

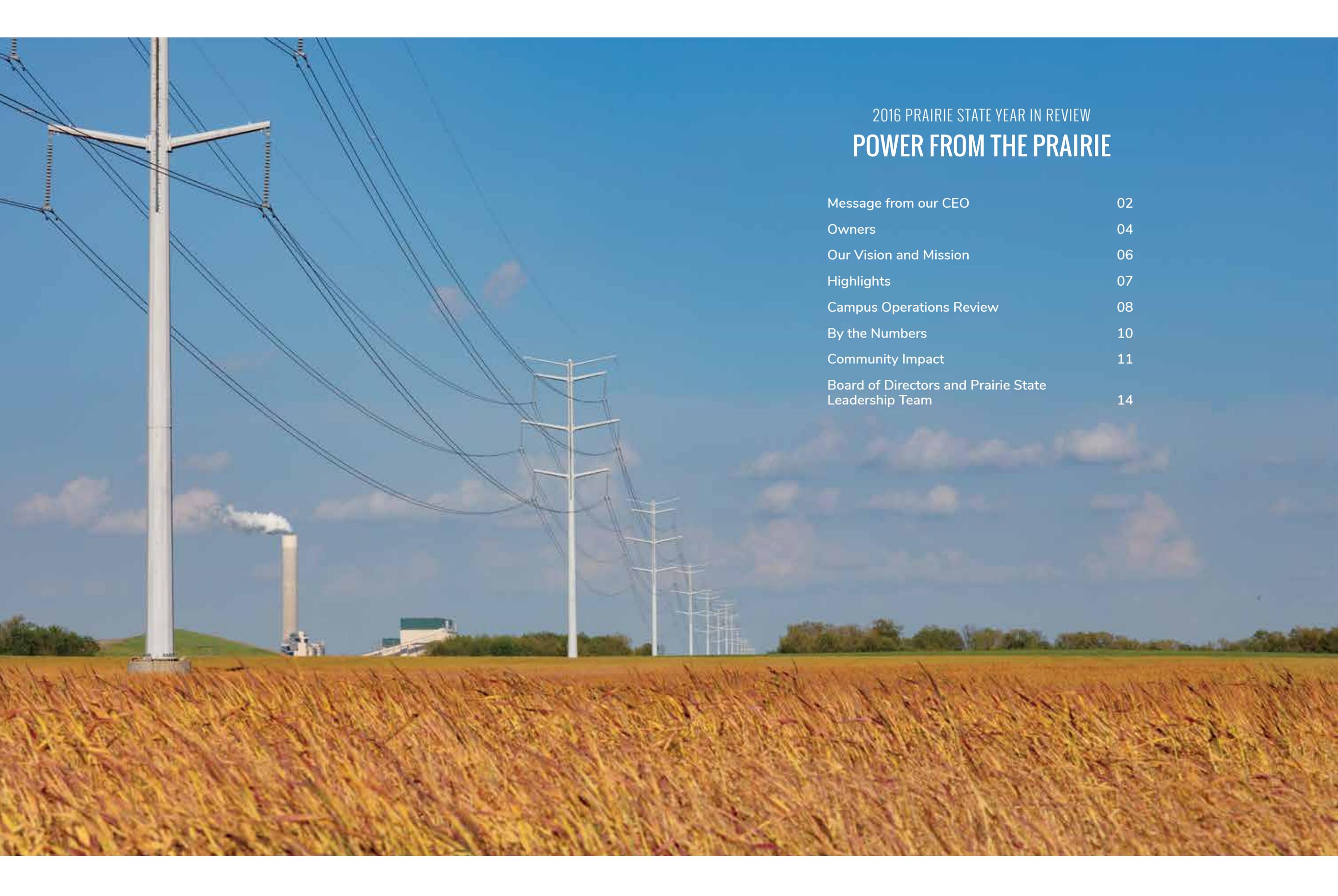
# POWER FROM THE PRAIRIE

2016 PRAIRIE STATE YEAR IN REVIEW

**PRAIRIE STATE**

**Generating Company**

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2016 PRAIRIE STATE YEAR IN REVIEW  
**POWER FROM THE PRAIRIE**

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## Our Relentless Pursuit of Excellence



Don Gaston  
President and CEO

I am pleased to report that in 2016 our team delivered strong operational performance, while driving marked improvements across our campus.

Our Power Plant completed an outstanding year for safety - zero lost time injuries! Our environmental compliance was pristine. Our Mine had the lowest citation rate since inception, and achieved a federal compliance rate that is among the best in the mining industry. We set all-time monthly Plant reliability records in December, achieving 98.5 percent equivalent availability. While proud of these accomplishments and many others, we are not complacent.

Excellence at Prairie State is measured by the long-term value we provide to the 2.5 million families across the Midwest that invested in our energy campus, and we are building a company culture that will do just that.

In 2016, we continued to raise the bar in each area of our business by implementing a comprehensive strategic planning initiative with our Management Committee. This plan outlines key areas of focus for our business planning and execution for 2017 and beyond. It will lay the foundation for excellence in safety, operations, cost management, and talent readiness.

### Safety

We are committed to protecting the health and safety of our teammates, and our highest priority is to achieve and sustain zero lost time incidents across the Prairie State campus. Both the Occupational Safety and Health Administration's (OSHA) Voluntary Protection Program (VPP) Star status designation and the National Mining Association's (NMA) CORESafety certification are recognized in their respective industries as the highest level of safety system compliance. Long-term plans to employ these best-in-class safety systems and processes at our Power Plant and Mine were initiated in 2016.

### Operations & Cost Management

Operational excellence at Prairie State is best defined by Power Plant reliability and Mine efficiency. Changes made in 2016, including reduction in planned outage frequency, improvements in boiler maintenance practices, and improved mining techniques, are resulting in stronger operational performance. In each of the last two years, Prairie State's operating expense ranked in the five best nationally in comparison with other coal facilities larger than 500 megawatts. A detailed process was established in 2016 to assure all projects provide adequate return on investment. This increased discipline is resulting in lower project cost, fewer contractors, and safer, more efficient operations.

### Talent Readiness

In order to have a great company you must have great people. This year we upgraded our hiring standards and established diversity and inclusion goals. We want everyone at Prairie State to feel well-equipped to perform their job functions and empowered to share new ideas. In 2017 we will create a formal employee development process that will give the members of our team the tools to improve their skills, generate teamwork, and align with our pursuit of excellence.

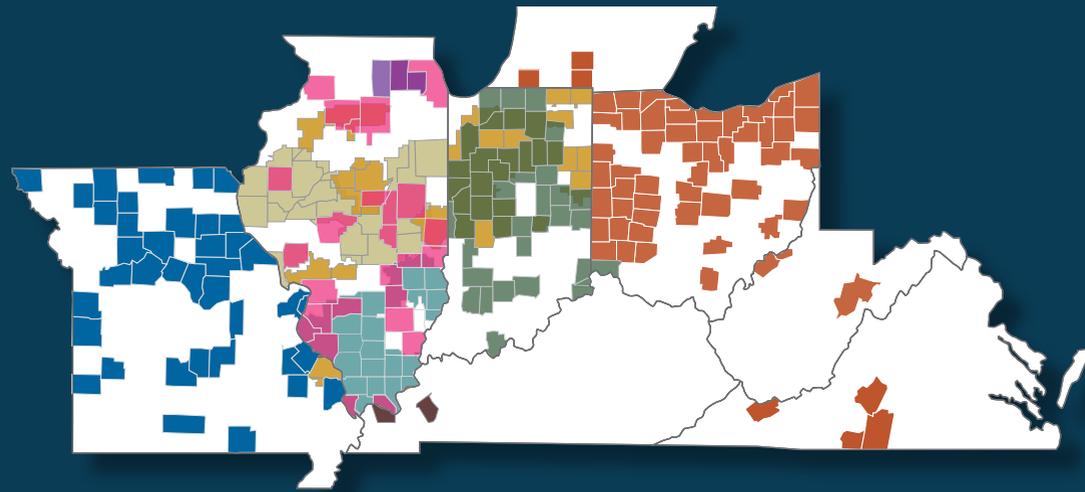
Each day we come to work at Prairie State we are cognizant of the unique opportunity we have to make a difference. As a company 100 percent owned by not-for-profit public power utilities and rural electric cooperatives, our success translates into growth and prosperity for the communities we serve. Electricity makes things better - it powers hospitals, businesses, homes, and schools. All of us at Prairie State are committed to excellence in our ability to continue to provide "Power from the Prairie."

Don Gaston  
President and CEO

**Excellence at Prairie State is measured by the long-term value we provide to the 2.5 million families across the Midwest that invested in our energy campus, and we are building a company culture that will do just that.**

# OUR OWNERS

Our energy campus provides base-load electricity to not-for-profit municipalities and rural electric cooperatives from across the Midwest.



- American Municipal Power, Inc.
- Illinois Municipal Electric Agency
- Indiana Municipal Power Agency
- Kentucky Municipal Power Agency
- Missouri Public Utility Alliance
- Northern Illinois Municipal Power Agency
- Prairie Power, Inc.
- Southern Illinois Power Cooperative
- Wabash Valley Power



**9 | PUBLIC POWER OWNERS**  
 SERVING MORE THAN  
**2.5 MILLION FAMILIES AND BUSINESSES**  
**180 COMMUNITIES**  
 ACROSS 8 STATES



American Municipal Power, Inc. (AMP) is a non-profit corporation that owns and operates electric facilities with the purpose of providing generation, transmission and distribution of electric power and energy to its members. AMP serves 135 members across nine states.



The Illinois Municipal Electric Agency is a not-for-profit unit of local government comprised of 32 municipal electric systems and one electric cooperative from all across Illinois. Each of their communities owns and operations its own electric distribution systems, and some operate local power generation plants.



The Indiana Municipal Power Agency (IMPA) was created by a group of municipally-owned electric utilities, enabling them to share power resources and provide electricity more economically to their customers. As a non-profit organization governed by its members, IMPA focuses on providing the 61 municipal electric utilities it serves with a wholesale power supply that is low cost, reliable and environmentally responsible.



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.



The Missouri Public Utility Alliance is a not-for-profit service organization representing municipally-owned utilities. The joint action agency portion of MPUA is the Missouri Joint Municipal Electric Utility Commission (MJMEUC), which provides full power purchase requirements to member utilities and arranges purchases for members in need of supplemental power.



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.



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.



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. SIPC member cooperatives provide electricity to over 100,000 end-use customers.



Wabash Valley Power is a not-for-profit electric cooperative and wholesale provider of electricity to 23 distribution cooperatives. Collectively, their member-owners serve more than 300,000 homes, schools, farms and businesses in Illinois, Indiana and Missouri.



## OUR VISION

Prairie State will be the best coal mine and coal-fired power plant in the United States.

## OUR MISSION

To provide value to our owners and the millions of families they serve through the safe and sustainable production of electric power.



## 2016 HIGHLIGHTS

# 98.5%

Power Plant recorded the highest monthly Equivalent Availability Factor.

Highest monthly Net Capacity Factor (97.4%) and Net Generation (1,179,112 MWh) in station history.



Mine achieved budget target for dollars per ton and lowest floor out-of-seam-dilution (OSD). Minimizing OSD helps to reduce the Power Plant's long-term exposure to boiler erosion.

# 100% Compliance

with all environmental permits across the campus.

## Power Plant Celebrated 1 year

without a lost-time accident and recorded the best Total Recordable Injury Frequency (TRIF) performance.



Mine team conducted a very successful and comprehensive Mine Emergency Response Drill (MERD). This exercise involved over **150 personnel** from Prairie State, state and federal mine inspectors, and local area emergency response agencies.

# ↑ 48%

Increased beneficial reuse of coal combustion residuals (CCR) by 48%. Beneficially reusing CCR results in avoided landfill costs and carbon dioxide emissions offsets.

# CAMPUS OPERATIONS REVIEW

In 2016, Prairie State's Power Plant team worked diligently to improve operational performance for the year and to ensure the long-term viability of the asset.

## MINE

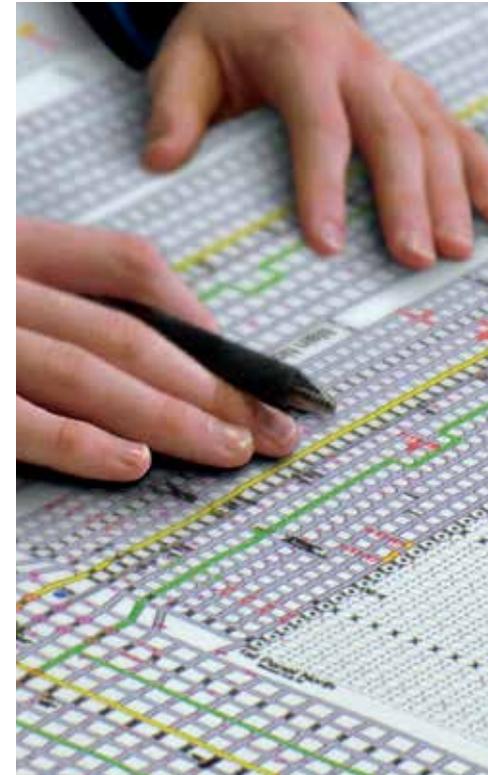
Building on the asset preservation initiative that was established in 2015, Prairie State's Mine continued their focus on reducing out-of-seam dilution (OSD). The Mine expanded their utilization of Smart Cut Technology, resulting in the lowest OSD to date—an 18 percent improvement over 2015. This further reduction in OSD has been directly linked to minimizing the Power Plant's exposure to boiler erosion.

As the nation's mining industry declines, Prairie State must maintain vigilance in its risk management processes to ensure long-term supplier stability and cost effectiveness. To that end, a thorough risk assessment study of key mine equipment and major commodity suppliers was completed in 2016. Further, through successful inventory management and stable operations, the Mine met their target for annual cost per metric ton and also reduced overall spend by \$6 million.

## POWER PLANT

In 2016, Prairie State's Power Plant team worked diligently to improve operational performance for the year and to ensure the long-term viability of the asset. During scheduled outages on both Unit 1 and Unit 2, thorough inspections were conducted to identify necessary repairs and major causes of unavailability of the units. These scheduled outages require months of detailed planning and preparation, and resulted in improved generation results.

Several new operational milestones were achieved throughout the entire year. New records for highest monthly plant EAF (98.5%), NCF (97.4%), and net generation (1,179,112 MWh) were set in the last month of 2016. Other notable operational highlights included: longest (121 days) and third longest (99 days) runs for Unit 1, five continuous months of EAF greater than 92.8 percent for the plant, and the least number of outages for a year.



## BY THE NUMBERS

**OVER 760 MILLION STEPS RECORDED**  
BY EMPLOYEES DURING WELLNESS WALKING CHALLENGE



THAT'S EQUAL TO MORE THAN  
**94,000 KILOWATT HOURS OF ENERGY!**

**396 UNITS OF BLOOD COLLECTED AT PSGC BLOOD DRIVES, SAVING 1,188 LIVES**



**10 NEW DIVERSITY INITIATIVES IMPLEMENTED**

### RECYCLING STATISTICS

**40,812**  
TONS OF GYPSUM

**237,451**  
TONS OF FLY ASH



**8,312** POUNDS OF BATTERIES and E-SCRAP

**159,016 POUNDS OF SINGLE-STREAM RECYCLING**



**3,600 GALLONS OF OIL**



**219,000 TONS** OF CO<sub>2</sub> OFFSET THROUGH CAMPUS SUSTAINABILITY INITIATIVES

## COMMUNITY IMPACT

Prairie State and its more than 600 employees are proud to call southern Illinois and the St. Louis metro area home. Contributing to the growth of our local communities is important to Prairie State, and in 2016 we built on our tradition of community investment and partnership.

Prairie State celebrated its ninth successful Holiday Drive; providing clothing, toys, and household necessities to more than 150 local children in need. Since the start of the Prairie State Holiday Drive program, the wish lists of more than 1,000 local children have been fulfilled. Our employees generously donate to this program each year and enjoy partnering with eight local not-for-profits to have a positive impact on our community.

Through its charitable giving program, Prairie State supports local economic development, environmental stewardship, and youth programs. In 2016, we supported 75 local nonprofits, including elementary and high school programs, Washington County Meals on Wheels, Heartlands Conservancy, and the Southwestern Illinois Development Foundation.

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Building on the asset preservation initiative that was established in 2015, Prairie State's Mine continued their focus on reducing out-of-seam dilution (OSD).

## BOARD OF DIRECTORS AND PRAIRIE STATE LEADERSHIP TEAM



(1) Raj Rao, IMPA, (2) Randy Short, PSGC, (3) Don Gulley, SIPC, (4) Don Gaston, PSGC, (5) Gary Holm, NIMPA, (6) Kevin Kizzee, KMPA, (7) Marc Gerken, AMP, (8) Brian Fitzgerald, WVPA, (9) Eric Hobbie, PPI, (10) Leah Bennett, PSGC, (11) Kevin Gaden, IMEA, (12) Dick Chapman, PPI, (13) Phil Casey, PSGC, (14) Duncan Kincheloe, MPUA,

(15) Todd Gallenbach, SIPC, (16) John Grotzinger, MPUA, (17) Pam Sullivan, AMP, (18) Hal Wright, NIMPA, (19) Tom Kordick, PSGC, (20) Jay Bartlett, WVPA, (21) Bob Childers, IMEA, (22) Jack Alvey, IMPA, (23) Paul Krivokuca, PSGC, (24) Alyssa Harre, PSGC, (25) Gary Zheng, KMPA

