Status of Illinois Basin Test Burn Program

1) The GRU Illinois Basin Test Burn Program consists of two phases.

   - Phase One (Technical Feasibility) was designed to acquire internal skill in blending CAPP and ILLB coals, monitoring and managing combustion of ILLB coals, and managing simultaneous handling of multiple coals on the coal pile and within the plant.

   - Phase One was completed in September of 2012.

   - Phase Two (Economic Feasibility) was designed to develop detailed cost data on multiple coals, fob mine price, transportation, and back end costs to treat the coal.

2) The relative economics of supplying coal from CAPP and ILLB have changed for GRU.

   - The price of a 12,500 Btu/lb, <1% sulfur CAPP coal has declined from $64.00/ton ($2.56/MMBtu) in January 2013 to $55.50 ($2.22/MMBtu) in August.

   - Prices for the same coal averaged approximately $70/ton for 2011-2012.

   - Spot cargo has been available in August of 2013 for as low as $50.00/ton.

   - During the same period, the price of an Illinois Basin 11,500 Btu/lb , 5.0# SO2/MMBtu coal has decreased only slightly from $38.25/ton ($1.66/MMbtu) to $37.75/ton ($1.64/MMBtu).

   - For utilities such as GRU that have “legacy” rail contracts for East coal rail transport that are below “market”, the decline on CAPP coal prices changes the short term economic incentive for burning Illinois Basin coal.

   - Utilities that have rail contracts negotiated in recent years would have market rates for CAPP and ILLB with similar rates for both production basins.

   - GRU has delayed its Illinois Basin Test burn program to allow negotiation of new off contract rates with CSX.

   - The closure of coal plants and coal mines has significantly reduced rail transport revenues for railroads and made the railroads more receptive to negotiations to keep plants on line and increase coal burn.