

Dynegy to Shut Down Multiple Central and Southern Illinois Coal-Fueled Units

- Units shutting down received no compensation to recover their basic operating costs in the recent MISO capacity auction.
- Illinois policymakers must take immediate action to preserve jobs and economic benefits.

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HOUSTON--(BUSINESS WIRE)--Dynegy Inc. (NYSE:DYN) announced today plans to shut down multiple Illinois coal-fueled units. Units one and three at the Baldwin Power Station in Baldwin, and unit two at the Newton Power Station in Newton, are expected to shut down operations over the next year. In total, Dynegy is requesting that MISO remove 1,835 megawatts (MW) from MISO Zone 4. An additional 500 MW are targeted for shutdown, and a final determination is likely later this year. The decision to shut down operations at the Baldwin and Newton units was made after they once again failed to recover their basic operating costs in the most recent MISO capacity auction.

Earlier this year, Dynegy announced the 465 MW Wood River Power Station would retire in June for similar reasons. In total, 2,800 MW of generation from Illinois will be lost – approximately 30% of the power generation capacity in Southern Illinois. According to a 2014 economic impact study by Development Strategies, the Newton and Baldwin stations combined have historically supported nearly 4,000 direct and indirect jobs and \$1 billion annually in economic activity for the region. Newton is responsible for \$5 million in property taxes and Baldwin pays \$4.8 million each year.

“This is a difficult decision, and we don’t take it lightly. For 40 years, the employees of the Baldwin and Newton Power Stations have generated reliable and affordable power for the people of Illinois,” said Robert C. Flexon, Chief Executive Officer of Dynegy. “The men and women of these stations, just like the Wood River employees, have proudly and professionally served and safely operated these facilities for decades while contributing greatly to their communities.”

Hybrid models that mix utilities with competitive generators do not work

Competitive generating assets in MISO Zone 4, regardless of fuel type, are unable to support their operating costs in the existing MISO market design. Generators are compensated in two ways – through the capacity market and through the energy market. The out-of-state utilities offer their capacity into the annual auction at little to no cost since

they are more highly compensated through their home state regulatory process, putting competitive generators at a tremendous disadvantage.

This same issue also applies to the energy market, where utilities also offer their energy in at no cost and continuously dispatch their baseload plants regardless of price as they are able to pass through their variable costs to ratepayers. Since generators in Zone 4 are not regulated, they rely entirely on the capacity and energy markets which are, in effect, suppressed by the regulated utilities' offering practices. MISO's market design does not penalize or prevent this practice. This dynamic prevents Zone 4 generators from receiving an adequate level of compensation to cover their generating costs. If Newton and Baldwin were located in PJM, as northern Illinois plants are, or Zone 4 was regulated as the other MISO generators outside of Illinois are, no shutdowns would occur.

"This is a losing model that exports southern and central Illinois jobs and economic base to the surrounding states resulting in a catastrophic economic outcome for downstate Illinois," Flexon continued. "As has been demonstrated repeatedly, there is a large disparity between how central and southern Illinois competitive generating stations are treated compared to generating stations in northern Illinois and MISO participants outside of Illinois. Central and southern Illinois competitive units in MISO Zone 4 are wrongly grouped with out-of-state utilities rather than the competitive power producers in northern Illinois and PJM. This must change."

Illinois policymakers must act now to prevent additional plant shutdowns and job losses.

MISO is limited in what they can do to correct the situation, as their membership is overwhelmingly represented by out-of-state utilities that reap the benefits of the existing market design and, not surprisingly, are highly resistant to any design changes.

"Disappointingly, rather than resolve the market design deficiencies, which has the added benefit of retaining Illinois jobs and economic benefits, the only response from Illinois officials to date occurred last year when the Attorney General's office filed a complaint claiming that the clearing capacity price received by Dynegy for less than 10% of the Company's megawatts in MISO Zone 4, that was comparable to prices in northern Illinois and did not even cover Dynegy's costs, was not just and reasonable. Dynegy has spent more than a year defending itself against this baseless claim," Flexon added.

"Resolution of this issue in a way that serves Illinois as a whole can only be achieved with the immediate help and leadership of the Illinois state government for which we believe we have solutions, and we urgently need an audience. In the limited time left before closures

occur, we are ready to work quickly with MISO, the state of Illinois, union leadership, and all stakeholders to rectify the situation and preserve the jobs and economic base in downstate Illinois, while continuing to provide safe, low cost, and reliable power to the region,” concluded Flexon.

As part of the shutdown process, a notice filed with MISO for each unit triggers a reliability review by MISO. If MISO determines the units aren’t needed for reliability, Dynegy expects to shut down operations at Newton unit two in September 2016, Baldwin unit one in October 2016, and Baldwin unit three in March 2017.

About Dynegy

We are committed to leadership in the electricity sector. With nearly 26,000 megawatts of power generation capacity and two retail electricity companies, Dynegy is capable of supplying 21 million homes with safe, reliable and economic energy. Homefield Energy and Dynegy Energy Services are retail electricity providers serving businesses and residents in Illinois, Ohio and Pennsylvania.

In Illinois, Dynegy has 13 power stations serving more than 800,000 retail customers and employing nearly 1,400 people. We generate over \$2 billion in annual economic activity and power more than 400 Illinois communities across 80 counties.

Forward Looking Statements

This press release contains statements reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended as “forward-looking statements,” particularly those statements concerning Dynegy’s anticipated impacts and expected timing and manner of the shut downs; Dynegy’s beliefs and assumptions about MISO and its existing market design; its beliefs about disparity among competitive Illinois and PJM markets with out-of-state utilities; expectations and anticipated responses from MISO, Illinois officials, union leadership and stakeholders; the timeline and scope of the MISO shut down notice and the outcome of the MISO reliability review. Discussion of risks and uncertainties that could cause actual results to differ materially from current projections, forecasts, estimates and expectations of Dynegy is contained in Dynegy’s filings with the Securities and Exchange Commission (the “SEC”). Specifically, Dynegy makes reference to, and incorporates herein by reference, the section entitled “Risk Factors” in its 2015 Form 10-K and subsequent Form 10-Qs. In addition to the risks and uncertainties set forth in Dynegy’s SEC filings, the forward-looking statements described in this press release could be affected by, among other things, (i) Dynegy’s ability to shut down the Units over the next year; (ii) Dynegy’s anticipated benefits associated with the shut downs (iii) expectations

about the outcome of regulatory, administrative and legislative matters; (iv) the impacts on the scope and timing of any potential negotiations or the outcome of any legal processes; (v) the effects of, or changes to, MISO or PJM power and capacity procurement processes; (vi) expectations and estimates regarding capital and shut down expenditures; and (vii) Dynegy may be adversely affected by other economic, business, and/or competitive factors. Any or all of Dynegy's forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors, many of which are beyond Dynegy's control, including those set forth under Item 1A – Risk Factors of Dynegy's Form 10-K.

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