our Owners expect it to be – as a solid baseload power plant that provides electricity and capacity needs for the long term.

The standard for lockout/tagout (LOTO) at the power plant was improved in 2014 by automating the overall process. The LOTO process is very important to our employees' safety, and addresses the practices and procedures necessary to disable machinery or

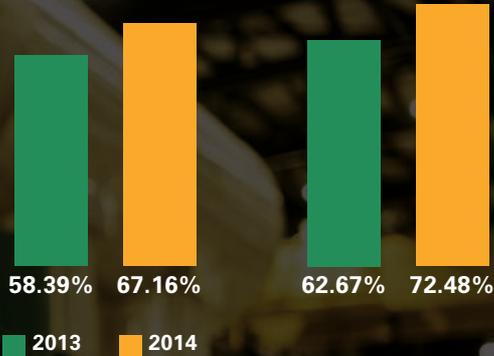




Power Plant Performance

Net Capacity Factor (NCF)

Equivalent Availability Factor (EAF)



10% INCREASE
IN GENERATION

Maximizing Energy's Potential [Continued]

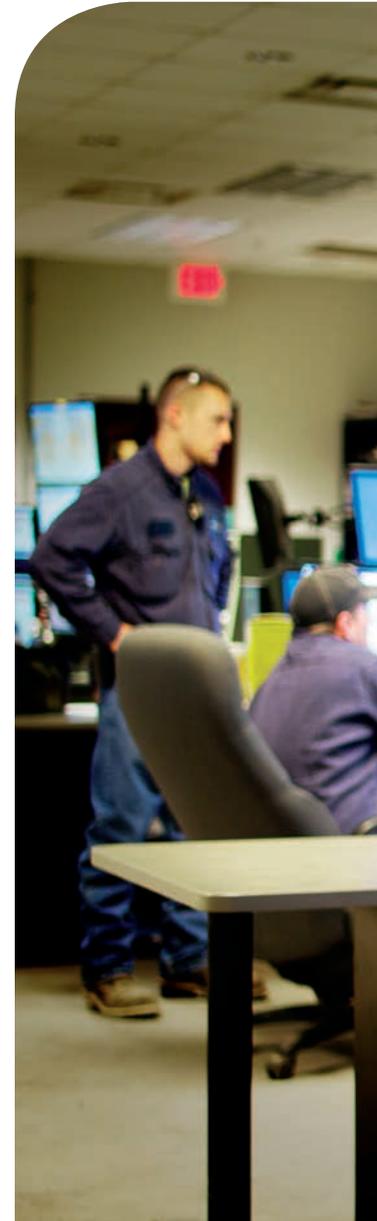
equipment while employees perform servicing and maintenance activities, as defined by the Occupational Safety and Health Administration (OSHA). Prairie State's newly automated LOTO system improved accuracy, and allows for a more timely completion of LOTOs during planned maintenance outages.

A reliability task force team was also developed by power plant leadership, helping to further instill a proactive employee culture and creating a stronger sense of system accountability. The team assisted with fine tuning and optimization of the units, working on pertinent rebuilds and fineness readings, root cause analysis and mitigation of every lost megawatt hour. Improvements to operations alarm management and

power plant reliability have been recognized in the last quarter of 2014 and into the first quarter of 2015 as a result of this task force.

In order to hedge future risk to operations, Prairie State initiated complete redesigns and overhauls to the power plant's pulverizers, and very diligently prepared for the spring 2015 maintenance outages.

Everything our team did in 2014, and continues to do, is focused on getting the performance and reliability of the facility where it belongs and where our Owners expect it to be—as a solid baseload power plant that provides electricity and capacity needs for the long term.





PRAIRIE STATE'S ENVIRONMENTAL
PERFORMANCE
RANKS AMONG THE
TOP 8%
OF U.S. COAL PLANTS
FOR NO_x EMISSIONS

 **4.10 TONS**
OF COAL PER MAN HOUR

4,556,816
TOTAL PRODUCTION TONS

17% 
INCREASE IN
PRODUCTIVITY AT THE MINE





Sustaining Momentum

Mine Operations Review and Results

Prairie State's Lively Grove Mine sustained momentum in 2014 by implementing continuous improvement initiatives to improve safety, increase production, and cut costs. The total number of accidents incurred within mine operations was reduced by 76 percent in 2014, as compared to 2013 safety performance. The mine management team implemented the following to achieve this dramatic improvement in safety performance: behavior-based safety program as a part of the National Mining Association's (NMA) CORE Safety Program, enhanced the Employee Safety and Health Advisory Group's (ESHAG) involvement in the root cause analysis review of past accidents and review of job shadowing observations to address the primary indicators of past safety incidents, and promoted visual awareness aids to educate and inform all mine personnel of any and all safety incidents.

These initiatives were established not only to improve safety in 2014, but also to ensure continued success towards achieving its goals of becoming a zero-accident and zero-injury environment in the future.

Prairie State's Mine Rescue Team competed and placed first at the Illinois Mining Institute State Rescue Competition in September. Eighteen teams from coal mines across Illinois, Indiana and Kentucky competed for top accolades, exhibiting their ability to respond to a potential emergency rescue. Prairie State's team received three trophies for their first place finish, with the most prestigious being the Governor's Trophy. As a relatively new team, this was a significant accomplishment. There is no greater insurance policy for a coal mining operation than a well-qualified mine rescue team in the event of an emergency, and Prairie State's team continues to improve each year.

Sustaining Momentum [Continued]

An innovative redesign of the mine plan, made by the mine's engineering department, resulted in an increase in reserve extraction and cost avoidance for major construction. This redesign plan, aptly named the Four Quadrant Mine Plan, split the coal reserves into four quadrants, which not only helps to avoid future costly overcast construction projects, but also allows for production flexibility.

Another major cost-cutting measure developed by the mine leadership team modified the current mining process to improve efficiencies and eliminate excessive wait times in the underground mining cycle. Front line supervisors were empowered by mine management to develop a comprehensive plan for maximum utilization of all underground equipment. As a result of these recommendations, productivity increased by 17 percent, annual spend was lowered by \$2M and the cost per ton metric decreased by \$0.30 per the ten-year mine operation's budget.

Continuity between the mine and other campus departments delivered further success. Representatives from the mine and environmental departments worked together to seamlessly prepare and submit a secondary mining plan to state and federal regulatory agencies. Prairie State was pleased to receive prompt approval for the implementation of this project. The secondary mining process yielded a lower cost per ton, higher fuel quality for power plant consumption, and also allowed for cost avoidance on permissible equipment otherwise required by regulatory agencies.

The mine's efforts and planning in 2014 were impactful to the year, but also well-positions mining operations at Prairie State for the longevity of the campus.





REDUCTION IN

TOTAL NUMBER OF ACCIDENTS
INCURRED WITHIN MINE OPERATIONS

People and Performance

Safety Matters

As Prairie State continues to mature into a leader in the power generation and coal mining industries, safety remains the organization's prevailing focus. In 2014, an internal safety team was assembled, with a new corporate safety manager at the helm, to oversee and coordinate campus-wide safety efforts. This group of industry professionals reviewed and made improvements to current safety and health practices at the mine and power plant, developed on-site resources, and set the foundation for sustainable safety and health process excellence.

Prairie State's two employee-driven safety teams, the Emergency Response Team (ERT) at the power plant and the Employee Safety and Health Advisory Group (ESHAG) at the mine, were also instrumental in taking safety excellence to the next level in 2014. Members of these groups provided support to their co-workers in the field and made major strides towards enhancing the overall safety culture of the campus.

The ERT attended training to improve their hazardous materials response and confined space rescue skills, with plans to add more than 30 state-certified emergency

medical first responders to their roster in 2015. To assure the safe-handling and transfer of anhydrous ammonia, a key component to the efficient operation of the air quality control systems at Prairie State's power plant, the ERT completed an in-depth process review and made improvements to add a higher degree of safety and protection for all employees and our operations. Team members are responsible for various areas of the power plant and complete inspections on a regular basis to gather data, identify trends and propose solutions to create a safer work environment.

ESHAG members are responsible for traveling underground to complete inspections monthly, looking for opportunities to improve the physical safety aspects and processes of the mine. With more than 30 state-certified emergency medical technicians on staff, and a well-trained fire brigade, Prairie State is a recognized safety leader in the mining industry.

At Prairie State, our employees begin and end their day with safety. We want every employee to return home to their families better than when they arrived.

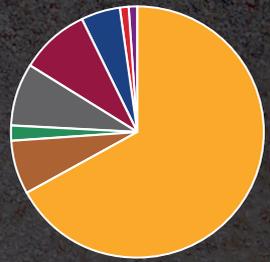


> Power plant employee, Jeff Miller practices rescuing teammate, Mike Frey, from a confined space during a training exercise.



15,548 HOURS OF TRAINING

PROVIDED FOR EMPLOYEES



- Safety = 67%
- Technical = 7%
- Communication = 2%
- Compliance = 8%
- HR = 9%
- Human Performance = 5%
- Management and Leadership = 1%
- Regulatory = 1%

Clean Energy and Consistent Compliance

Environmental Compliance and Responsibility

Prairie State and its Owners are committed to protecting the environment, investing more than \$1 billion in Best Available Control Technology (BACT) to ensure that the power plant could successfully burn domestic Illinois coal, while continuously meeting all permit and regulatory limits. Prairie State's power plant design also incorporates supercritical technology, consuming less coal to produce more energy and reducing the amount of carbon dioxide emitted.

Along with state of the art pollution controls, it takes a concerted effort across departments to achieve and maintain the environmental compliance achieved at Prairie State in 2014. The top four monitored air pollutants at power plants are nitrogen oxides (NO_x), sulfur dioxide (SO₂), particulate matter (PM) and mercury (Hg). Prairie State was in full compliance with all state and federal permit limits in 2014, successfully removing 85 percent of NO_x, 98 percent of SO₂, 99 percent of PM and 90 percent of Hg. Prairie State's operation and success is dependent upon meeting

and exceeding these permit requirements, and our employees recognize the importance of environmental responsibility.

In addition to maintaining continuous compliance in 2014, Prairie State's environmental team worked collaboratively with the Illinois Environmental Protection Agency (IEPA) to allow the utilization of PM monitors in lieu of opacity monitors for compliance with Federal emissions limits. This change has virtually eliminated the need to derate the units in response to opacity monitor indications.

The release of the U.S. Environmental Protection Agency's (EPA) proposed Clean Power Plan, which seeks to reduce carbon dioxide emissions, was highly anticipated by the energy industry in 2014. With input from our Owners, Prairie State prepared and submitted detailed comments to the agency. Prairie State is part of our Owners' diverse energy portfolio, and with its ultra-efficient design, our campus' carbon footprint is significantly smaller than the typical U.S. coal plant.





100% ENVIRONMENTAL
COMPLIANCE
WITH ALL STATE AND FEDERAL PERMITS

Campus Sustainability



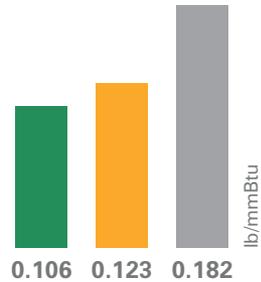
2014 RECYCLING EFFORTS
AT PRAIRIE STATE:
AN ESTIMATED **340,000** POUNDS
OF SINGLE STREAM RECYCLING



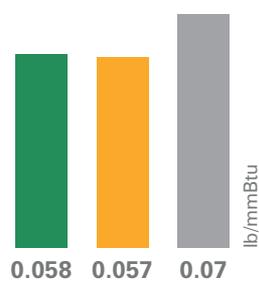
AN ESTIMATED
250 MILLION GALLONS
OF STORM WATER RECYCLED
AND REUSED ON CAMPUS

Environmental Performance

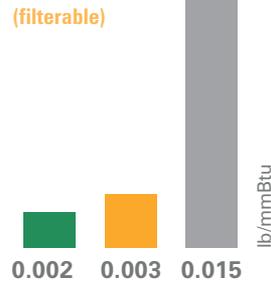
SO₂



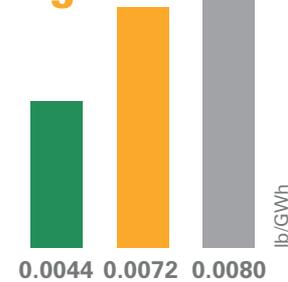
NO_x



**PM
(filterable)**



Hg



■ Unit 1 (2014 average) ■ Unit 2 (2014 average) ■ Permit / Regulatory Limit



Today's Advanced Technologies Drive Low Emissions

Low-NO_x Burner

Coal is ground to a powder and used as fuel for a boiler to heat water and produce high pressure steam. These burners impede the formation of nitrogen oxides by lowering the temperature of the burning coal.

Selective Catalytic Reduction

SCR converts nitrogen oxide to nitrogen and water reducing emissions.

DRY ELECTROSTATIC PRECIPITATOR

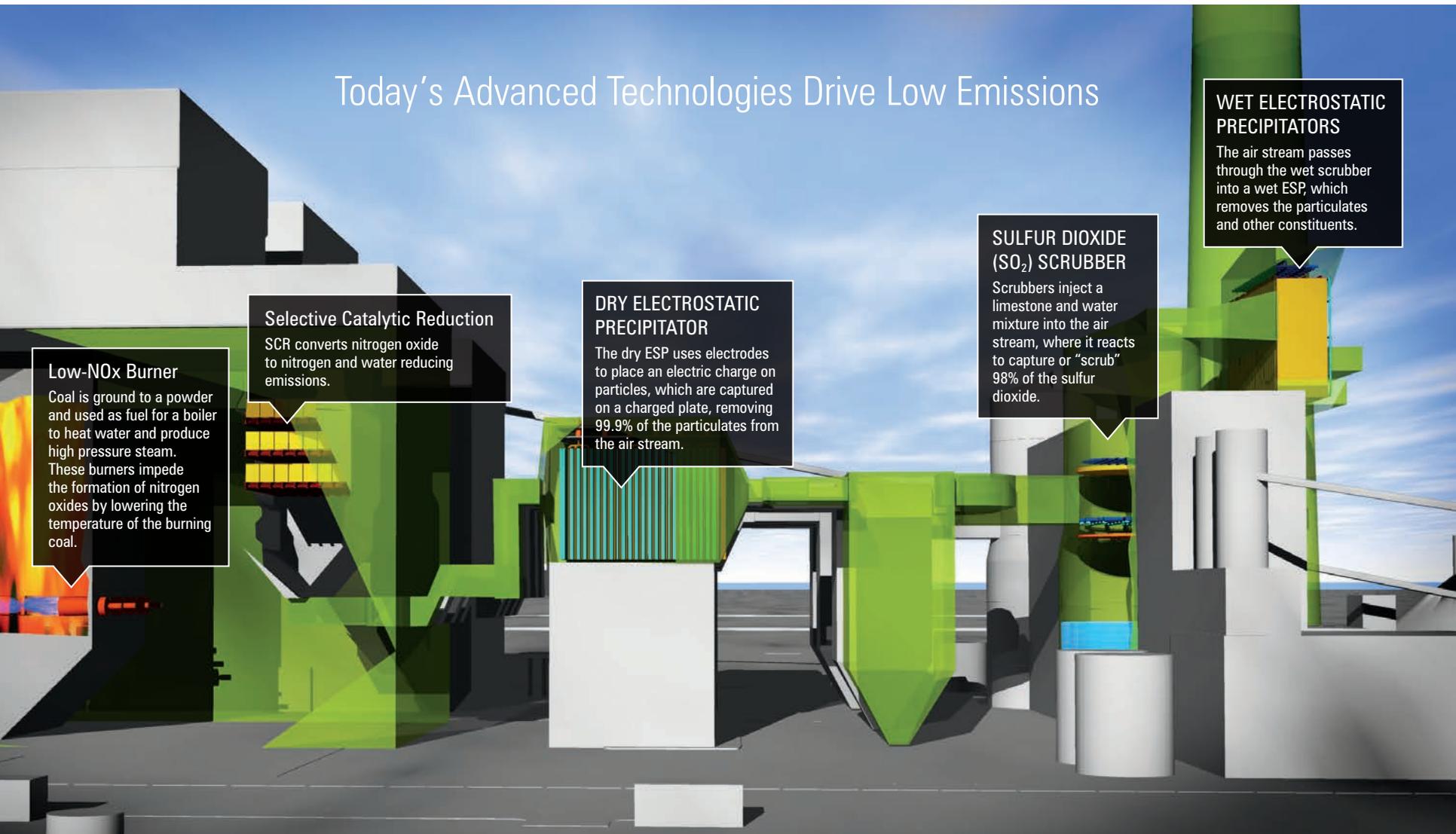
The dry ESP uses electrodes to place an electric charge on particles, which are captured on a charged plate, removing 99.9% of the particulates from the air stream.

SULFUR DIOXIDE (SO₂) SCRUBBER

Scrubbers inject a limestone and water mixture into the air stream, where it reacts to capture or "scrub" 98% of the sulfur dioxide.

WET ELECTROSTATIC PRECIPITATORS

The air stream passes through the wet scrubber into a wet ESP, which removes the particulates and other constituents.





GIFTS AND FOOD PROVIDED
TO MORE THAN 170 LOCAL
CHILDREN IN NEED



Powered by People

Company and Employee Initiatives

Prairie State and its employees are proud to call southern Illinois home, and they work to be good neighbors by giving back to the local community through youth support programs, environmental conservation, and regional growth. As a part of our youth support program in 2014, Prairie State partnered with Okawville Grade School and Sparta Lincoln Middle School to bring the Junior Achievement program to students in kindergarten through sixth grade. Junior Achievement educates young people about work readiness, entrepreneurship, and personal finance with hands-on, engaging programs.

Each December and February, our employees organize a large toy and food drive, donating thousands of dollars and truckloads of toys and food to area not-for-profits. 2014 marked the seventh successful year of this collection, and our employees are proud to have provided gifts and household necessities to more than 170 local children in need. The following entities received assistance from Prairie State's Toy and Food

Drive in 2014:

- Village of Fayetteville
- Sparta - Lincoln Middle School
- Sparta - Primary School
- St. Libory Elementary School
- Okawville Grade School
- The Washington County CHOW Program (Combating Hunger on Weekends)
- Coulterville Elementary School
- BCMW Community Services
- Tilden Presbyterian Church
- Marissa Food Pantry

For the first time in 2014, Prairie State was thrilled to host a 5K Family Fun Run for employees and their families as a part of the company's wellness program. The event was hosted on campus, with the start and finish line located at the corporate building. More than 170 attendees enjoyed beautiful weather during the run and activities for all ages.

◀ *Top Left: CEO, Don Gaston, reads to a group of kindergarteners at Okawville Grade School during Junior Achievement day.*

Bottom Left: The Secret Santas at the mine delivered truckloads of gifts for area children for Prairie State's Toy Drive.

Right: PSGC hosted its 5K Family Fun Run for its employees and their families.



Prairie State's senior management team includes (from left) Tom Kordick, Don Gaston, Andrew Sipka, Randy Short and Paul Krivokuca.

Don Gaston is the President and Chief Executive Officer (CEO) of the Prairie State Generating Company. Mr. Gaston has an extensive professional background in supercritical fossil generation, comprehensive safety programs, environmental control technology and marked performance in improving power plant reliability throughout his more than 30 years in the electric generation industry. Prior to joining the Prairie State team in 2014, he served as the Director of Fossil Generation for the Public Service Enterprise Group (PSEG), one of the 10 largest electric companies in the U.S. and New Jersey's oldest and largest publicly owned utility. In this capacity, he was accountable for the successful management of safety, environmental compliance, reliability, and financial performance of

5800 megawatts of coal fired, oil fired, and natural gas generation. As President and CEO, Mr. Gaston is responsible for the overall direction and leadership of the Prairie State Energy Campus, and oversees coordination with the Prairie State ownership group. Mr. Gaston earned a Bachelor of Science degree in mechanical engineering from the Georgia Institute of Technology, a MBA from the University of Tennessee, and completed the TVA Executive Development Program at Vanderbilt University.

Randy Short, Chief Operating Officer (COO), joined Prairie State in the summer of 2014 with more than two decades of experience in the utility industry. As COO, he oversees the direction and leadership of the

power plant, safety, environmental services, IT and procurement departments. Before joining Prairie State, Mr. Short served as plant manager to the coal-fueled Baldwin Energy Complex within the Dynegy Illinois fleet. In addition, he led as plant manager at the Wood River power plant and Senior Director for Generation Programs at Dynegy's corporate headquarters. He is recognized as a skilled power industry leader with unique experience working in Illinois and with Illinois coal. Mr. Short holds a Bachelor of Science degree in mechanical engineering from Iowa State University and an MBA from the University of Illinois Urbana-Champaign.

Paul Krivokuca has served as Senior Vice President of Mining since 2008, helping to lead the construction and start-up of the mining operations at Prairie State. He is responsible for the overall direction, management and operations of the Lively Grove coal mine, the adjacent underground coal mine which feeds Prairie State's power plant. As a fourth generation coal miner, Mr. Krivokuca has an extensive background in the coal mining industry, with more than 30 years of experience. He is the former Chief Operating Officer of Underground Operations for Hillsborough Resources in Campbell River, British Columbia. Earlier employment included various positions with coal mining companies in the eastern United States. Mr. Krivokuca earned a Bachelor of Arts degree in liberal studies from the University of Evansville and is an active member and leader in a number of industry organizations, serving as the Director of Compliance Energy Corporation in Vancouver, British Columbia, Director of the National Mining Association, Executive Director with the Illinois Coal Association, and also locally serves as a Director for the Illinois Clean Coal Institute.

Tom Kordick, PE, Vice President of Generation, joined the Prairie State team in 2010 as Engineering Manager, and has more than 20 years of experience in the electric utility and petro-chemical industries. Promoted to his current position in 2014, he oversees the direction, management and operations of the power plant. During his tenure with Prairie State, Mr. Kordick has led the engineering efforts of the power plant through start-up into commercial operations, designed and implemented the MISO dispatch protocol, and built and executed the NERC Compliance program. Before joining Prairie State, he served as the Director of Technical Support for Toshiba International Corporation and led the Technical Engineering Support Group for the national fleet of Toshiba steam turbine generators. He holds a Bachelor of Science degree in mechanical engineering from the University of Alabama and is currently enrolled in the Executive MBA degree program at Washington University.

Andrew Sipka, Senior Director of Finance, provides overall management and strategy of the finance, accounting, tax, and risk management functions of the campus. Mr. Sipka joined Prairie State in 2011, and he has more than 25 years of experience in finance and operations at both public and private corporations. He formerly served as Chief Financial Officer and Senior Vice President of Finance at Marcone Appliance Parts Company, and he has held multiple leadership positions with such organizations as Emerson Electric, ESCO Technologies and DRS Technologies. Mr. Sipka earned a Bachelor of Science from the University of Illinois Chicago Circle and an MBA from Washington University.

Management Committee



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



*Kevin Gaden,
President and CEO,
Illinois Municipal
Electric Agency*



*Raj Rao,
President and CEO,
Indiana Municipal
Power Agency*



*Duncan Kincheloe,
President and General
Manager, Missouri
Public Utility Agency*



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



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



*John Humphries,
Princeton Electric
Plant Board General
Manager, Kentucky
Municipal Power
Agency*



*Dan Westin, Business
and Financial Analyst,
Rochelle Municipal
Utilities; and
President, Northern
Illinois Municipal
Power Agency*



*Jacob Williams,
Vice President Global
Energy Analytics,
Peabody Energy*

Alternate Members



*Scott Kiesewetter,
Assistant Vice
President of
Generation, American
Municipal Power*



*Bob Childers,
Senior Vice President
and Chief Financial
Officer, Illinois
Municipal Electric
Agency*



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



*John Grotzinger,
Chief Operations
Officer and
Executive Director of
Engineering, Missouri
Public Utility Agency*



*Alisha Anker,
Vice President of
Regulatory and
Market Affairs,
Prairie Power, Inc.*



*Todd Gallenbach,
Power Production
Manager, Southern
Illinois Power
Cooperative*



*Gary Zheng,
Paducah Power
General Manager,
Kentucky Municipal
Power Agency*



*Hal Wright,
Superintendent of
Electrical Services,
City of Geneva;
and Vice President,
Northern Illinois
Municipal Power
Agency*



*Robert Mentle,
Vice President
Structured
Transactions,
Peabody Energy*

PRAIRIE STATE

Generating Company

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