

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

SMRD DOCKET No. C14-0015-SC-00-E

**APPLICATION BY LUMINANT MINING COMPANY LLC
FOR ACCEPTANCE OF SUBSTITUTE COLLATERAL BOND
PERMIT NOS. 3F, 4K, 5G, 34F, 46C, 48B, 49A, 50A, 51, 53, 54, 56, AND 58**

**ORDER ACCEPTING BLANKET COLLATERAL BOND FOR LUMINANT MINING
COMPANY LLC'S STATEWIDE SURFACE MINING AND RECLAMATION
OPERATIONS**

Luminant Mining Company LLC (Luminant), 1601 Bryan Street, Dallas, Texas 75201, has applied to the Railroad Commission of Texas (Commission) for acceptance of a replacement collateral bond to replace its self-bonds with third party guarantees currently in place for reclamation obligations arising from operations undertaken at each of Luminant's 13 permitted mines. By letter dated April 29, 2014, Luminant notified the Commission that Energy Future Holdings Corp., the ultimate parent company of Luminant and its third-party guarantor and others had initiated a Chapter 11 reorganization, including Luminant and its third-party guarantor on its self-bonds, Luminant Generation Company LLC and that Luminant no longer meets the financial basis on which the Luminant self-bonds with third party guarantees were accepted. Luminant requests that the Commission accept replacement bonding in order that it will continue to comply with bond requirements for its 13 surface mining and reclamation permits.

In accordance with regulatory requirements, Luminant has requested that the Commission approve a replacement blanket collateral bond for its Texas mining operations secured by a carve-out of up to \$1.1 billion from a superpriority perfected first-lien security interest in substantially all of the assets of Texas Competitive Electric Holdings Company LLC (TCEH), the indirect parent company of Luminant Mining pursuant to §§12.309(h) and (j)(7) of the Commission's "Coal Mining Regulations" and §134.121 of the Texas Surface Mining Control and Reclamation Act. Luminant has provided sufficient evidence that the requirements of §12.309(h) for collateral bonds have been met. After considering the application and supporting documents and staff review, the Commission accepts the blanket collateral bond to replace the accepted bonds for the following permits: Permit Nos. 3F (Big Brown Mine), 4K (Martin Lake Mine), 5G (Monticello Thermo Mine), 34F (Monticello Winfield Mine), 46C (Oak Hill Mine), 48B (Three Oaks Mine), 49A (Bremond Mine), 50A (Kosse Mine), 51 (Leesburg Mine), 53 (Martin Lake AIV South Mine), 54 (Turlington Mine), 56 (Thermo A-1 Mine), and 58 (Martin Lake Liberty Mine).

Appropriate notification of the Commission's proposed action was provided by the Commission to this entity and to all other required persons. The application is made pursuant to the Texas Surface Coal Mining and Reclamation Act, TEX. NAT. RES. CODE ANN. CH. 134 (Vernon Supp. 2014) (Act), and the Regulations, Tex. R.R. Comm'n, 16 TEX. ADMIN. CODE CH. 12 (WEST 2014). Based on the evidence and documentation submitted, the Commission finds that the bond documentation is acceptable to show compliance with Regulations §12.308, 12.309(h), and related regulations for substituting self-bonds with a blanket collateral bond for the permitted mines.

FINDINGS OF FACT

1. By letter dated April 29, 2014, Luminant Mining Company LLC (Luminant) submitted its notification to the Railroad Commission of Texas (Commission) that its third-party guarantor on its self-bonds for Luminant Mining Company LLC's third-party guarantor, Luminant Generation Company LLC, no longer met the financial criteria set out in §12.309(j) of the "Coal Mining Regulations" (Regulations) for qualification as its third-party guarantor on its self-bonds for Permit Nos. 3F (Big Brown Mine), 4K (Martin Lake Mine), 5G (Monticello Thermo Mine), 34F (Monticello Winfield Mine), 46C (Oak Hill Mine), 48B (Three Oaks Mine), 49A (Bremond Mine), 50A (Kosse Mine), 51 (Leesburg Mine), 53 (Martin Lake AIV South Mine), 54 (Turlington Mine), 56 (Thermo A-1 Mine), and 58 (Martin Lake Liberty Mine). These bonds constitute all of Luminant's bonded mining operations in Texas. By petition on April 29, 2014, Energy Future Holding Corp. sought protection under Chapter 11 of the Bankruptcy Code, U.S.C. §§101-1532 in the United States Bankruptcy Court (Court) for the District of Delaware, Case No. 14-10979 (CSS) (Bankruptcy Court). The action included many affiliated companies in the petition including Luminant Mining Company LLC and Luminant Generation Company LLC, included in the term "TCEH Debtors" as defined in the bankruptcy proceedings (Affidavit by Anthony R. Horton dated June 3, 2014, Attachment O, Bond Package, and Attachment F at 1 and 6, and Attachment G at 4). Luminant filed the notification in accordance with §12.309(j)(7) that requires a permittee to immediately notify the Commission if the financial conditions of the guarantor change so that the criteria existing at the time of the bond approval are not longer met. Luminant filed its application requesting Commission acceptance of a substitute bond in the form of a collateral bond for all of its surface mining and reclamation permit operations in Texas, with required documentation, received by the Commission on May 16, 2014 and transferred to the Hearings Division on the same date. The application was timely filed, within 90 days of the date of notification.

Staff's review memorandum and attachments were filed by letter dated June 6, 2014. The Regulations at §12.309(j)(7) state:

(7) Substitute bonding. If at any time during the period when a self-bond is in effect, the financial conditions of the applicant or the third-party guarantor change so that the criteria of paragraph (2)(C) and (D) of this subsection are not satisfied, the permittee shall notify the Commission immediately and shall submit an alternate form of bond in the same amount as the self-bond. It is the intent of the Commission that substitute bonds under this paragraph be timely filed in order that they may be reviewed and acted upon by the Commission within a reasonable time, not to exceed 90 days, from the date of notification. Should the permittee fail to post an adequate substitute bond as required by this paragraph, the permittee shall cease coal extraction and shall immediately begin to conduct reclamation operations in accordance with the reclamation plan. Mining operations shall not resume until the Commission has determined that an acceptable bond has been posted.

The notification that the current guarantor on the bond no longer met requirements occurred by letter dated April 29, 2014; the 90th day from the date of notification is Monday, July 28, 2014.

2. Section 12.308(c) of the Commission's "Coal Mining Regulations states:

(c) A blanket bond covering statewide or countywide operations may be furnished if the terms and conditions thereof are sufficient to comply with the Regulations in §§12.308-12.311 of this title (relating to Form, Conditions, and Terms of Performance Bond and Liability Insurance), and if approved by the Commission.

Luminant requests Commission acceptance of the blanket collateral bond in the total amount of \$1,100,000,000. This amount is in excess of the total amount of self-bonds. Luminant requests that the Commission determine that its proffered blanket collateral bond meets requirements for acceptance for reclamation bonding of all of its mining and reclamation operations in Texas on the basis that Luminant has presented documentation showing that it meets the requirements for a blanket collateral bond pursuant to §§12.308(c) and 12.309(h)(1)-(3).

3. Luminant currently has self-bonds with third-party guarantees by Luminant Generation Company LLC accepted by the Commission in a total amount of \$1,009,000,000 for the Permits. The surface coal mines for which these bonds apply are: Permit No. 3F, Big Brown Mine, Freestone County; Permit No. 4K, Martin Lake Mine, Panola and Rusk Counties; Permit No. 5G, Monticello Thermo Mine, Hopkins County; Permit No. 34F, Monticello Winfield Mine, Titus and Franklin Counties; Permit No. 46C, Oak Hill Mine, Rusk County; Permit No. 48B, Three Oaks Mine, Bastrop and Lee Counties; Permit No. 49A, Bremond Mine, Robertson County; Permit No. 50A, Kosse Mine, Limestone and

Robertson Counties; Permit No. 51, Leesburg Mine, Camp County; Permit No. 53, Martin Lake AIV South Mine, Panola and Rusk Counties; Permit No. 54, Turlington Mine, Freestone County; Permit No. 56, Thermo A-1 Mine, Hopkins County; and Permit No. 58, Martin Lake Liberty Mine, Rusk County. Luminant does not propose any changes in the individual bond amounts for the permits, only the form of the bond. The total for all surface mining and reclamation operations is \$1.1 billion. This amount is in excess of the total amount of accepted self-bonds for the mines.

4. As a condition for conducting surface mining activities, the Act requires that the applicant file a performance bond in acceptable form and in an amount sufficient to assure the completion of the approved reclamation plan if the work had to be performed at the direction of the Commission in the event of forfeiture. The performance bond obligates the applicant to either complete the reclamation plans for lands in default or, if it fails to do so, to pay to the State of Texas, acting by and through the Commission, the amount necessary to complete the reclamation plans, but not to exceed the bond amount. The amount of the blanket collateral bond is \$91,000,000 in excess of the total amount of self-bonds for surface mining and reclamation operations in Texas. The total bond amount will not change. The following are the 13 self-bonds with third-party guarantees for Luminant permits for which Luminant requests replacement with the blanket collateral bond:

Permit No.	Mine Name	Bond Amount
3F	Big Brown Mine	\$ 86,000,000
4K	Martin Lake Mine	\$ 185,000,000
5G	Monticello-Thermo Mine	\$ 43,000,000
34F	Monticello-Winfield Mine	\$ 120,000,000
46C	Oak Hill Mine	\$ 223,000,000
48B	Three Oaks Mine	\$ 60,000,000
9A	Bremond Mine	\$ 3,000,000
50A	Kosse Mine	\$ 150,000,000
51	Leesburg Mine	\$ 18,000,000
53	Martin Lake AIV South Mine	\$ 44,000,000
54	Turlington Mine	\$ 30,000,000
56	Thermo A-1 Mine	\$ 4,000,000
58	Martin Lake Liberty Mine	\$ 43,000,000
All Permits	Total:	\$1,009,000,000

5. Commission Staff recently updated estimated reclamation costs for five of the permits. The total amount of estimated reclamation costs for Luminant permits is set out in the table below. The total amount of estimated reclamation costs is \$937,985,281, \$162,014,719 less than the amount of the proffered blanket collateral bond.

Permit Number	Mine Name	Reclamation Cost Estimate Date	Reclamation Cost Estimate
Big Brown Mine	3F	April 15, 2014	\$ 69,792,530
Martin Lake Mine	4K	May 27, 2014	\$ 153,967,420
Monticello Thermo Mine	5G	June 6, 2014	\$ 40,945,674
Monticello Winfield Mine	34F	February 24, 2014	\$ 117,991,540
Oak Hill Mine	46C	January 3, 2014	\$ 221,907,634
Three Oaks Mine	48B	April 15, 2014	\$ 59,552,108
Bremond Mine	49A	June 6, 2014	\$ 3,494,680
Kosse Mine	50A	March 26, 2014	\$ 149,065,635
Leesburg Mine	51	June 6, 2014	\$ 10,959,640
Martin Lake AIV South Mine	53	June 6, 2014	\$ 40,448,786
Turlington Mine	54	February 6, 2014	\$ 28,461,075
Monticello Thermo A-1 Area Mine	56	June 6, 2014	\$ 3,255,671
Liberty Mine	58	April 4, 2014	\$ 38,142,888
	Total Reclamation Costs		\$ 937,985,281

6. The Surface Mining and Reclamation Division filed Luminant's request and supporting documentation (Bond Package) with the Hearings Division by letter dated May 16, 2014. By letters dated June 2, 2014 and June 3, 2014, Luminant supplemented its application with additional supporting documentation. A copy of Staff's memorandum and attachments were transferred to the Hearings Division on June 6, 2014.
7. The following items were included in the Bond Package: Luminant's pleading requesting acceptance of the bond, a copy of Luminant's notification letter dated April 29, 2014 (Attachment A); the original collateral bond dated May 15, 2014 (Attachment B); Certified Energy Future Holdings Corp. Board of Directors' Resolutions (Attachment C), Affidavit of Gary L. Moor, Corporate Secretary, Luminant Mining Company LLC dated May 15, 2014 certifying excerpts from a Senior Secured Superpriority Debtor-in-Possession Credit Agreement ("DIP Agreement")(Attachment D), copies of two Bankruptcy Court Orders, Attachments E and F, an Interim Order dated May 2, 2014 approving post-petition financing for Texas Competitive Electric Holdings Company LLC and certain of its debtor affiliates, granting liens and providing superpriority administrative expense claims, modifying the automatic stay, and scheduling a final hearing, and an Interim Order dated May 2, 2014 "(A)

Authorizing Use of Cash Collateral for Texas Competitive Electric Holdings Company LLC and Certain of Its Debtor Affiliates, (B) Granting Adequate Protection, (C) Modifying the Automatic Stay, and (D) Scheduling a Final Hearing” (the final orders dated June 6, 2014 for these two matters have also been submitted to the Commission and contain the same substantive provisions), respectively; the Affidavit of Gary L. Moor, Corporate Secretary of Luminant Mining Company LLC, dated May 15, 2014, certifying attached excerpts as true and correct copies of portions from the Declaration of Paul Keglevic, Executive Vice President, Chief Financial Officer and Co-Chief Restructuring Officer of Energy Future Holdings Corp., et al., in Support of First Day Motions, In re Energy Future Holdings Corp., et al., No. 14-10979 (CSS) (Bankr. D. Del. April 29, 2014)(“Keglevic Declaration”)(Attachment G); Affidavit of David Herr Regarding Duff & Phelps, LLC, Appraiser of Property Pledged in Support of Collateral Bond (Attachment H); Report by Duff & Phelps, LLC, entitled *Appraisal of the Fair Market Value of Texas Competitive Electric Holdings, Excluding Properties to be Mined, as of November 30, 2013* dated May 15, 2014 (Attachment I); Affidavit of Anthony R. Horton Demonstrating Proof of Possession and Title to Real Property Pledged in Support of Collateral Bond (Attachment J); Certificate of Liability Insurance Submissions (Attachment K); Affidavit of Sid Stroud regarding insurance certificates (Attachment L). Luminant supplemented the application by letter dated May 29, 2014 with Attachment M, Updated Certificate of Liability Insurance Submissions, and Attachment N, Certificate of Incumbency, and again supplemented the application by letter dated June 3, 2014 with a revised Certificate of Incumbency for Luminant’s officers signing the bond, and an affidavit by Anthony R. Horton, Treasurer of TCEH, dated June 3, 2014, Attachment O, Bond Package.

8. The following is the current ownership and control of Luminant Mining Company LLC. Energy Future Holdings Corp. is the parent corporation of Energy Future Competitive Holdings Company. Energy Future Competitive Holdings Company is the parent corporation of Texas Competitive Electric Holdings Company LLC (“TCEH”). Texas Competitive Electric Holdings Company LLC is the corporate parent of Luminant Holding Company LLC, the corporate parent of Luminant Mining Company LLC. Luminant Mining Company LLC is a Delaware limited liability company. Luminant Generation Company LLC, Luminant’s third-party guarantor on its current self-bonds, is a Texas limited liability company and also a subsidiary of Texas Competitive Electric Holdings Company LLC.
9. The Bankruptcy Court determined that the TCEH Debtors continue to manage and operate their businesses and properties as debtors in possession pursuant to sections 1107 and 1108 of the

Bankruptcy Code and that in order to continue to manage and operate the businesses and properties in the best interests of the TCEH Debtors, creditors, and others, a financing arrangement was needed that includes a carve-out from the superpriority lien in certain collateral in an amount up to \$1,100,000,000.

10. As part of the bankruptcy action, on May 1, 2014, the Court entered an order approving the joint administration of the Bankruptcy Cases of Luminant and affiliated companies (Cases). On May 2, 2014 (Docket 71), the Court issued the Interim Order (A) Authorizing Use of Cash Collateral for Texas Competitive Electric Holdings Company LLC and Certain of Its Debtor Affiliates, (B) Granting Adequate Protection, (C) Modifying the Automatic Stay, and (D) Scheduling a Final Hearing. (Bond Package, Exhibit F) On May 2, 2014, the Court also entered an Interim Order in Docket 73 (A) approving post-petition financing for Texas Competitive Electric Holdings Company LLC and certain of its debtor affiliates, (B) granting liens and providing superpriority administrative expense claims, (C) modifying the automatic stay, and (D) scheduling a final hearing. By this Interim Order, the court authorized TCEH and its parent guarantor to enter into agreements including a Senior Secured Superpriority Debtor-in-Possession Credit Agreement (“DIP Agreement”) and to obtain post-petition financing on a superpriority basis. The order provides that the carve-out from the superpriority liens on the Debtor in Possession Collateral pursuant to the DIP Agreement (“DIP Collateral”) in an amount up to \$1,100,000,000 shall be used to comply with Railroad Commission legal and/or regulatory requirements including for posting bonds for reclamation of up to \$1,100,000,000. (Bond Package Exhibit E) Ordering Paragraph 26 of the final order of the Bankruptcy Court specifies, in pertinent part:

26. *RCT Reclamation Support Carve Out. All amounts up to \$1,100,000,000 required to be paid by the TCEH Debtors to the RCT pursuant to amounts due and owing in respect of reclamation obligations incurred by the RCT and for which any of the TCEH Debtors may be liable under Applicable Law (as defined in the DIP Credit Agreement) will constitute the “RCT Reclamation Support Carve Out,” and such RCT Reclamation Support Carve Out will be senior to the DIP Obligations and to any other obligations or liabilities of the TCEH Debtors (other than, and subject in any event to, the Carve Out) unless the Borrower issues and delivers to the DIP Agent the RCT Carve Out Support Rejection Notice (as defined in the DIP Credit Agreement). Notwithstanding any provision of the DIP Documents or this Interim Order to the contrary, for the sake of clarity, with respect to the RCT Reclamation Support Carve*

Out in favor of the RCT for financial assurance for Debtor Luminant Mining Company LLC's reclamation obligations, the RCT shall be entitled to up to the first \$1,100,000,000 in proceeds of DIP Collateral to satisfy valid claims against the RCT Reclamation Support Carve Out, in the event such DIP Collateral is liquidated, before payment of claims of all other secured or unsecured creditors or other parties in interest, other than the amounts subject to the professional fee carve out (which amounts are defined as the "Carve Out" in paragraph 25 of this Interim Order...

11. Pursuant to §12.300(1)(E), one of the methods of collateralizing a bond for reclamation performance is with a perfected, first-lien security interest in real or personal property, in favor of the Commission. Luminant has granted to the Commission a carve-out from a perfected first-lien security interest that meets the requirements of §12.309(h)(1-3).
 - (a). In connection with the Chapter 11 proceeding pending before the Bankruptcy Court, the "TCEH Debtors" as defined in Attachment F (at 1 and 6) of the Bond Package that includes Luminant, secured commitments from certain Debtor in Possession (DIP) Lenders for \$4,475,000,000 in DIP financing (see Attachment D, Bond Package). The DIP financing is secured by a perfected priming superpriority first lien on substantially all of the assets of TCEH and its subsidiaries (Collateral) which lien is senior to the creditors of the TCEH Debtors. The DIP Financing provides for a carve-out from the DIP lenders' liens of up to \$1,100,000,000 for the benefit of the Commission that is referred to in the Bankruptcy Orders as the "RCT Reclamation Support Carve Out." The RCT Reclamation Support Carve Out is senior to any other obligations or liabilities of the TCEH Debtors, including those related to the DIP Financing, other than certain professional fees. The Bankruptcy Court approved the DIP Financing, including the RCT Reclamation Support Carve Out, through interim orders of the Bankruptcy Court (Bond Package, Attachments E and F) that were replaced by a final order dated June 6, 2014.
 - (b). Luminant has presented an acceptable schedule of pledged assets supporting the RCT Reclamation Support Carve Out to secure its obligations under the collateral bond. This schedule of assets is contained in the Bond Package, Attachment I, the independent appraiser Duff & Phelps' report, *Texas Competitive Electric Holdings, Appraisal of the Fair Market Value of Texas Competitive Electric Holdings, Excluding Properties to be Mined, as of November 30, 2013*, dated May 14, 2014, at 33-70 and Appendix A. This includes an

adequate description of the assets pledged as collateral for the bond [(see subparagraph (e))]. An affidavit has also been submitted by Anthony R. Horton, Treasurer of TCEH and Luminant providing proof of possession and title to the real property included in the collateral (Bond Package, Attachment J).

- (c). The assets that collectively represent the Collateral and the total appraised asset value [(subparagraph (d))] are as follows: Comanche Peak nuclear power plant in Somervell County, Texas; the Martin Lake (Rusk County), Monticello (Titus County), Sandow (Milam County), Oak Grove (Robertson County), and Big Brown (Freestone County) coal-fueled generating facilities; the thirteen permitted lignite mines that provide fuel to the coal-fueled plants; the gas-fueled generation assets at Decordova, Stryker Creek, Morgan Creek, Graham, Lake Hubbard, Trinidad, and Valley; real property, fixtures/improvements and personal property assets located at the various power plant facilities; certain intangible assets; and various other assets, including certain real property, nuclear fuel, and mineral interests (Bond Package, Attachment I, Duff & Phelps' report, at iv, 33-38, and 52-70, and Attachments G and O).
 - (d). Duff & Phelps is a qualified appraiser that the Commission finds is authorized under §12.309(h)(2)(B) for purposes of providing the fair market value of the Collateral used to secure Luminant's obligations under the collateral bond.
 - (e). Duff & Phelps found the Collateral to have a total appraised asset value of \$10,744,117,000 (Bond Package, Attachment I at iv), which well exceeds the \$1.009 billion aggregate amount covered by the existing self-bonds and the proposed \$1.1 billion collateral bond. The value of the real property within Luminant's permitted mines is excluded from the value of the collateral supporting the Collateral Bond (exclusion of approximately \$268.8 million).
 - (f). Luminant meets the requirement of §12.309(h)(3) because Luminant is not offering those real property assets within mine permitted areas as collateral in support of the collateral bond, and Duff & Phelps has excluded that value from its appraisal (Bond Package, Attachment I at iv).
12. The collateral bond (Bond Package, Attachment B) was executed by authorized officers of the permittee, M.A. McFarland, Chairman of the Board, President, and Chief Executive, Luminant Mining Company LLC, and Robert C. Frenzel, Senior Vice President and Chief Financial Officer, Luminant Mining Company LLC. Signatures were appropriately attested and acknowledged. A certificate of

incumbency was provided for these officers indicating that they held their positions as of the date of signing, May 15, 2014 (supplemental submittal dated June 3, 2014). Authorization for the action of Luminant is also contained via the Bankruptcy Orders; Luminant is included in the definition of "TCEH Debtor" and as such may take any necessary actions related to reclamation bonding involving the DIP collateral.

13. The collateral bond has been conditioned upon the faithful performance of all the requirements of the Act, the Coal Mining Regulations, and the provisions of the reclamation plan and permit. The amount, duration, form, conditions, and term of the performance bond conform to §§12.304-12.307 amount and duration and to §§12.308-12.311 of the Regulations relating to form, conditions, and terms of performance bond and liability insurance. The bond is on a Commission form for collateral bonds. The total amount of the proffered collateral bond is in excess of the amount of the currently posted bonds proposed for replacement for the thirteen permits. The amounts of the bonds to be replaced were determined by the Commission in various proceedings as in excess of the estimated costs of reclamation. (§12.304, Regulations) The amount is sufficient to cover the costs of reclamation should a third party be required upon the direction of the Commission to complete reclamation in the event of forfeiture of the bond(s). The bond is payable to the Commission and contains the required undertaking by Luminant to complete the reclamation plans for lands in default or to pay to the State of Texas, acting by and through the Commission, an amount necessary to complete the approved reclamation plans, not to exceed the bond amount. The bond will continue in effect until replaced in accordance with the Act and Regulations or until reclamation is complete and the permit(s) terminated as ordered by the Commission. The specific provisions of §12.309(h) for collateral bonds are met. Luminant has granted the Commission a carve-out from a perfected first-lien security interest in real property subject to the rights of the Commission to forfeit the bond in accordance with §§12.314-12.317. Luminant has submitted a schedule of real property pledged to secure the obligations under the collateral bond and indemnity agreement that includes descriptions of real property by reference to county appraisal district records, fair market value as determined in the appraisal, as well as proof of possession and title to the real property (Bond Package, Attachment J, with Attachment A, and Attachment O, Affidavit of Anthony R. Horton, Treasurer of TCEH and Luminant).
14. The collateral bond contains a provision that Luminant will promptly notify the Commission in accordance with the Regulations if it becomes unable to fulfill its obligations under the bond. The collateral bond contains a provision that the Principal/Permittee agrees that any liability that has

accrued against it under the Act, the Coal Mining Regulations, or the Permits as originally issued, amended, revised, renewed, or replaced, is transferred to the bond.

15. The Commission also approves continued compliance with §12.311 for minimum liability insurance coverage [§12.311(b)]. Staff filed its review and administrative approval of the replacement certificates of insurance submitted by Luminant, as supplemented. Luminant had been approved for self-insurance by proof of self-bonding as allowed by §12.311(d). As no longer self-bonded, Luminant submitted proof of public liability insurance by certificates for each permit certifying that the applicant has a public liability insurance policy in force for the surface coal mining and reclamation operations covered by that permit by letter dated April 30, 2014 (Attachment K, Bond Package). Luminant supplemented this application with the required revision application fee for each of its permits. The certificates were replaced by letter dated May 29, 2014, Exhibit M; the replacements provide for personal injury and property damage protection in an amount adequate to compensate all persons injured or property damages as a result of surface coal mining and reclamation operations, including use of explosives and damage to water wells, and entitled to compensation under the applicable provisions of State law and adequately identify the permit areas to which the insurance applies. The regulation provides for minimum insurance coverage for bodily injury in the amount of \$500,000 for each occurrence and \$1,500,000 aggregate; and minimum insurance coverage or property damage in the amount of \$500,000 for each occurrence and \$1,000,000 aggregate. Each certificate, dated May 27, 2014 indicates that Associated Electric & Gas Insurance Services Limited, 1 Meadowlands Plaza, East Rutherford, NJ 07073 issued Policy No. XL5147502P, effective August 1, 2013 to August 1, 2014 complies with these amounts of coverage. Each certificate was accompanied by a certificate dated May 27, 2014 of the Assistant Secretary of Associated Electric & Gas Insurance Services Limited (AEGIS) demonstrating that AEGIS has the authority to execute, issue, countersign, endorse, cancel and non-renew policies of the Company (AEGIS), provided such powers are exercised only by those officers and employees designated by AEGIS' Chief Executive Officer. The Certificate of the Assistant Secretary also certified that AEGIS has the power and authority to carry out such duties and that Ronald Bertrand has been and remained on the date of the assistant secretary's certificate and on the date of the signing of the insurance certificates the designee of Aegis. In addition, an affidavit signed on May 28, 2014 was submitted by Luminant signed by Sid Stroud, Director, Environmental Mining, Luminant Mining Company LLC affirming that he had the authority by Luminant on May 27, 2014 to authorize Ronald Bertrand to issue certificates of insurance on behalf of Luminant for the Railroad Commission of Texas and that he did authorize Mr. Bertrand on May 27, 2014 to issue the certificates verifying the insurance coverage. (Bond Package, Attachments K and M)

16. Based upon the application, collateral bond, and other evidence submitted by Luminant and Commission Staff, the Commission finds that the collateral bond meets the requirements for acceptance as set out in the Findings of Fact. A proposed order was circulated to Luminant and Staff for comment. Neither party filed objections to the proposed order; each party filed waivers of the preparation and circulation of a proposal for decision.
17. Luminant Mining Company LLC, its parent, Texas Competitive Electric Holdings Company LLC, and Luminant Generation Company LLC are current in the payment of franchise taxes, respectively, as required by TAX CODE §§171.001 *et seq.* (Vernon Supp. 2014).
18. Open meeting notice of consideration of this application has been provided (TEX. GOV'T CODE §551.044 (Vernon Supp. 2014)).

CONCLUSIONS OF LAW

1. The Commission has jurisdiction pursuant to §§134.001, *et seq.* of the TEX. NAT. RES. CODE, including §§134.121-134.122, §134.125, and §134.127 and the Coal Mining Regulations, §§12.308(a)(2), 12.308(c), and §12.309(h) to consider this application for acceptance of a collateral bond. The Commission's action will be consistent with the actions of the Bankruptcy Court.
2. Luminant has met the requirements for notification and replacement of bonds set out in the Regulations at §12.309(j)(7).
3. The collateral bond has been conditioned upon the faithful performance of all the requirements of the Act, the Coal Mining Regulations, and the provisions of the reclamation plan and permit. The amount and period of liability of the performance bond comply with §§12.304-12.307 of the Regulations and with §§12.308-12.311 of the Regulations relating to replacement, form, terms and conditions, and liability insurance. Because the terms and conditions are sufficient to comply with §§12.308-12.311, the blanket collateral bond may be approved by the Commission.

4. The blanket collateral bond in the amount of \$1,100,000,000 will provide sufficient bonding for the reclamation operations approved for the permits for which they were submitted based on proof that the criteria set out for collateral bonds have been met and the amount of the bond is in excess of estimated reclamation costs, \$937,985,281.
5. Proper notice has been provided as required by the Act, Regulations, and "Practice and Procedure."

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS that the Findings of Fact and Conclusions of Law as set out in this Order are hereby adopted;

IT IS FURTHER ORDERED the Commission accepts the blanket collateral bond for statewide mining and reclamation operations submitted by Luminant to replace the self-bonds with third-party guarantees by Luminant Generation Company LLC for the permits listed in Finding of Fact No. 3 of this Order;

IT IS FURTHER ORDERED that the self-bonds with third-party guarantees by Luminant Generation Company LLC for the permits listed in Finding of Fact No. 3 of this Order are hereby replaced;

IT IS FURTHER ORDERED that the Commission accepts Luminant's replacement public liability insurance to replace the self-insurance for Luminant's permits; and

IT IS FURTHER ORDERED that the Commission may vary the required bond amount of each permit as affected acreages are increased or decreased or where the cost of reclamation changes.

IT IS FURTHER ORDERED by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is mailed. If a timely motion for rehearing is filed by any party of interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX.

GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the order.

SIGNED IN AUSTIN, TEXAS, on this 17th day of June, 2014.

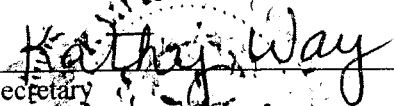
RAILROAD COMMISSION OF TEXAS


CHAIRMAN BARRY T. SMITHERMAN


COMMISSIONER DAVID PORTER


COMMISSIONER CHRISTI CRADDICK

ATTEST:


Secretary
Railroad Commission of Texas

RAILROAD COMMISSION OF TEXAS

Surface Mining and Reclamation Division

Collateral Bond and Indemnity Agreement for Surface Mining and Reclamation Permits

Big Brown Mine, Permit No. 3F
Martin Lake Mine, Permit No. 4K
Monticello-Thermo Mine, Permit No. 5G
Monticello-Winfield Mine, Permit No. 34F
Oak Hill Mine, Permit No. 46C
Three Oaks Mine, Permit No. 48B
Bremond Mine, Permit No. 49A
Kosse Mine, Permit No. 50A
Leesburg Mine, Permit No. 51
Martin Lake AIV South Mine, Permit No. 53
Turlington Mine, Permit No. 54
Thermo A-I Mine, Permit No. 56
Martin Lake Liberty Mine, Permit No. 58
(Collectively, the "Permitted Mines")

Permittee: Luminant Mining Company LLC

KNOW ALL BY THESE PRESENTS:

WHEREAS, Luminant Mining Company LLC ("Mining Company" or "Principal-Permittee"), a Texas limited liability company, is undertaking surface mining operations at the above-listed Permitted Mines pursuant to the above-listed permits ("Permits") issued by the Railroad Commission of Texas ("Commission"); and

WHEREAS, Under 16 Texas Administrative Code §§ 12.1 *et seq.* (hereinafter referred to as the "Coal Mining Regulations"), retention of the Permits are conditioned on Mining Company, as Principal-Permittee, posting a performance bond to insure reclamation of the permit areas of the Permitted Mines in accordance with the reclamation plans as approved by the Commission ("Reclamation Plans"); and

NOW, THEREFORE, To secure performance and payment in accordance with this bond, Principal-Permittee grants the Commission a carve out of One Billion One Hundred Million Dollars (\$1,100,000,000.00) from the superpriority perfected first-lien security interest in certain real property and personal property of Texas Competitive Electric Holdings Company LLC ("TCEH"), the indirect parent company of Mining Company (the "Collateral Bond" or "bond"), in accordance with the orders of the United States Bankruptcy Court for the District of Delaware regarding debtor-in-possession financing, which orders are attached hereto and incorporated herein by reference as if fully set forth herein. This bond excludes real property within the Permitted Mines.

Mining Company as Principal-Permittee, for itself, its successors and assigns, is held and firmly bound unto the State of Texas, acting by and through the Commission, in Austin, Travis County, Texas, in the sum of the Collateral Bond for the payment which will and truly be made in Austin, Travis County, Texas. The conditions of this obligation are that if Principal-Permittee shall faithfully and fully perform the requirements set forth in the Permits applicable to the Permitted Mines as amended, renewed, revised, or replaced, issued pursuant to the Texas Surface Coal Mining and Reclamation Act, Texas Natural Resources Code, §§ 134.001 *et seq.* (hereinafter referred to as the "Act"), and faithfully and fully perform the requirements set forth in the Coal Mining Regulations, Surface Mining and Reclamation Division, pertaining to the reclamation of surface mined lands, promulgated in accordance with the provisions of the Act and the Administrative Procedure Act, Texas Government Code §§ 2001 *et seq.*, as now or hereafter amended, and faithfully fulfill all obligations under the aforementioned Reclamation Plans, then this obligation shall be null and void; otherwise it shall remain in full force and effect.

And Principal-Permittee, for value received, agrees that no amendment to existing laws, rules or regulations, no adoption of new laws, rules or regulations, and no modification of the Reclamation Plans shall in any way alleviate its obligation under this bond, and it does hereby waive notice of any such amendment, adoption, or modification.

Principal-Permittee further agrees to give prompt notice to the Commission in accordance with the Coal Mining Regulations if it becomes unable to fulfill its obligations under this bond.

Principal-Permittee further agrees that any liability that has accrued against it under the Act, the Coal Mining Regulations, or the Permits as originally issued, amended, revised, renewed, or replaced, is transferred to this bond.

Principal-Permittee further agrees that if at any time the fair market value of the collateral securing this bond does not equal or exceed the amount of this bond, the Principal-Permittee shall be deemed to be without bond coverage in violation of the Act, the Coal Mining Regulations, and the Permits, and the Principal-Permittee shall discontinue surface coal mining operations in accordance with the Act and the Coal Mining Regulations until new performance bond coverage is approved. Notwithstanding the foregoing, however, nothing in this instrument shall be construed as a waiver of the Commission's ability to enforce the Act, the Coal Mining Regulations, or the Permits, or to seek bond forfeiture in accordance with the provisions of the Act, the Coal Mining Regulations, or this instrument.


Upon default by Mining Company in the performance of its reclamation or payment obligations pursuant to this instrument, Mining Company agrees to either complete the Reclamation Plans for lands in default or, if it fails to do so, to pay to the State of Texas, acting by and through the Commission, the amount necessary to complete the Reclamation Plans, but not to exceed the bond amount of One Billion One Hundred Million Dollars (\$1,100,000,000.00), as determined by the Commission.

Upon request, and upon timely and proper showing by Mining Company, the Commission agrees to release Mining Company from all or part of the bond if the Commission is satisfied that the reclamation requirements covered by the bond have been accomplished as

required in accordance with the Coal Mining Regulations. This bond and agreement shall be in full force and effect for the duration of Principal-Permittee's reclamation obligation on the lands affected by the Reclamation Plans for as long as required by the Reclamation Plans and the Coal Mining Regulations, or until the Principal-Permittee is otherwise relieved of its obligation by order of the Commission.

IN WITNESS WHEREOF, the Principal-Permittee has caused these presents to be duly signed and sealed, and the signatories hereby cause this agreement to be executed by their duly authorized officers or representatives.

LUMINANT MINING COMPANY LLC
Principal-Permittee


By: Signature

M.A. McFarland
Name

Chairman of the Board, President and Chief
Executive, Luminant Mining Company LLC
Title

Robert C. Frenzel
By: Signature

Robert C. Frenzel
Name

Senior Vice President and Chief
Financial Officer,
Luminant Mining Company LLC
Title

ATTEST: Gary L. Moor
Signature

Gary L. Moor
Name

Secretary,
Luminant Mining Company LLC
Title

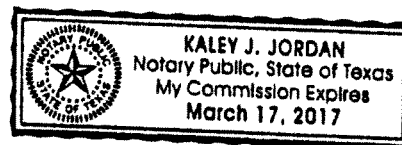
THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on the 15 day of May, 2014, by M.A. McFarland, who being by me duly sworn did say that he is the Chairman of the Board, President, and Chief Executive of Luminant Mining Company LLC, the entity that executed the above and foregoing Collateral Bond and Indemnity Agreement for Surface Mining and Reclamation Permits, and that said instrument was signed on behalf of said company, and that said M.A. McFarland duly acknowledged to me that said entity executed the same.

Kaley J. Jordan
Notary Public in and for the
State of Texas

My Commission Expires:

03/17/2017



THE STATE OF TEXAS

§

COUNTY OF DALLAS

§

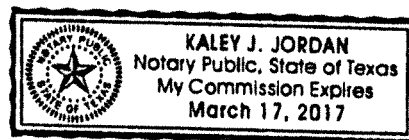
§

This instrument was acknowledged before me on the 15 day of May, 2014, by Robert C. Frenzel, who being by me duly sworn did say that he is the Senior Vice President and Chief Financial Officer of Luminant Mining Company LLC, the entity that executed the above and foregoing Collateral Bond and Indemnity Agreement for Surface Mining and Reclamation Permits, and that said instrument was signed on behalf of said company, and that said Robert C. Frenzel duly acknowledged to me that said entity executed the same.

Kaley J. Jordan
Notary Public in and for the
State of Texas

My Commission Expires:

03/17/2017



IN WITNESS WHEREOF, the Railroad Commission of Texas hereby accepts, as of this 17th
day of June, 2014, the foregoing Collateral Bond and Indemnity Agreement for
Surface Mining and Reclamation Permits.

RAILROAD COMMISSION OF TEXAS

Bryant T. Sutton
CHAIRMAN

David Porter
COMMISSIONER

Christi Craddock
COMMISSIONER

ATTEST:

Secretary

Kathy Way