

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**SURFACE MINING DOCKET NO. C20-0005-SC-55-D
APPLICATION BY THE SABINE MINING COMPANY
FOR ACCEPTANCE OF SELF-BOND WITH THIRD-PARTY GUARANTEE
FOR RUSK MINE, PERMIT NO. 55A
RUSK, HARRISON AND PANOLA COUNTIES, TEXAS**

ORDER ACCEPTING RECLAMATION PERFORMANCE BOND

Statement of the Case

The Sabine Mining Company (SMC), 6501 Farm Road 968 West, Hallsville, Texas 75650, requests that the Railroad Commission of Texas (Commission) accept a supplemental self-bond with third-party guarantee by Southwestern Electric Power Company (SWEPCO) in the amount of \$15,000,000 for reclamation performance bonding for surface mining Permit No. 55A, Rusk Mine, located in Harrison, Panola, and Rusk Counties, Texas. The Commission has previously accepted reclamation performance bonds in the amounts of \$35,000,000, \$25,000,000 and \$5,000,000 to ensure that the permit area will be reclaimed in accordance with the regulatory requirements.

SMC requests that the Commission accept the subject supplemental self-bond with third-party guarantee by SWEPCO to provide additional reclamation performance bonding required for activities included in Revision No. 4 to the permit. Reclamation cost estimates by SMC and Staff of the Surface Mining and Reclamation Division were completed during processing of Revision No. 4, and Staff has administratively approved a reclamation cost estimate in the amount of \$76,617,125 as sufficient to reclaim disturbed areas within the permit area. The Commission accepts the proffered supplemental bond and finds that the total bond amount of \$80,000,000 will be sufficient to reclaim the permit area should a third-party be required to complete reclamation at the direction of the Commission.

FINDINGS OF FACT

Based on the evidence in the record, the following Findings of Fact are made:

1. The Sabine Mining Company (SMC), 6501 Farm Road 968 West, Hallsville, Texas 75650, applied to the Railroad Commission of Texas (Commission) for acceptance of a self-bond with third-party guarantee and indemnity agreement in the amount of \$15,000,000 for its Permit No. 55A for its Rusk Mine located in Rusk, Harrison and Panola Counties by letter dated August 7, 2019. Southwestern Electric Power Company (SWEPCO) is the proposed third-party guarantor. SMC filed additional information by letter dated September 18, 2019. The application is made pursuant to the Texas Surface Coal Mining and Reclamation Act, Tex. Nat. Res. Code Ann. Ch. 134 (Vernon Supp. 2019), and the "Coal Mining Regulations," Tex. Railroad Comm'n, 16 Tex. Admin. Code Ch. 12 (Thomson West 2019) (Regulations).
2. By letter dated October 1, 2019, the Director, Surface Mining and Reclamation Division (SMRD or Staff), transferred the application and original bond instruments to the Hearings Division. By letter dated October 3, 2019, SMRD filed copies of the following: the Commission's Office of General Counsel's (OGC) legal review of the application set forth in its memorandum dated September 26, 2019, including financial review memoranda from the Commission's Financial Services Division (FSD); SMC's supplemental documents evidencing SMC and SWEPCO are authorized to transact business in Texas and unaudited financial statements for each entity's fiscal quarter ending June 30, 2019 submitted by letter dated September 18, 2019; and, SMC's completed SMRD-1C form. Staff filed its approval letter and review memorandum for Revision No. 4 to Permit No. 55A by letter dated October 9, 2019. By letter dated October 14, 2019, Staff filed a copy of OGC's memorandum dated May 17, 2019 that was authored in conjunction with FSD and addresses SWEPCO's audited financial statements for its fiscal year ending December 31, 2018 that were submitted to the Commission by SMC on March 28, 2019 pursuant to ongoing financial reporting requirements related to self-bonding. By letter dated October 29, 2019, SMC filed its and SWEPCO's unaudited financial statement for their respective fiscal quarters ending September 30, 2019.

3. Permit No. 55A is currently bonded by three self-bonds with third-party guarantees in the amounts of \$35,000,000, \$5,000,000 and \$25,000,000 accepted by Commission Orders dated July 26, 2011, May 8, 2012 and June 19, 2018, respectively. The three accepted bonds provide bonding in a total amount of \$65,000,000 for the permit. The most recent reclamation cost estimate for the Rusk Mine in the amount of \$76,617,125 was approved administratively by letter dated July 11, 2019 in Revision No. 4. SMC submitted detailed design plans for the temporary V 12 Diversion and a revised bond map along with an updated reclamation cost estimate in Revision No. 4. Staff conducted an independent reclamation cost estimate as part of its review of Revision No. 4 and determined \$76,617,125 as the minimum amount of bond required for the permit. Given updated reclamation costs exceed the current amount of bond, Staff's approval letter of Revision No. 4 required SMC to submit a bond in a sufficient amount to cover the approved cost estimate no later than August 30, 2019. SMC timely submitted the proffered bond by letter dated August 7, 2019. The proffered bond, together with the accepted bonds, will provide bonding in a total amount of \$80,000,000; exceeding the approved reclamation cost estimate for Permit No. 55A and is therefore sufficient in amount to assure the completion of the reclamation plan if the work has to be performed at the direction of the Commission in the event of forfeiture in accordance with §12.304(b) of the Regulations.
4. The \$15,000,000 bond submitted by letter dated August 7, 2019 by SMC is a self-bond with third-party guarantee and indemnity agreement. The third-party guarantor is SWEPCO. In addition to Permit No. 55A for the Rusk Mine, SMC also currently operates the South Hallsville No. 1 Mine in Harrison County pursuant to Commission Permit No. 33I. The South Hallsville No. 1 Mine currently has self-bonds with third party guarantees for \$65,000,000 and \$10,000,000 with SWEPCO as the guarantor. SWEPCO also serves as third-party guarantor for the \$35,000,000, \$25,000,000 and \$5,000,000 self-bonds for Permit No. 55A. Thus, the total amount of outstanding and proposed bonds backed by SWEPCO is \$155,000,000.

5. The self-bond submitted is on a Commission form for self-bond [Form SMRD-43(C)]. The bond is accompanied by the third-party guarantee and indemnity agreement also on a Commission form [FormSMRD-47(C)].
6. The bond submitted will provide bonding for operations as shown on the approved bond maps contained within the approved permit.
7. The self-bond submitted by SMC is signed by SMC's President, Andrew J. Hawbaker who is authorized to execute the bond on behalf of SMC ["Certificate as to Incumbency" dated July 31, 2019 (Item 9) and certified copy of "Resolutions Adopted by the Board of Directors of the Sabine Mining Company" dated June 26, 2019 (certified: July 31, 2019) (Item 8)]. The third-party guarantee and indemnity agreement is signed on behalf of the third-party guarantor SWEPCO by A. Malcolm Smoak, President and Chief Operating Officer of SWEPCO, and Julia A. Sloat, Treasurer of SWEPCO, who are duly authorized to execute the guarantee and indemnity agreement on behalf of SWEPCO [certified copy of Corporate Resolution dated June 20, 2019 (certified: July 31, 2019) (Item 16)]. The third-party guarantee and indemnity agreement is signed on behalf of principal-permittee SMC by SMC's President, Andrew J. Hawbaker, and Treasurer, Eric A. Dale, who is authorized to execute the guarantee and indemnity agreement on behalf of SMC (Items 8 and 9). Corporate authorizations for SMC and SWEPCO along with an affidavit from SMC has been submitted to certify that the documents and agreements are valid under all applicable state and federal laws [Affidavit of Counsel (Item 12)]. The third-party guarantee and indemnity agreement contains the required undertaking by SWEPCO to complete the reclamation plan for lands in default or to forfeit to the Commission an amount necessary to complete the approved reclamation plan, not to exceed the bond amount. The agreement binds SMC and SWEPCO jointly and severally. The requirements of §12.309(j)(5) have been met.
8. The self-bond and third-party guarantee and indemnity agreement provide that SMC and SWEPCO will comply with the requirements of the Texas Surface Coal Mining and Reclamation Act and applicable Commission Regulations.

9. The Commission regulation at 16 Tex. Admin. Code §12.309(j)(3) provides that the Commission may accept a self-bond from the applicant and the applicant's third-party guarantor when the applicant meets the self-bonding requirements for a business entity set out in 16 Tex. Admin. Code §12.309(j)(2)(A), (B), and (D) and when the third-party guarantor meets the requirements for a business entity set out in 16 Tex. Admin. Code §12.309(j)(2)(A), (B), (C), and (D).
10. The applicant, SMC, has met the requirements of 16 Tex. Admin. Code §12.309(j)(2)(A), (B), and (D).
 - (a). SMC has designated a suitable agent to receive service of process in Texas, Corporation Service Company d/b/a CSC-Lawyers Incorporating Service Company, 211 East 7th Street, Suite 620, Austin, Texas 78701-3218 (Item 13) [§12.309(j)(2)(A)].
 - (b). SMC has been in continuous operation for a period of not less than 5 years immediately preceding the date of application (Item 8) [§12.309(j)(2)(B)].
 - (c). SMC submitted required audited financial statements for the fiscal year ending December 31, 2018 in the application (Item 10). The auditors' statements contain no adverse opinions. In the application, SMC submitted unaudited financial statement for its fiscal quarter ending March 31, 2019 (Item 11). By letter dated September 18, 2019, SMC submitted its unaudited financial statement for fiscal quarter ending June 30, 2019. By letter dated October 29, 2019, SMC submitted its unaudited financial statement for its fiscal quarter ending September 30, 2019. SMC has complied with the requirements of § 12.309(j)(2)(D).
11. SWEPCO as third-party guarantor has met the requirements of 16 Tex. Admin. Code §12.309(j)(2)(A), (B), (C), and (D).

- (a). SWEPCO has designated a suitable agent to receive service of process in Texas, CT Corporation System, 350 N. St. Paul Street, Dallas, Texas 75201 (Item 23) [§12.309(j)(2)(A)].
- (b). SWEPCO has been in continuous operation for a period of not less than 5 years immediately preceding the date of application (Item 17) [§12.309(j)(2)(B)].
- (c). SWEPCO demonstrated that it meets the financial criteria for a third-party guarantor set out in §12.309(j)(2)(C)(iv).
 - (1) SWEPCO demonstrated that it has an investment grade rating for its most recent bond issuance of “Baa3” or higher from Moody’s Investor Service and “BBB-” or higher from Standard and Poor’s Corporation. The rating for SWEPCO’s most recent bond issuance is “Baa2” from Moody’s Investor Service and “A-” from Standard and Poor’s Corporation, based on the December 31, 2018 audited Form 10-K.
 - (2) SWEPCO has demonstrated that it meets the financial criteria set out in §12.309(j)(2)(C)(iv)(II). The application contains SWEPCO’s audited Form 10-K annual report for its most recently completed fiscal year, December 31, 2018 (Tab 19). The audited 2018 report was previously submitted to SMRD on March 28, 2019 pursuant to ongoing financial reporting requirements related to self-bonding set out in § 12.309(j)(6). By memorandum dated March 17, 2019, OGC, with assistance from FSD, found SWEPCO continued to meet the minimum financial criteria as guarantor of the existing bonds based on a review of its 2018 audited financials. The application also contains SWEPCO’s unaudited financial statement for its fiscal quarter ending March 31, 2019 (Tab 20). By memoranda dated August 19, 2019, FSD found SWEPCO meets applicable financial criteria as the guarantor for the proffered bond based on its review of SWEPCO’s unaudited financial statement for its fiscal

quarter ending March 31, 2019, while also considering the audited financial reports for the fiscal year ending December 31, 2018.

- (i) SWEPCO has a net worth of at least \$100,000,000 as required under §12.309(j)(2)(C)(iv)(II)(-a-); its net worth is \$1,417,100,000 as calculated by FSD based on SWEPCO's unaudited financial statement for its fiscal quarter ending March 31, 2019 and audited financial report for its fiscal year ending December 31, 2018 (FSD's August 19, 2019 Memorandum at p. 4). Based on SWEPCO's 2018 Form 10-K alone, its net worth was \$1,559,100,000 (OGC's May 17, 2019 Memorandum at p. 5).
- (ii) SWEPCO has fixed assets in the United States of at least \$200,000,000; SWEPCO has demonstrated that it has fixed assets in the United States of \$6,570,200,000 according to its unaudited financial statement for its fiscal quarter ending March 31, 2019 and the audited financial report for its fiscal year ending December 31, 2018 (FSD's August 19, 2019 Memorandum at p. 4). Based on SWEPCO's 2018 Form 10-K alone, its fixed assets in the United States totaled \$6,871,800,000 (OGC's May 17, 2019 Memorandum at p. 5).
- (iii) SWEPCO has outstanding securities pursuant to the provisions of the Securities Act of 1933 and is subject to the periodic financial reporting requirements established by the Securities Act of 1934 as evidenced by the annual filing of Forms 10-Q and 10-K for its parent company American Electric Power, Inc. (Tabs 19 and 20).
- (iv) SWEPCO's present and proposed self-bonds and guaranteed self-bonds for surface mining and reclamation operations do not exceed 16⅔ percent of its net worth in the United States. The total amount of self-bonds and guaranteed self-bonds will be \$155,000,000

[Finding of Fact No. 4, *supra*]; SWEPCO's net worth in the United States is \$1,417,100,000 for a ratio of 10.94% based on its unaudited financial statement for its fiscal quarter ending March 31, 2019 and the audited financial report for its fiscal year ending December 31, 2018 (FSD's August 19, 2019 Memorandum at p. 4).

- (d). Financial information has been submitted pursuant to the requirements of §12.309(j)(2)(D). SMC has submitted SWEPCO's audited Form 10-K annual report for its most recently completed fiscal year, December 31, 2018, accompanied by a report, prepared by an independent certified public accountant, showing that the statement was prepared in conformity with generally accepted accounting principles, with no adverse opinion (Tab 19). SWEPCO's Form 10-Q for the quarterly period ending March 31, 2019 was submitted in the application (Tab 20). SMC submitted SWEPCO's unaudited financial statements for its quarterly periods ending June 30, 2019 and September 30, 2019 by letters dated September 18, 2019 and October 29, 2019, respectively. OGC found that a review of the unaudited financial statements for the quarterly periods ending March 31 and June 30, 2019, in conjunction with the audited annual report for SWEPCO's fiscal year ending December 31, 2018, reveals no drastic change in the financial position of SMC or SWEPCO since December 31, 2018; stating reasonable variances were observed that reflect normal fluctuations of the business cycle, supply of inventory on hand, product demand, as well as other market forces (OGC September 26, 2019 Memorandum).
12. The terms of the third-party guarantee contain the provisions required for a third-party guarantee by 16 Tex. Admin. Code §12.309(j)(3)(A). The guarantee provides that if SMC fails to complete the reclamation plan, the guarantor shall do so or the guarantor shall be liable under the indemnity agreement to provide funds to the Commission sufficient to complete the reclamation plan not to exceed the bond amount. The guarantee shall remain in force unless SWEPCO sends notice of cancellation as required by 16 Tex. Admin. Code §12.309(j)(3)(B) and such cancellation is accepted by the Commission. The

third-party guarantee guarantees all obligations of SMC under the bond that includes providing replacement bonding as required.

13. The Regulations at 16 Tex. Admin. Code §12.309(j)(4)(B) provide that for the Commission to accept a self-bond with third-party guarantee pursuant to qualification by 16 Tex. Admin. Code §12.309(j)(2)(A), (B), (C), and (D), the total amount of the guarantor's present and proposed self-bonds and guaranteed self-bonds for surface coal mining and reclamation operations shall not exceed 25% of the guarantor's tangible net worth in the United States [§12.309(j)(4)(B)]. Pursuant to §12.309(j)(1)(I), tangible net worth is equal to net worth minus intangibles such as goodwill and rights to patents or royalties. Net worth is equal to total assets minus total liabilities [§12.309(j)(1)(F)]. SWEPCO's financial statements do not list any intangibles; therefore, its tangible net worth in the United States is equal to its net worth in the United States (See OGC May 17, 2019 Memorandum at p. 7 and FSD August 19, 2019 Memorandum at pp. 4-5). With the self-bonds accepted for SMC's existing Permit Nos. 33I and 55A and the proffered bond, SWEPCO will have guaranteed self-bonds in a total amount of \$155,000,000 [Finding of Fact No. 4, *supra*]. This amount is approximately 10.94% of \$1,417,100,000 SWEPCO's tangible net worth in the United States based on its unaudited financial statement for its fiscal quarter ending March 31, 2019 and the audited financial report for its fiscal year ending December 31, 2018 (FSD's August 19, 2019 Memorandum at p. 4). Based on SWEPCO's 2018 Form 10-K alone, its tangible net worth in the United States totaled \$1,559,100,000 (OGC's May 17, 2019 Memorandum at p. 7); meaning the total amount of outstanding and proposed bonds (\$155,000,000) was approximately 9.94% of SWEPCO's tangible net worth at the end of its most currently completed fiscal year. SWEPCO meets the requirement of 16 Tex. Admin. Code §12.309(j)(4)(B).
14. The bond contains an agreement that SMC will submit updates of the financial information required for an applicant's self-bond with third-party guarantee and that SMC will immediately notify the Commission if financial conditions change so that the financial criteria are no longer met and will provide an alternate form of bond in the same amount as the self-bond [§12.309(j)(6) and (7)].

15. The bond contains a clause that it may be used to satisfy any reclamation obligation or liability that may have accrued prior to the effective date of the bond.
16. By letter dated September 18, 2019, SMC provided updated information showing SMC and SWEPCO are authorized to conduct business in Texas. The application contains proof that SMC and SWEPCO are current in the payment of franchise taxes (Items 6 and 14).
17. SMC and the Staff submitted written waivers of preparation and distribution of a Proposal for Decision in this matter.
18. No public notice other than notice of proposed action by the Commission in open meeting is required. Open meeting notice has been provided.

CONCLUSIONS OF LAW

Based on the above Findings of Fact, the following Conclusions of Law are made:

1. Required notice has been provided.
2. The Railroad Commission of Texas has the authority to determine the sufficiency of the value and form of reclamation performance bonds and to accept or deny reclamation performance bonds pursuant to the Texas Surface Coal Mining and Reclamation Act, Tex. Nat. Res. Code Ch. 134 (Vernon Supp. 2019) and the Coal Mining Regulations, 16 Tex. Admin. Code Ch. 12.
3. The reclamation performance self-bond, guarantee, and indemnity agreement meet the financial criteria of §12.309(j)(2)(A), (B), (C)(iv), and (D) of the Regulations for a self-bond with third-party guarantee.

4. The reclamation performance bond with third-party guarantee and indemnity agreement submitted by SMC and executed by SMC and by SWEPCO meets the requirements of the Texas Surface Coal Mining and Reclamation Act, Tex. Nat. Res. Code Ch. 134 (Vernon Supp. 2019), and the Coal Mining Regulations of the Railroad Commission of Texas, 16 Tex. Admin. Code Ch. 12, for value, form, and financial criteria for a self-bond with third-party guarantor.
5. The proffered bond, together with the accepted bonds in the amounts of \$35,000,000, \$25,000,000 and \$5,000,000, will provide sufficient bonding for the permit area.

IT IS THEREFORE ORDERED that the above Findings of Fact and Conclusions of Law are adopted;

IT IS FURTHER ORDERED that the self-bond and the third-party guarantee and indemnity agreement in the amount of \$15,000,000 are accepted for reclamation performance bonding for the permit area;

IT IS FURTHER ORDERED that currently accepted self-bonds with third-party guarantees in the amounts of \$35,000,000, \$25,000,000 and \$5,000,000 will remain in place and together with the accepted bond in the amount of \$15,000,000 will provide bonding in a total amount of \$80,000,000;

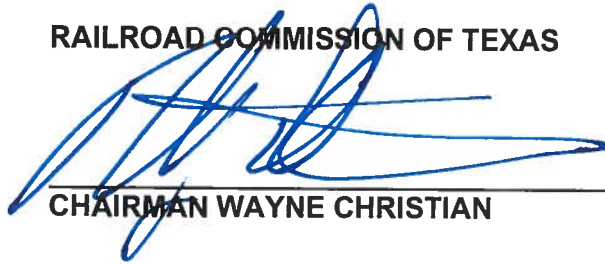
IT IS FURTHER ORDERED that \$80,000,000 is a sufficient amount for reclamation of the permit area;

IT IS FURTHER ORDERED that the Commission may vary the total bond amount as affected land acreage is increased or decreased or where the cost of reclamation changes; and

IT IS FURTHER ORDERED by the Commission that this order shall not be final and effective until 25 days after the Commission's Order is signed, unless the time for filing a motion for rehearing has been extended under Tex. Gov't Code §2001.142, by agreement under Tex. Gov't Code §2001.147, or by written Commission Order issued pursuant to Tex. Gov't Code §2001.146(e). If a timely motion for rehearing is filed by any party at 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 is 100 days from the date the Commission Order is signed.

SIGNED on December 17, 2019.

RAILROAD COMMISSION OF TEXAS



CHAIRMAN WAYNE CHRISTIAN



COMMISSIONER CHRISTI CRADDICK



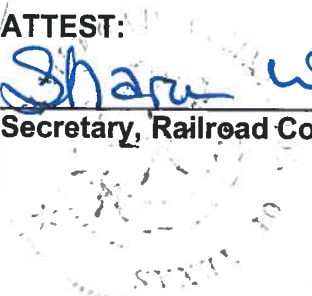
COMMISSIONER RYAN SITTON

ATTEST:



Deputy Secretary, Railroad Commission of Texas

Deputy



RAILROAD COMMISSION OF TEXAS
Surface Mining and Reclamation Division
Self Bond for Surface Mining and Reclamation Permit

Permit No.:

Mine Name: South Hallsville No.1 Mine "Rusk Permit" No. 55

Permittee: The Sabine Mining Company

(hereinafter referred to as the "Principal")

This instrument does does not (check appropriate response) replace an existing bond, described as:

KNOW ALL BY THESE PRESENTS [Note: Recitals may be modified as necessary to address permit revisions, renewals, consolidations]:

WHEREAS, as the above bound Principal-Permittee submitted to the Railroad Commission of Texas, Surface Mining and Reclamation Division, an application for a permit to engage in surface mining, which application included a proposed reclamation plan; and

WHEREAS, said permit application (including the proposed reclamation plan) was approved on the 26th day of July, 2011; and

WHEREAS, the granting of a permit is conditioned in part on the Principal-Permittee's posting bond to insure the faithful performance of all requirements of the Principal-Permittee under the Texas Surface Coal Mining and Reclamation Act, Texas Natural Resources Code, § 134.001 *et seq.*, (hereinafter referred to as the "Act"); regulations adopted under the Act, 16 TAC § 12.004 *et seq.*, (hereinafter referred to as the "Coal Mining Regulations"); and the Permit as amended, renewed, revised, or replaced;

THAT The Sabine Mining Company, as Principal-Permittee, is held and firmly bound unto the State of Texas in the full sum of **Fifteen Million Dollars And No/100** United States Dollars (\$15,000,000.00 U.S.), well and truly to be paid to the State of Texas in Austin, Travis County, Texas, and Principal-Permittee binds itself, its heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these presents.

NOW, THEREFORE, the conditions of this obligation are such that if the above bound Principal-Permittee shall faithfully and fully perform the requirements set forth in the Act, the Coal Mining Regulations, and the Permit as amended, renewed, revised, or replaced, then this obligation shall be null and void; otherwise it shall remain in full force and effect.

And the 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 amendment, renewal, revision, or replacement of the Permit (including the reclamation plan) shall in any way alleviate its obligation on this bond, and it does hereby waive notice of any such amendment, adoption, renewal, revision, or replacement.

The Principal-Permittee further agrees to give prompt notice to the Railroad Commission: (1) of any notice received or action filed alleging its insolvency or bankruptcy; or (2) if it becomes unable, or unwilling, to fulfill its obligation under this bond.

Self Bond of **The Sabine Mining Company** (Principal-Permittee)

It is agreed that this bond shall be in full force and effect for the duration of the reclamation obligation on the land affected by the Permit as amended, renewed, revised, or replaced or until the Principal-Permittee is otherwise relieved of its obligation by order of the Railroad Commission of Texas.

If this is a replacement bond, Principal Permittee further agrees that any liability which has accrued against it under the Act, the Coal Mining Regulation, or the Permit as originally issued, amended, revised, reviewed, or replaced, is transferred to this Bond.

It is further agreed that upon incapacity of the Principal-Permittee, or the Third-Party Guarantor if this bond is guaranteed, by reason of bankruptcy or incapacity, or for any other reason, Principal-Permittee shall be deemed to be without bond coverage in violation of the Act, the Coal Mining Regulations, and the Permit, and the Principal-Permittee shall discontinue surface coal mining operations 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 Permit, or to seek bond forfeiture in accordance with the provisions of the Act, the Coal Mining Regulations, or this instrument.

IN WITNESS WHEREOF, the Principal-Permittee has caused these presents to be duly signed and sealed this 31st Day of July, 2019.

The Sabine Mining Company

PRINCIPAL-PERMITTEE

6501 Farm Road 968 West, Hallsville, TX 75650

Address

By:


Signature

Andrew J. Hawbaker

Typed Name

President

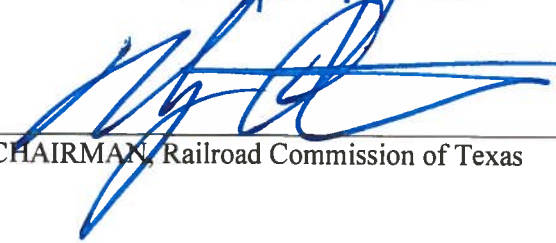
Title

Attest:


John Neumann

Self Bond of The Sabine Mining Company (Principal-Permittee)

Accepted: 12/17/19



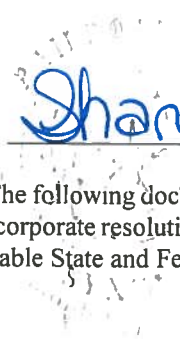
CHAIRMAN, Railroad Commission of Texas

Christi Cradick

COMMISSIONER, Railroad Commission of Texas

Ron Ains

COMMISSIONER, Railroad Commission of Texas

Attest: 
Sharon Waetz

NOTE: The following documents should be submitted to the Commission along with the original self-bond: (1) original certified corporate resolution and certificate of incumbency, and (2) affidavit certifying that this instrument is valid under all applicable State and Federal laws.

**THIRD-PARTY GUARANTEE and
INDEMNITY AGREEMENT**

Principal-Permittee: **The Sabine Mining Company**

Permit No.: **55A**

Mine Name: **South Hallsville No. 1 Mine - "Rusk Permit" No. 55A**

Self-Bond Amount: **\$15,000,000.00** Effective Date: **07/31/2019**

Third-Party Guarantor: **Southwestern Electric Power Company**

This instrument, executed by the above-named Principal-Permittee and Third-Party Guarantor guarantees Principal-Permittee's obligations under the Self-Bond described above.

Upon default by Principal-Permittee in the performance of its obligations under the Texas Surface Coal Mining and Reclamation Act, Texas Natural Resources Code, §134.001 *et seq.* (the "Act"); regulations adopted under the Act, 16 TAC §12.001 *et seq.* (the "Coal Mining Regulations"); and the Permit (including the reclamation plan) as now or hereafter amended, renewed, revised, or replaced, Third-Party Guarantor agrees to either complete performance of Principal-Permittee's obligations or to pay to the Commission an amount necessary to complete performance of such obligations as determined by the Commission. In no event, however, shall the amount paid to the Commission for completion of performance of Principal-Permittee's obligations exceed the amount of the bond as described above.

Third-Party Guarantor agrees that no amendment to existing law, rules or regulations, no adoption of new laws, rules or regulations, and no amendment, renewal, revision, or modification of the Permit (including the reclamation plan) shall in any way alleviate its obligation under this Third-Party Guarantee and Indemnity Agreement and it does hereby waive notice of any such amendment, adoption, renewal, revision, or replacement.

Third-Party Guarantor further agrees to give prompt notice to the Principal-Permittee and the Commission: (1) of any notice received or action filed alleging the insolvency or bankruptcy of the Third-Party Guarantor; (2) of any notice received or action filed alleging the insolvency or bankruptcy of the Principal-Permittee; (3) if it becomes unable, or unwilling, to fulfill its obligations under this Third-Party Guarantee and Indemnity Agreement.

Third-Party Guarantor agrees that it will submit financial information to the Commission during the pendency of this agreement as required by the Act or Coal Mining Regulations within the time period specified in such regulations.

It is agreed that this Third-Party Guarantee and Indemnity Agreement shall be in full force and effect for the duration of the reclamation obligation on the land affected by the Permit (including the reclamation plan) as amended, renewed, revised, or replaced or until the Principal-Permittee is otherwise relieved of its obligation by order of the Commission in accordance with applicable rules or this instrument is canceled in accordance with applicable rules.

Upon request, and upon timely and proper showing by Principal-Permittee, the Commission agrees to release the Principal-Permittee from all or any part of the Self-Bond if the Commission is satisfied that the Principal-Permittee's obligations with respect to some or all of the property covered by the Self-Bond have been accomplished as required in accordance with the Act, the Coal Mining Regulations, and the Permit as

now or hereafter amended, renewed, revised, or replaced.

Southwestern Electric Power Company

Third-Party Guarantor

1 Riverside Plaza, Columbus, OH 43215

Address

By: A Malcolm Smoak
Signature

A. Malcolm Smoak

Typed Name

President And Chief Operating Officer

Title

By: [Signature]
Signature

Julia A. Sloat

Typed Name

Treasurer

Title

Attest: _____

Accepted: 12/17/19

[Signature]
CHAIRMAN, Railroad Commission of Texas

Christi Craddick
COMMISSIONER, Railroad Commission of Texas

[Signature]
COMMISSIONER, Railroad Commission of Texas

The Sabine Mining Company

Principal-Permittee

**6501 Farm Road 968 West
Hallsville, TX 75650**

Address

By: _____
Signature

Andrew J. Hawbaker

Typed Name

President

Title

By: _____
Signature

Eric Dale

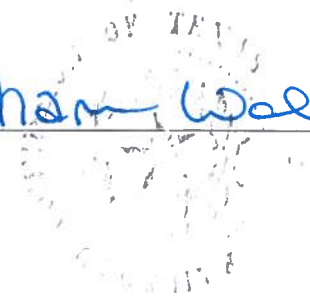
Typed Name

Treasurer

Title

Attest: _____

Attest: Sham Waelle



NOTE: The following documents should be provided to the Commission with the original bond instrument: (1) certified corporate resolution and certificate of incumbency, and (2) affidavit certifying that this instrument is valid under all applicable State and Federal laws.

**THIRD-PARTY GUARANTEE and
INDEMNITY AGREEMENT**

Principal-Permittee: **The Sabine Mining Company**

Permit No.: _____

Mine Name: **South Hallsville No.1 Mine - "Rusk Permit" No. 55**

Self-Bond Amount: **\$15,000,000.00** Effective Date: **July 31, 2019**

Third-Party Guarantor: **Southwestern Electric Power Company**

This instrument, executed by the above-named Principal-Permittee and Third-Party Guarantor guarantees Principal-Permittee's obligations under the Self-Bond described above.

Upon default by Principal-Permittee in the performance of its obligations under the Texas Surface Coal Mining and Reclamation Act, Texas Natural Resources Code, §134.001 *et seq.* (the "Act"); regulations adopted under the Act, 16 TAC §12.001 *et seq.* (the "Coal Mining Regulations"); and the Permit (including the reclamation plan) as now or hereafter amended, renewed, revised, or replaced, Third-Party Guarantor agrees to either complete performance of Principal-Permittee's obligations or to pay to the Commission an amount necessary to complete performance of such obligations as determined by the Commission. In no event, however, shall the amount paid to the Commission for completion of performance of Principal-Permittee's obligations exceed the amount of the bond as described above.

Third-Party Guarantor agrees that no amendment to existing law, rules or regulations, no adoption of new laws, rules or regulations, and no amendment, renewal, revision, or modification of the Permit (including the reclamation plan) shall in any way alleviate its obligation under this Third-Party Guarantee and Indemnity Agreement and it does hereby waive notice of any such amendment, adoption, renewal, revision, or replacement.

Third-Party Guarantor further agrees to give prompt notice to the Principal-Permittee and the Commission: (1) of any notice received or action filed alleging the insolvency or bankruptcy of the Third-Party Guarantor; (2) of any notice received or action filed alleging the insolvency or bankruptcy of the Principal-Permittee; (3) if it becomes unable, or unwilling, to fulfill its obligations under this Third-Party Guarantee and Indemnity Agreement.

Third-Party Guarantor agrees that it will submit financial information to the Commission during the pendency of this agreement as required by the Act or Coal Mining Regulations within the time period specified in such regulations.

It is agreed that this Third-Party Guarantee and Indemnity Agreement shall be in full force and effect for the duration of the reclamation obligation on the land affected by the Permit (including the reclamation plan) as amended, renewed, revised, or replaced or until the Principal-Permittee is otherwise relieved of its obligation by order of the Commission in accordance with applicable rules or this instrument is canceled in accordance with applicable rules.

Upon request, and upon timely and proper showing by Principal-Permittee, the Commission agrees to release the Principal-Permittee from all or any part of the Self-Bond if the Commission is satisfied that the Principal-Permittee's obligations with respect to some or all of the property covered by the Self-Bond have been accomplished as required in accordance with the Act, the Coal Mining Regulations, and the Permit as

now or hereafter amended, renewed, revised, or replaced.

Southwestern Electric Power Company
Third-Party Guarantor

1 Riverside Plaza, Columbus, OH 43215
Address

By: _____
Signature

Typed Name

Title

By: _____
Signature

Typed Name

Title

Attest: _____

Accepted: _____

CHAIRMAN, Railroad Commission of Texas

COMMISSIONER, Railroad Commission of Texas

COMMISSIONER, Railroad Commission of Texas

The Sabine Mining Company
Principal-Permittee

6501 Farm Road 968 West
Hallsville, TX 75650
Address

By: Audrey Hawbaker
Signature

Andrew J. Hawbaker
Typed Name

President
Title

By: [Signature]
Signature

Eric A. Dale
Typed Name

Treasurer
Title

Attest: [Signature]
John Neumann

Attest: [Signature]

NOTE: The following documents should be provided to the Commission with the original bond instrument: (1) certified corporate resolution and certificate of incumbency, and (2) affidavit certifying that this instrument is valid under all applicable State and Federal laws.