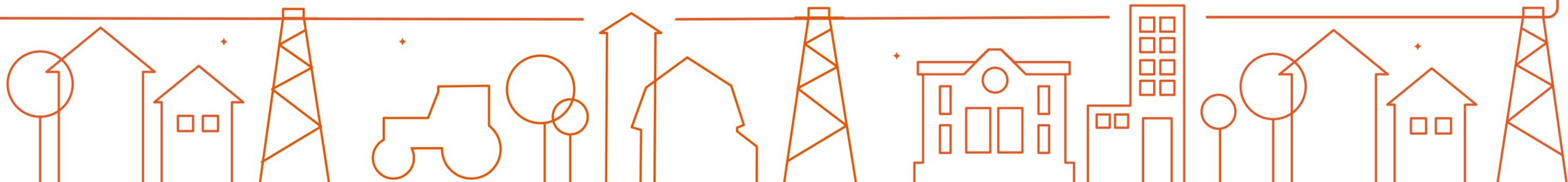


# The Value of **Prairie State.**

2017 YEAR IN REVIEW

Navigating the highs and lows of the energy industry requires having a firm foundation of core values. At Prairie State, we know who we are—and exactly what we stand for.



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“SHARED VALUES DRIVE GOOD PEOPLE  
TO BE GREAT EMPLOYEES.”



**Don Gaston**  
*President & CEO*

## Common Values: A Letter from Our CEO

It is an old truism that good companies are built by good people. But what is often overlooked is the importance of a common set of core values to drive those good people to be great employees. In 2017, through collaboration with our Prairie State team, we established a fresh set of values that better reflect our company’s culture, and that will help drive our campus from good to great.

Safety, Teamwork, Accountability, and Sustainability—our values tell the rest of the world who we are as an organization. It is not enough to simply post these values on the walls; rather, we must use them as a roadmap towards our destination. For us, that destination is realizing our vision of becoming the best coal mine and coal-fired power plant in the United States. Competition in the energy industry is inevitable, and while processes can be duplicated, I firmly believe that culture cannot. A strong set of core values and an employee culture rooted in those beliefs will produce both moral and economic benefits.

In 2017, we saw success in both areas. Our campus sustainability program achieved its highest level of CO<sub>2</sub> offsets to date, and we maintained 100 percent compliance with all permitted emission limits. Prairie State’s power plant achieved the lowest Equivalent Forced Outage Rate (EFOR) since commercial operations, and also set a new record for highest monthly Equivalent Availability Factor (EAF). Our mine achieved the highest level of coal production since campus inception, and reduced the number of accidents by 25 percent from 2016.

With our values as the guiding principles for decision-making and strategic planning, Prairie State is well positioned to achieve our long-term vision while accomplishing our mission of providing value to our owners and the millions of families they serve.

Don Gaston, President & Chief Executive Officer

# Mission + Vision + Values

## OUR MISSION

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

## OUR VISION

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

## OUR VALUES

- Safety
- Teamwork
- Accountability
- Sustainability

# The Value of Achievement

It's not enough to say we want to provide value—at Prairie State, we've got the numbers to back it up. Here are a few of our achievement highlights from 2017:



### RECORD LOW OUTAGE RATE

Power plant achieved its lowest annual Equivalent Forced Outage Rate (EFOR) since commercial operations at just 9.9%.



### RECORD HIGH AVAILABILITY

Power plant set a new record for highest monthly Equivalent Availability Factor (EAF) at 99.3%.



### 100% COMPLIANCE

Prairie State concluded 2017 in compliance with all permitted emission limits.



### 25% IMPROVEMENT IN SAFETY

Mine team completed seven modules of the CORESafety Program, which had a direct and measurable impact on reducing the number of accidents by 25% from 2016 to 2017.



### 301,790 TONS OF CARBON OFFSETS

Sustainability program achieved highest CO<sub>2</sub> offsets since inception.



### 6.2 MILLION TONS PRODUCED

The mine achieved the highest level of coal production since campus inception.





## The Value of Safety

At Prairie State, we start each day with safety in mind. It's why our campus-wide motto is: "Safety is the responsibility of every person, at every level, every day." And we don't just pay lip service to the value of safety. We take action, including the implementation of industry-leading practices and procedures that ensure the safety and wellbeing of our employees and contractors.

In 2017, both the power plant and the mine initiated multi-year safety initiatives with the Occupational Safety and Health Administration (OSHA) and National Mining Association (NMA). The power plant team began working towards the goal of achieving "star site" certification under OSHA's Voluntary Protection Programs (VPP). The VPP recognizes employers and workers in the private industry and federal agencies who have implemented effective safety and health management systems and maintained injury and illness rates below national Bureau of Labor Statistics averages for their industries.

How does VPP work? Under the program, management, labor, and OSHA work cooperatively and proactively to prevent fatalities, injuries, and illnesses. The system is focused on: hazard prevention and control; worksite analysis; training; and management commitment and worker involvement.

As a part of the power plant's strategy for improving safety and achieving "star site status," a behavioral-based safety process called STORM—Safety Through Observation, Reliance, and Mindset—was implemented. Through the STORM process, we reviewed two years of incident reports and extracted all behaviors that contributed to those incidents, in order to develop a critical behavior index. STORM has laid the foundation for cultural and behavioral change in the way tasks are completed, and is designed to help prevent future incidents from occurring.

The mine team has a longstanding relationship with the NMA, but in 2017 began a partnership to achieve certification under their CORESafety program. CORESafety is a partnership led by the members of the NMA, and is an approach to mining safety and health that aims to prevent accidents before they happen using a management system that involves leadership, management, and assurance.

The CORESafety system has been customized to mining and is based on successful health and safety management systems used in other industries that have successfully improved their health and safety performance. The mine team completed objectives supporting the seven modules of CORESafety program requirements, which had a direct and measurable impact on reducing the number of accidents by 25% from 2016 to 2017.

We're proud of what we've achieved this year at the power plant and the mine. Through these initiatives, Prairie State is proving that we truly value safety—for every person, at every level, every day.



# The Value of Sustainability

Sustainability has quickly become a buzzword in the business community, but at Prairie State it means so much more. We hold it as a core value that informs our vision and shapes our decisions, looking beyond the events of today to ensure we're providing long-term value to the member-owners we serve. We accomplish this through a commitment to sustainable business practices.

## BENEFICIAL REUSE AND CARBON REDUCTION

The beneficial reuse of coal combustion residuals (CCRs) such as gypsum, fly ash, and bottom ash has increased steadily over the past 30 years in the energy industry. CCRs were originally treated as waste and disposed of in landfills or impoundments. Since 2015, Prairie State has continued to increase the beneficial reuse of its CCRs, effectively offsetting thousands of tons of CO<sub>2</sub> while also providing economic benefit to our owners. In 2017, Prairie State achieved its best results for beneficial reuse and CO<sub>2</sub> offsets. Prairie State is committed to reducing its overall emissions profile and carbon footprint.

**38%**

INCREASE IN CO<sub>2</sub>  
OFFSETS IN 2017  
COMPARED TO 2016

*Beneficial Reuse Products - 2017 (in tons)*

**63,457**

Gypsum

**241,971**

Bottom Ash

**324,534**

Fly Ash

*CO<sub>2</sub> Offsets - 2017 (in CO<sub>2</sub> tons)*

**298,245 +**

Fly Ash Beneficial Use

**1,575 +**

CO<sub>2</sub> Absorption  
Forest Land

**1,251 +**

CO<sub>2</sub> Absorption  
Farm Land

**718 +**

Mine Waste to  
Near Field

**1**

Electric Car  
Usage

**=**

**301,790**

Total CO<sub>2</sub> Offsets

## CAMPUS RECYCLING

Recycling is another tool Prairie State uses to ensure our energy campus is sustainable. While not every byproduct can be reused, recycling offers another avenue to reduce our waste and protect our environment.

*Recycling - 2017 (in pounds)*

**515**

Lamps

**150**

Batteries

**4,680**

E-Scrap

**6,298**

Used Oil Recycling (gallons)

**143,114**

Single Stream Recycling

# The Value of Sustainability CON'T

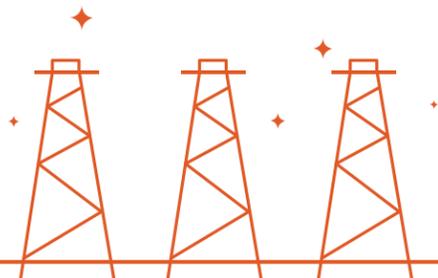
## COMMUNITY IMPACT

Dating back to the inception of the campus, Prairie State and its employees have invested in the surrounding communities through local partnerships with not-for-profit organizations. Prairie State encourages its employees to lead by example, and believes an important part of its campus sustainability program includes being a good corporate neighbor.

## REGULATORY OUTREACH

Prairie State works carefully alongside state and federal regulatory agencies to ensure we're doing everything we can to produce sustainable power for our member owners today, and for generations to come.

In 2017, we continued our advocacy outreach efforts at both the state and federal level to ensure the long-term viability of our campus. Our success depends on meeting the permit requirements set forth by these agencies and maintaining a collaborative relationship with regulators and legislators alike. Prairie State partners with industry-focused coalitions to help carry that message on the local, state, and federal stage. We believe energy education is important and host campus tours throughout the year to provide that opportunity to a variety of interest groups.



# 100%

COMPLIANCE WITH  
ALL PERMITTED  
EMISSION LIMITS

  
**1,080**

lives saved by the 360 units of blood we collected.

**130**

local children benefited from the clothing, toys, and household necessities collected at our 10th Annual Holiday Drive.

  
**75**

local non-profits supported in 2017 through economic development, environmental stewardship, and youth programs.

  
**270**

elementary school students participated in the Junior Achievement program with Prairie State volunteers.

**1,875**

dollars collected to support Marissa Food Pantry and the Combatting Hunger on Weekends program (CHOW).

# 235

PEOPLE HOSTED  
FOR CAMPUS TOURS

## The Value of Teamwork & Accountability

In order for Prairie State to achieve its vision of being the best coal mine and coal-fired power plant in the country, we have to live our values. As a truly unique energy campus, it takes teamwork and accountability in all areas of our business to get there.

### CAMPUS OPERATIONS REVIEW

With a renewed focus on our company's values, teamwork and accountability took center stage in 2017. We challenged the status quo, worked together, and pushed ourselves for continuous improvement.

After a challenging start to the year, the mine successfully implemented and executed a recovery plan, which addressed long-term coal quality initiatives and productivity improvements. Additionally, the mine management team worked with the Mine Safety and Health Administration (MSHA) to obtain regulatory approval of an extended room panel mining concept. This concept has proven benefits for improving productivity, lowering operating cost, and reducing capital expenditures.

The mine and power plant continued to work collaboratively on improving operations, and in 2017 developed a plan to install and operate a state-of-the-art coal analyzer system. This innovative system provides real-time data to our operators, providing a consistent feed of quality fuel and thereby minimizing derates or potential forced outages at the power plant.

Prairie State's power plant continued to make operational improvements, and finished 2017 with the lowest annual Equivalent Forced Outage Rate (EFOR) in its history at 9.9%. New records for the highest monthly Equivalent Availability Factor (EAF)—99.3%—and Net Capacity Factor (NCF)—98.6% —were set in November. Vast improvements to our comprehensive planning and execution of planned maintenance outages were evident in 2017 and led to positive results.

## The Value of Cooperation: Our Owners

Our energy campus provides base-load electricity to not-for-profit municipalities and rural electric cooperatives from across the Midwest. Without these nine public power ownership groups, Prairie State could not exist. But by working collaboratively toward our common goal, it all adds up to something pretty special. Working together also means we can provide members with better service and more value.



# The Value of Cooperation: Our Owners



American Municipal Power, Inc. (AMP) is a nonprofit 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 operates 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 nonprofit 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.



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.

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 its 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.



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.



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**“IT IS NOT ENOUGH TO SIMPLY POST THESE VALUES  
ON THE WALLS; RATHER WE MUST USE THEM AS A  
ROADMAP TOWARDS OUR DESTINATION.”**



# The Value of Leadership

Putting our values into action starts with good leadership. At Prairie State, we're fortunate to be led by a leadership team and board of directors that embraces our company values as the means by which we make our mission and vision a reality. Meet the men and women who led Prairie State in 2017.



**Don Gaston**  
President & CEO



**Randy Short**  
Chief Operating Officer



**Paul Krivokuca**  
Senior Vice  
President-Mining



**Ken Pollmann**  
Vice President of  
Power Generation



**Leah Bennett**  
Vice President of  
Finance



**Larry Klobuka**  
Mine General Manager



**Jim Andrew**  
Director of  
Environmental  
Services



**Alyssa Harre**  
Director of Public  
Relations &  
Government Affairs



**Mike Slade**  
Director of  
Procurement, Security  
& Facilities



**Rita Bauman**  
Director of Human  
Resources



**Mike Yusko**  
Corporate Safety  
Manager



**Tom Schmale**  
Corporate Controller



**Paul Davis**  
Senior Manager of IT

## BOARD OF DIRECTORS



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



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



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



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



**Eric Hobbie**  
President & CEO,  
Prairie Power, Inc.  
PSEC Vice Chairman



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



**Dave Carroll**  
General Manager,  
Kentucky Municipal  
Power Agency  
PSEC Secretary



**Hal Wright**  
City of Geneva  
Superintendent of  
Electrical Services,  
Northern Illinois Municipal  
Power Agency  
PSEC Treasurer



**Jay Bartlett**  
President & CEO,  
Wabash Valley Power  
Association  
PSEC Chairman

## ALTERNATE REPRESENTATIVES



**Pam Sullivan**  
Executive Vice President  
of Power Supply &  
Generation, American  
Municipal Power



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



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



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



**Dick Chapman**  
Senior Vice President  
of Engineering &  
Operations, Prairie  
Power, Inc.



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



**Kevin Kizzee**  
General Manager,  
Princeton Electric Plant  
Board



**Gary Holm**  
City of Batavia Director  
of Public Works,  
Northern Illinois  
Municipal Power Agency



**Brian Fitzgerald**  
Executive Vice President,  
Engineering & Operations,  
Wabash Valley Power  
Association

