Dynegy Overview and the Challenges for Coal

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Mississippi Valley Coal Trade and Transportation Conference

New Orleans

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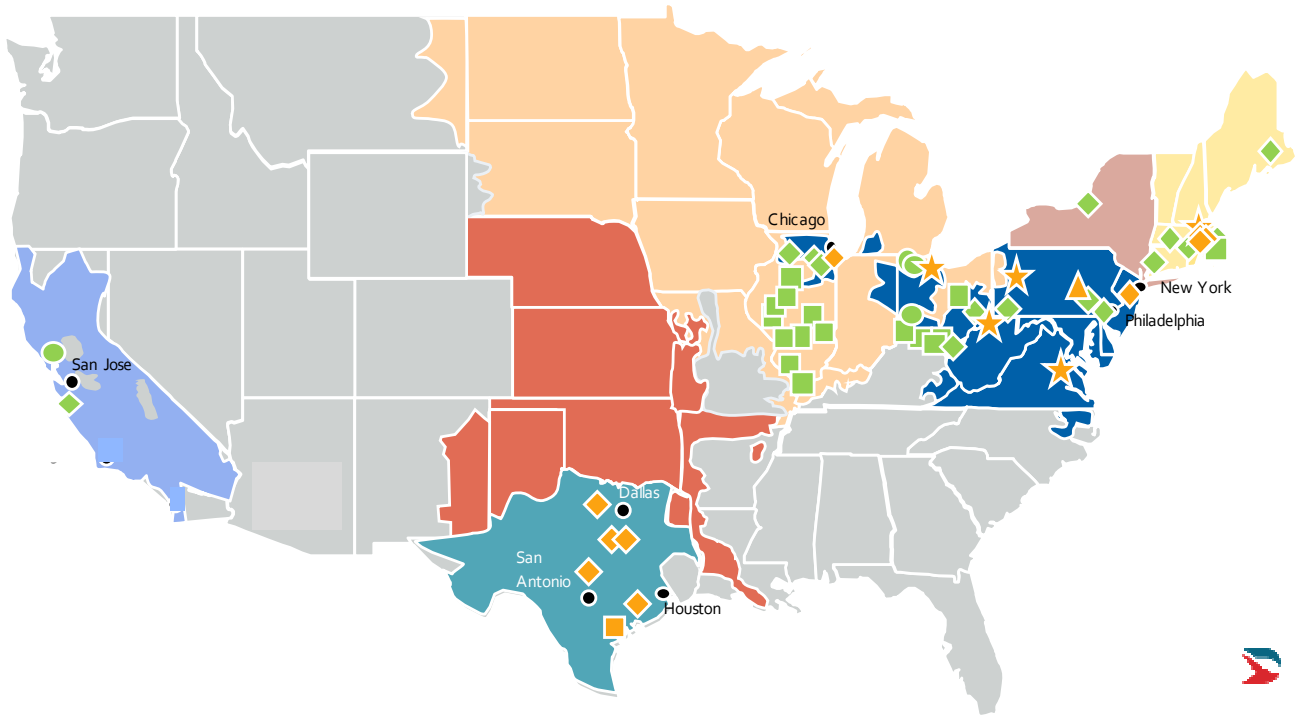
DYNEGY

Topics for Discussion

I. Dynegy Overview

II. Trends in US coal consumption

III. Challenges for Coal

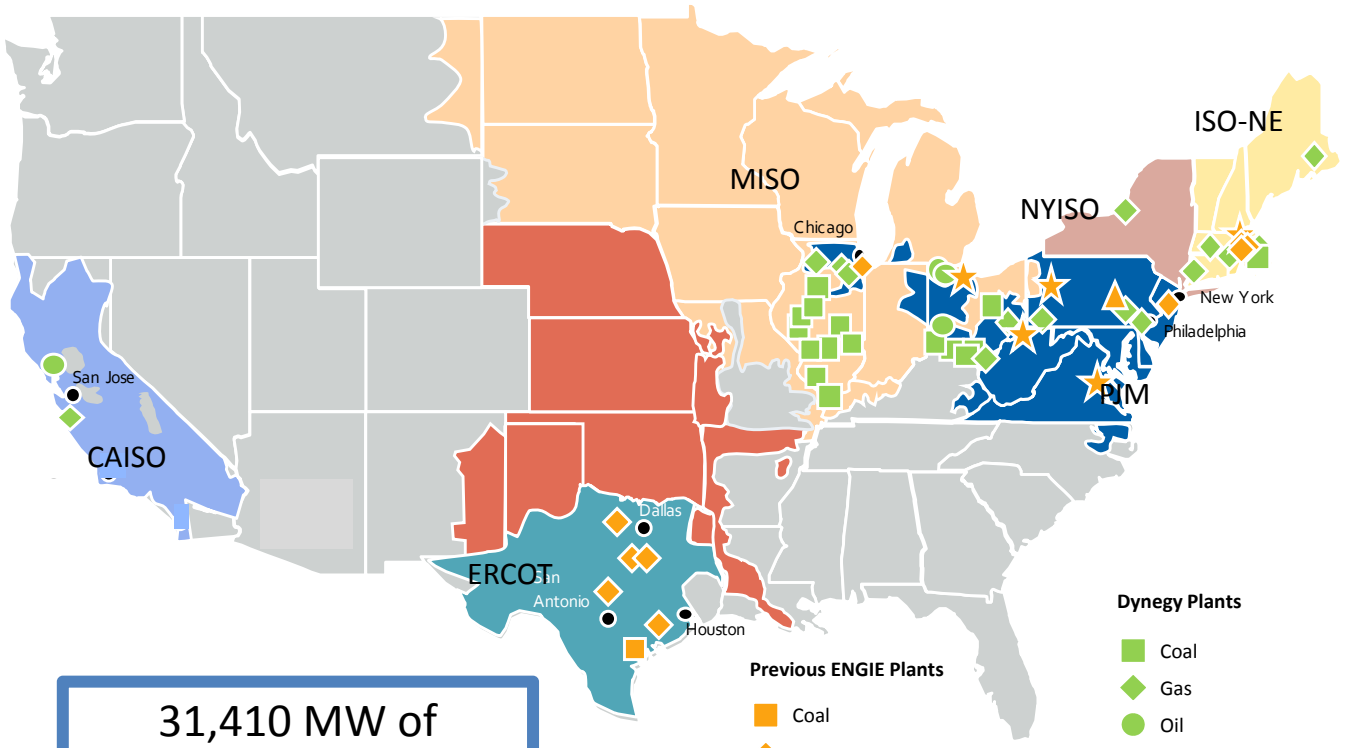


The Dynegy Story

2011 (10,000 MW)	• **July** – Current executive management team installed • **November** – Filed for Chapter 11
2012 (10,000 MW)	• **October** – Exited Chapter 11 • **October** – Current Dynegy Board of Directors seated
2013 (13,000 MW)	• **December** – Purchase of 3,000 MW of MISO generation and associated retail business from Ameren
2015 (26,000 MW)	• **April** – Duke & ECP acquisition of 13,000 MW of PJM and ISO-NE generation
2017 (31,410 MW)	• **February** – ENGIE acquisition of 9,000 MW of mostly gas-fueled PJM, ISO-NE, and ERCOT generation

Dynegy Today

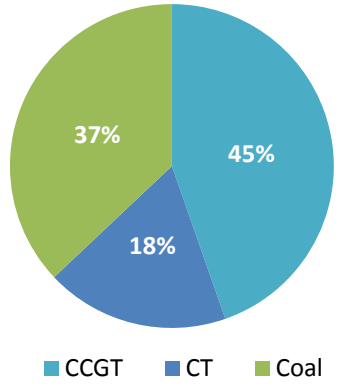
Company Footprint



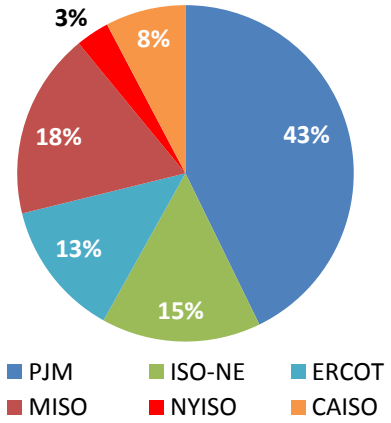
31,410 MW of generating capacity operating in 12 states

Combined Company Capacity Distribution

Capacity by Asset Type



Capacity by Region[3]



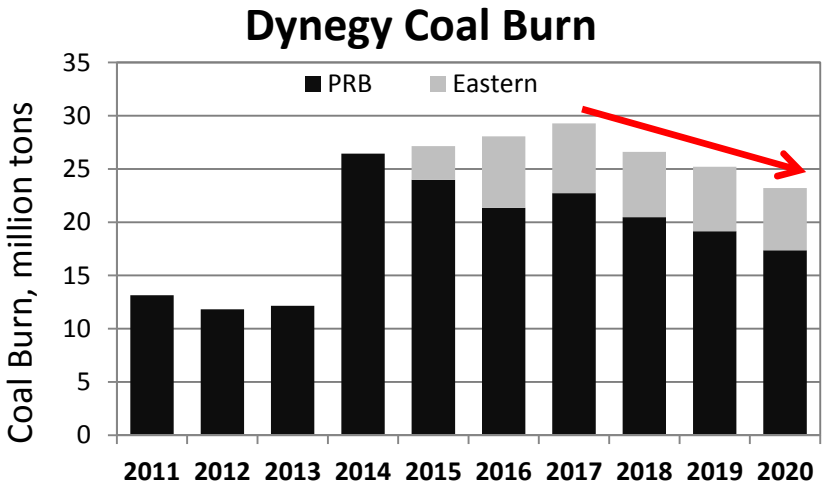
Contributions from gas-fired generating plants will increase with the recent addition of the ENGIE portfolio

The Right Assets in the Right Markets

Coal Portfolio - 9 GW

58% PJM
35% MISO
7% ERCOT

- 1,400 MW of MISO generation exported to PJM
- Unprofitable units retired or mothballed
- Declining fuel costs

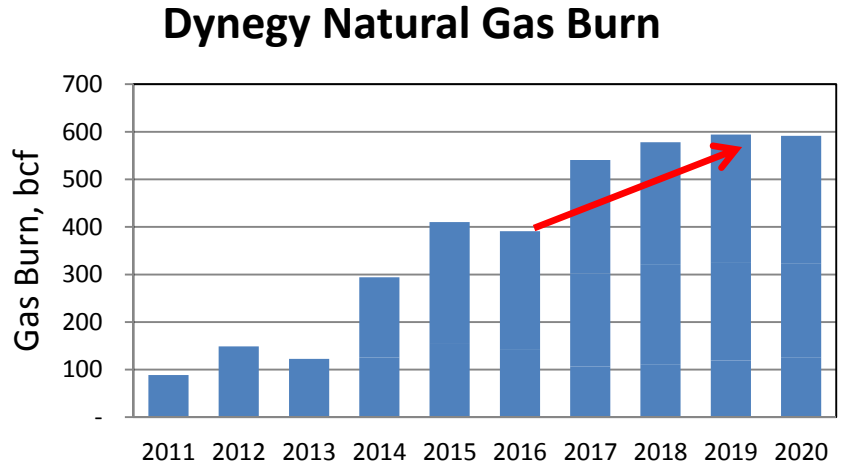


The coal portfolio benefits from rising natgas prices

Gas Portfolio - 22 GW

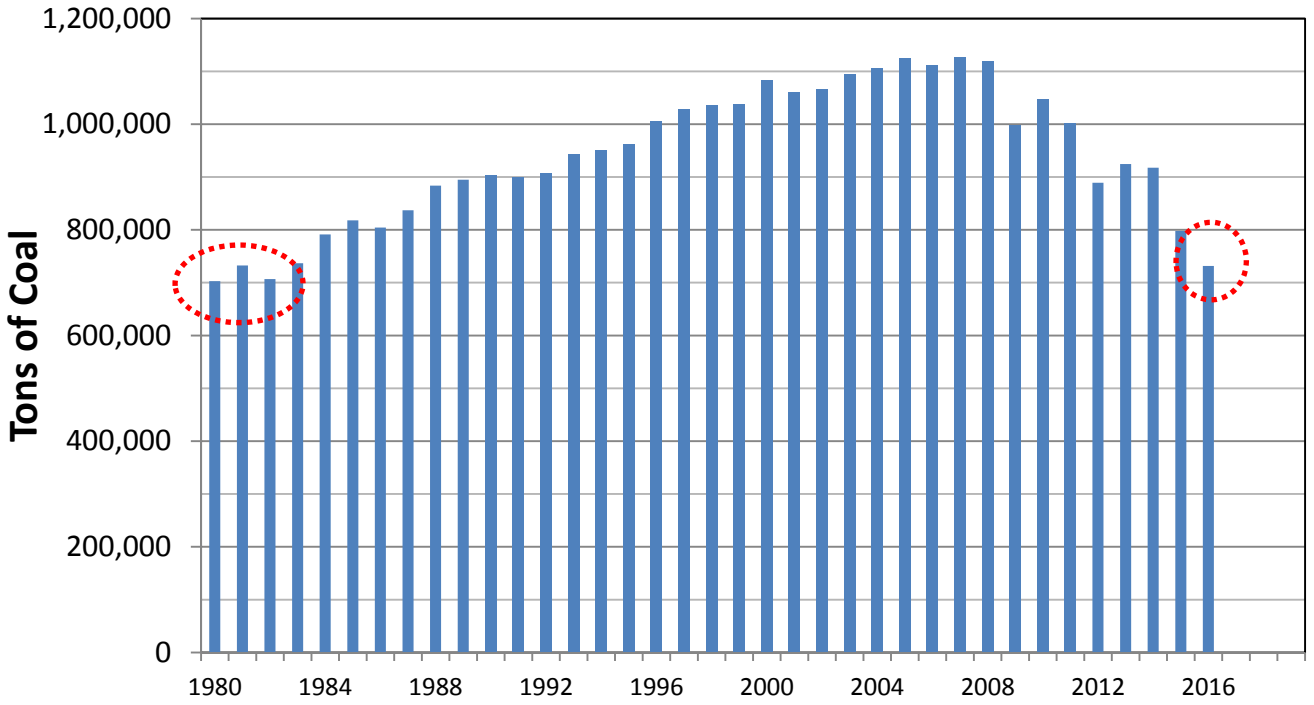
45% PJM / 19% ERCOT
18% ISO-NE / 12% CAISO
6% NYISO

- Largest merchant CCGT fleet in PJM and ISO-NE
- Adding capacity via low-cost uprates
- CCGT fleet running as baseload
- Advantaged access to low-cost gas



The gas portfolio excels in today's low gas price environment

Trends in US Coal Consumption



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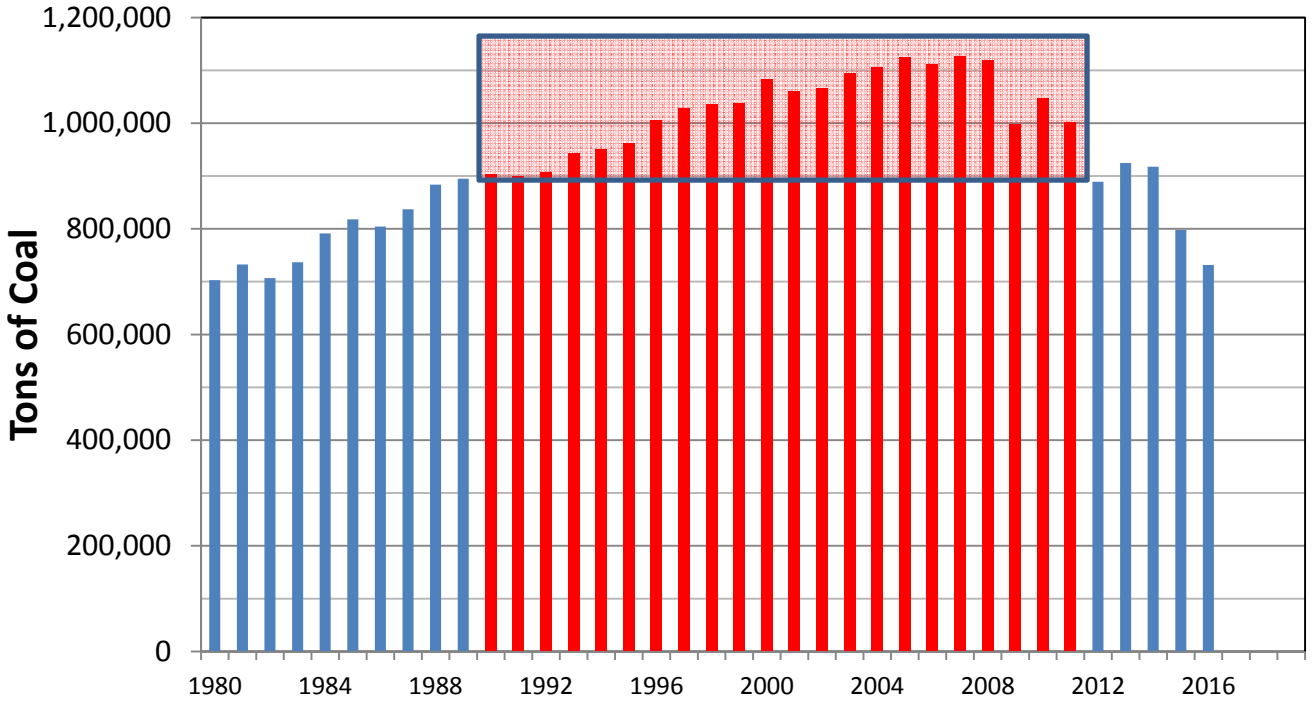
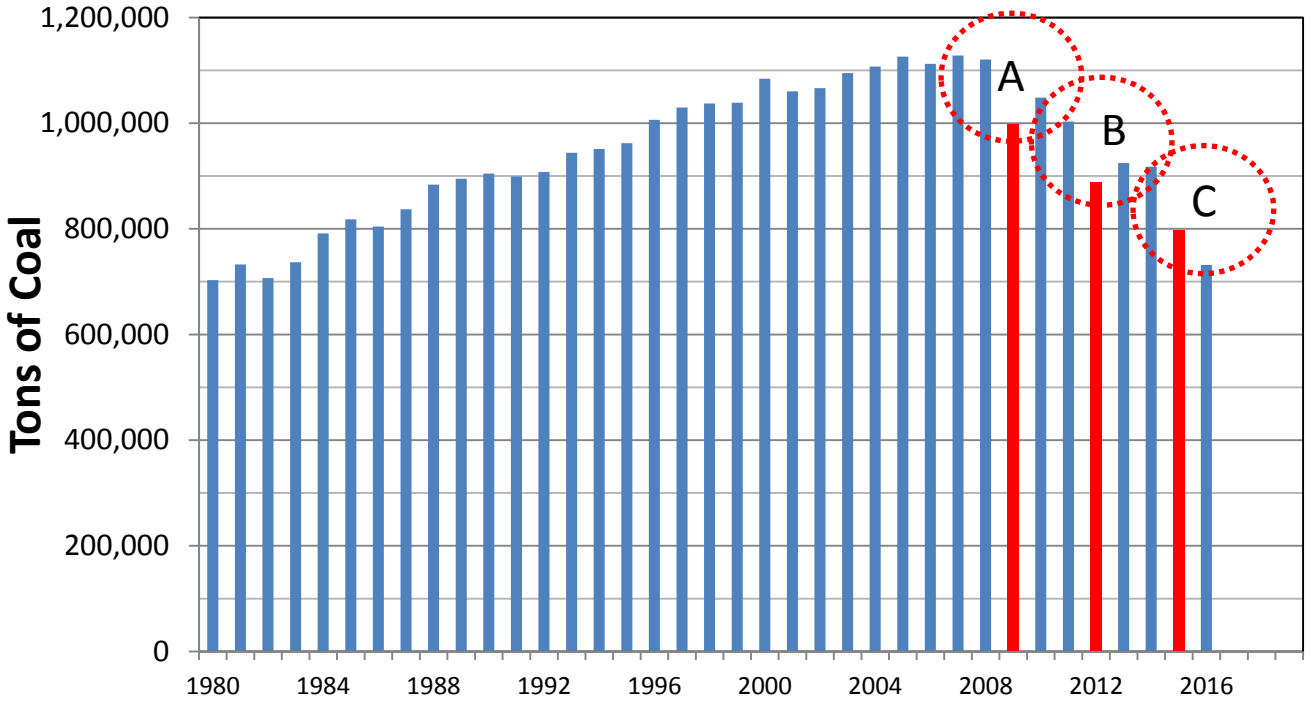


- US Coal Consumption – 900 million tons or greater for 21 straight years (1990 – 2011)

Trends in US Coal Consumption



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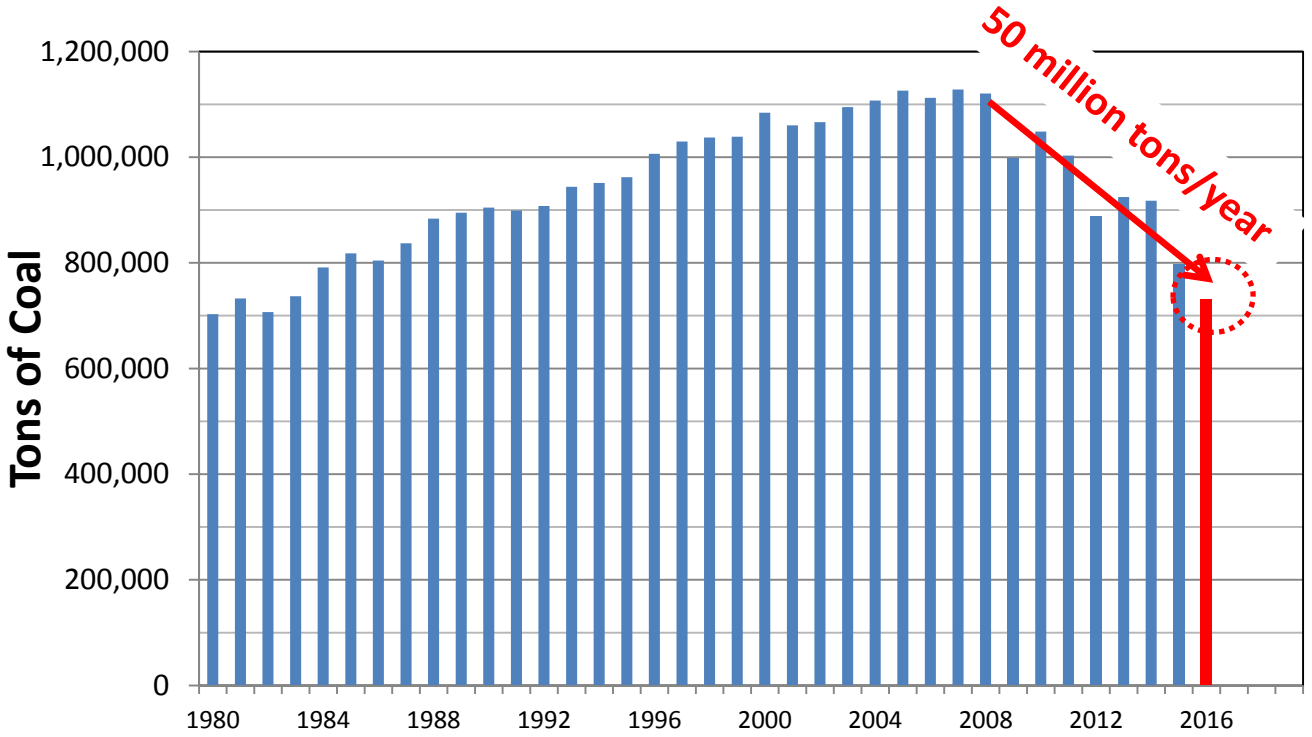
- Consumption has fallen by more than 100 million tons three times since 2008
  - 2009, 2012, 2015

Trends in US Coal Consumption



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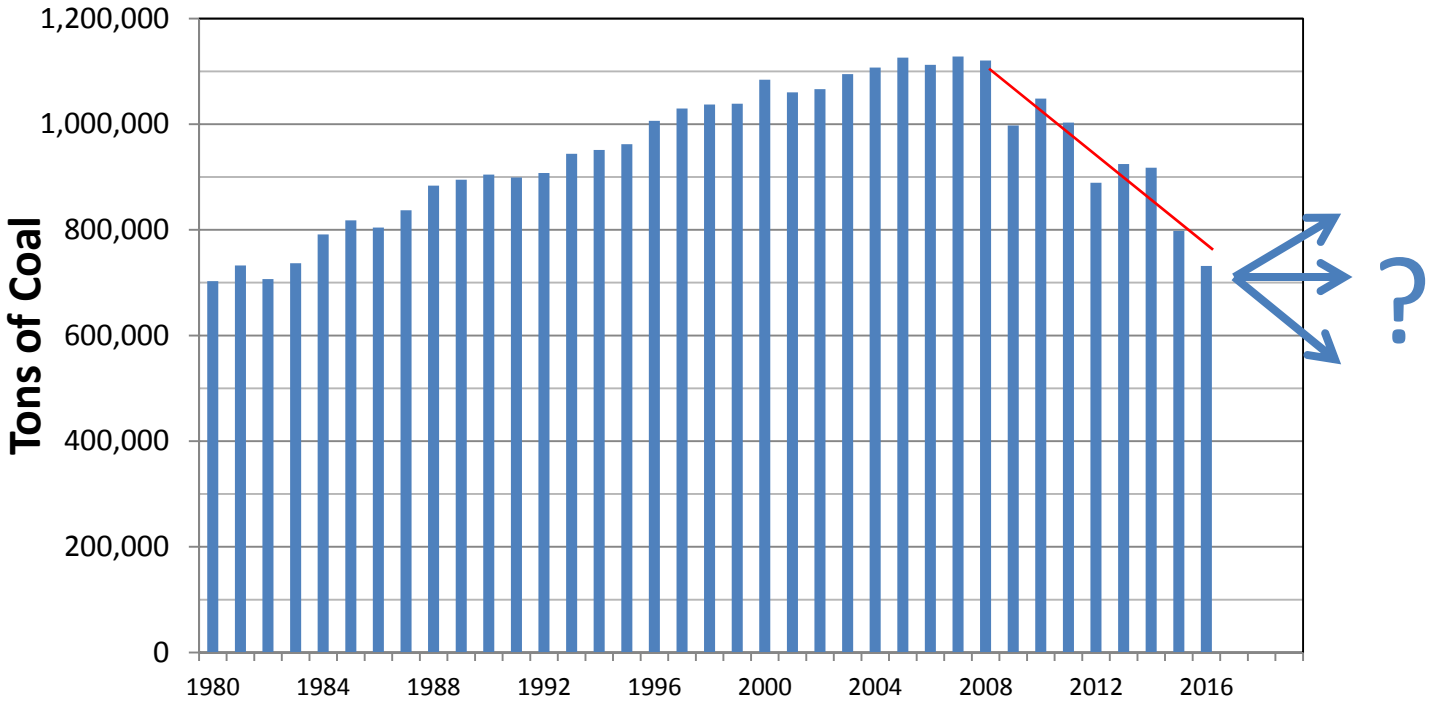
- Only in 2015, did consumption continue to fall
  - A 20% drop in consumption from 2014 to 2016.
  - 50 million tons/year since 2008

Trends in US Coal Consumption



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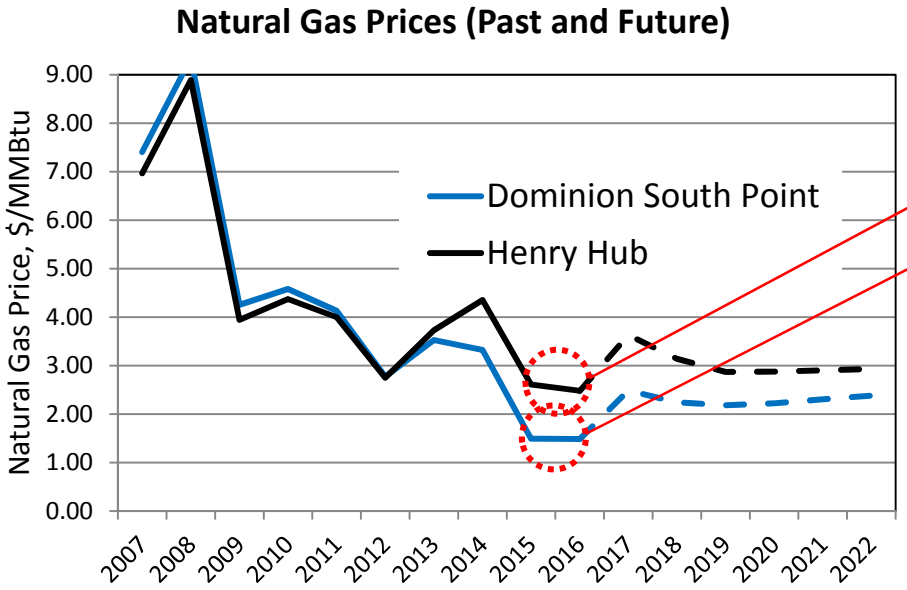
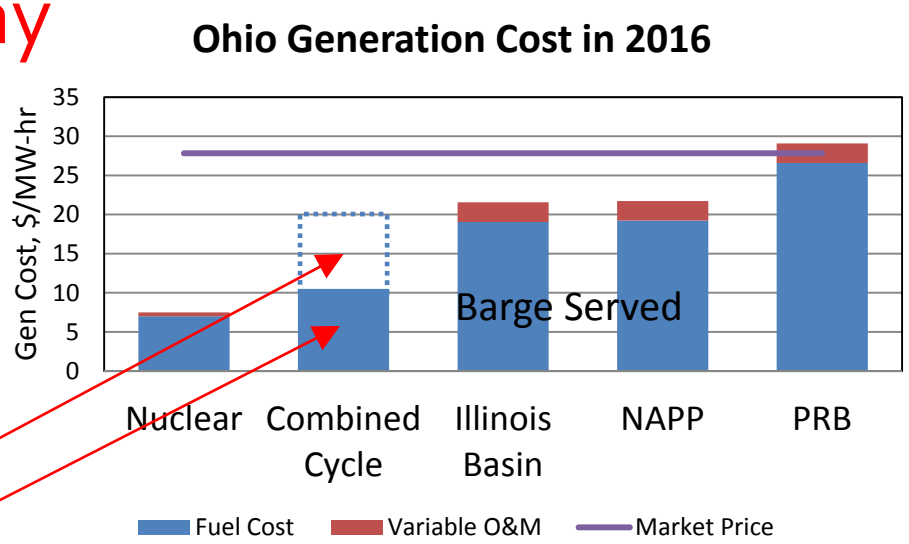
- What happens in 2017 and beyond?

Three Challenges for Coal

1. Natural gas is here to stay





Market Price = AEP Dayton, Around the Clock Price

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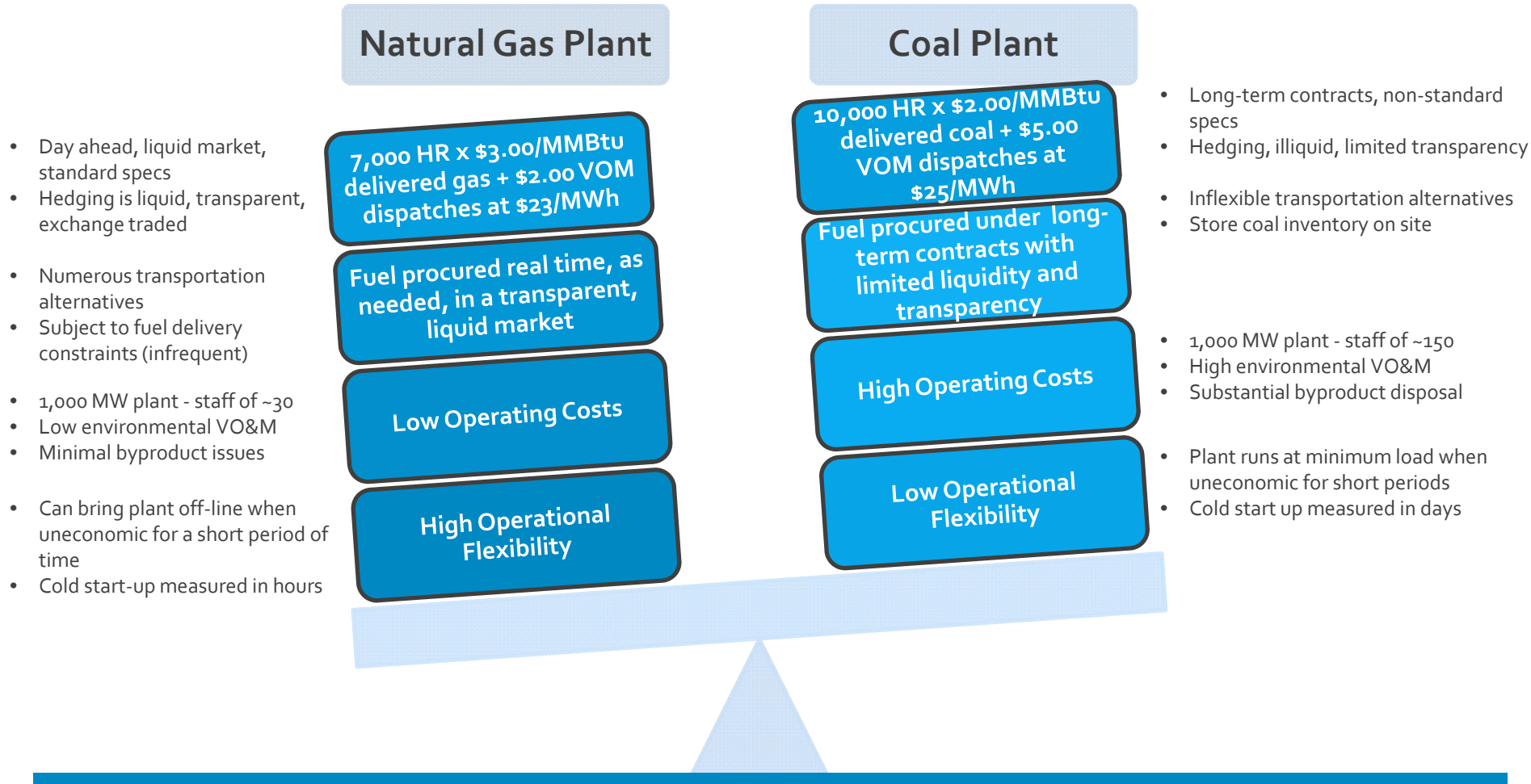


- Day ahead, liquid market, standard specs
- Hedging is liquid, transparent, exchange traded

- Numerous transportation alternatives
- Subject to fuel delivery constraints (infrequent)

- 1,000 MW plant - staff of ~30
- Low environmental VO&M
- Minimal byproduct issues

- Can bring plant off-line when uneconomic for a short period of time
- Cold start-up measured in hours

- Long-term contracts, non-standard specs
- Hedging, illiquid, limited transparency

- Inflexible transportation alternatives
- Store coal inventory on site

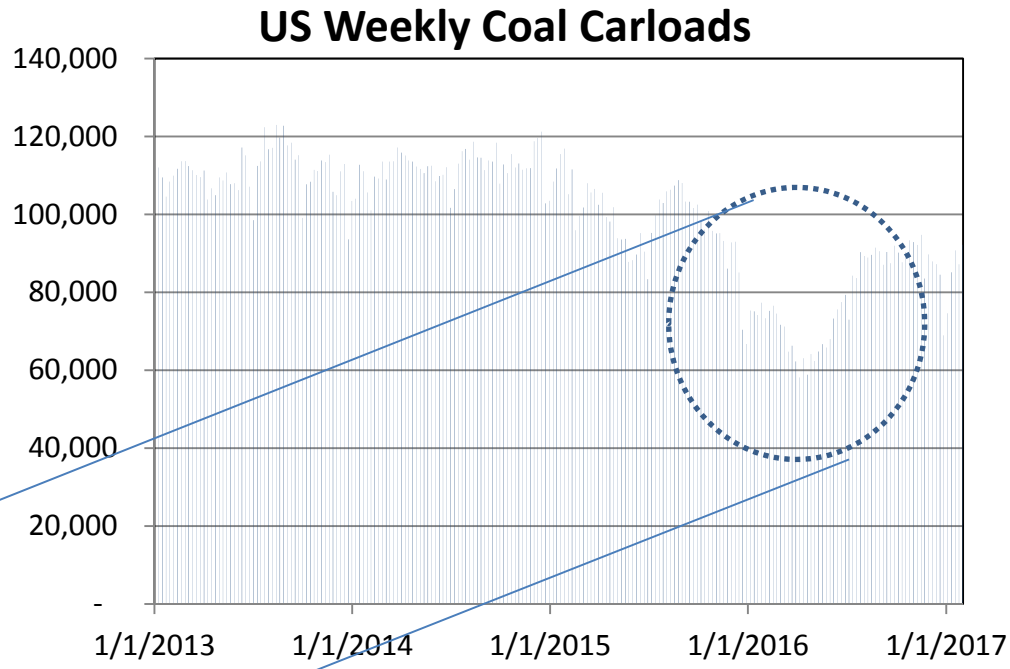
- 1,000 MW plant - staff of ~150
- High environmental VO&M
- Substantial byproduct disposal

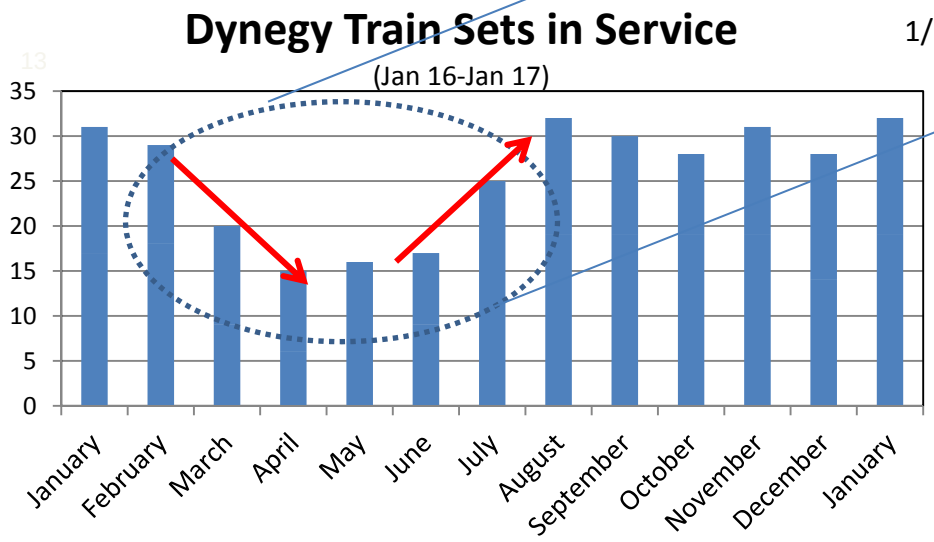
- Plant runs at minimum load when uneconomic for short periods
- Cold start up measured in days

Coal supply chain requires innovation (pricing, logistics, technology, etc.) to be competitive with natural gas

Three Challenges for Coal

2. Inventory and Traffic Management

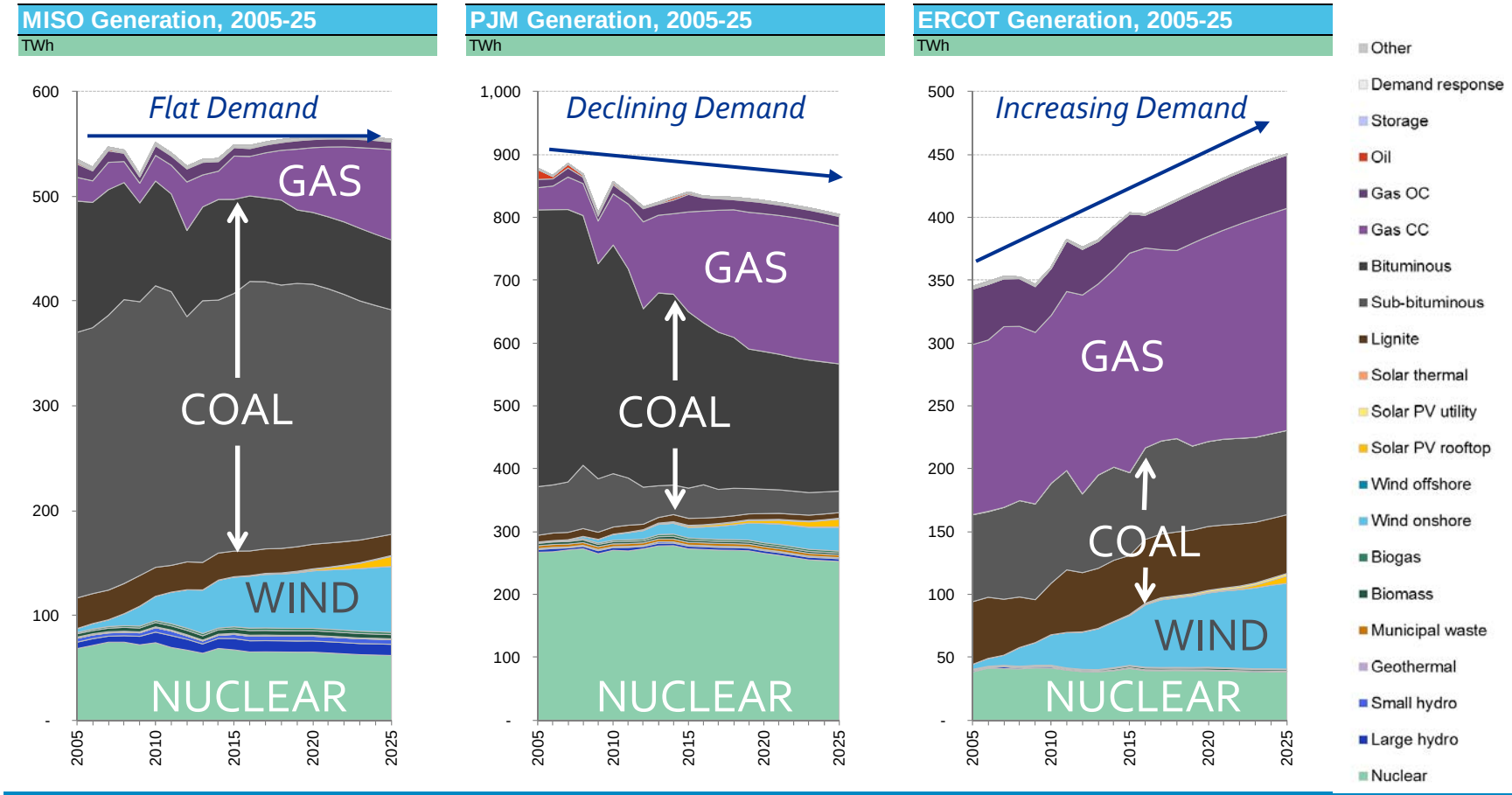




Can the industry successfully and profitably repeat spring 2016 performance?

Three Challenges for Coal

3. Market Dynamics are Shifting



Renewables, natural gas, and uneconomic nuclear displace coal generation

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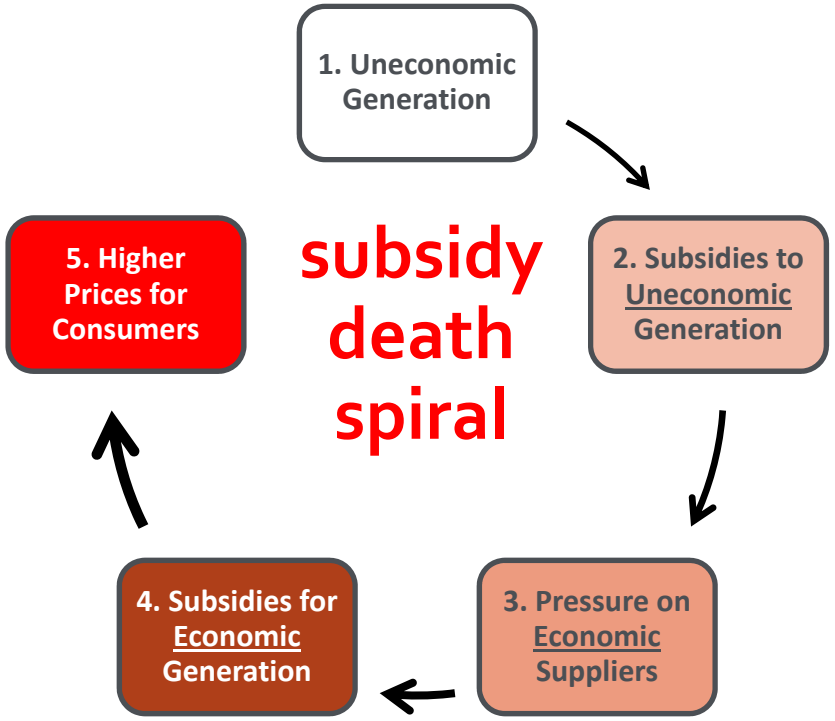

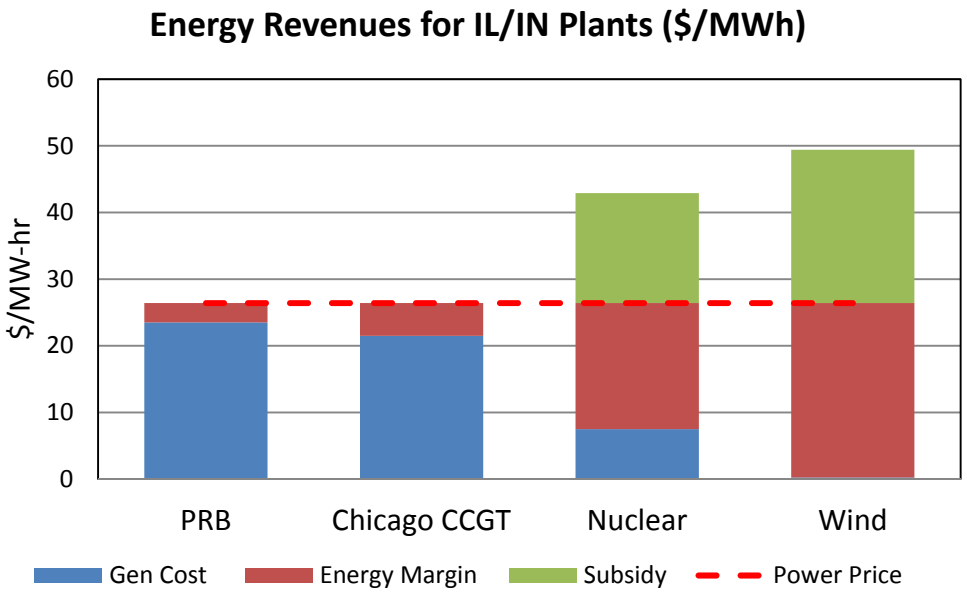

Nuclear Subsidies

Illinois - $2 billion

New York – 10 billion

Its Not Over…
Challenges Facing Coal are Likely to Continue

- The coal supply chain evolution must continue
  - match new competitive market realities
  - no longer base load facilities
- Flexibility a must for coal commodity and transportation providers to win business
- Cost matters. When efficiencies are gained they must be passed down to the end user in order to remain competitive.
- Retirement of coal assets will continue:
  - Dispatchable stack favors gas vs. coal
  - Renewable and nuclear generation supported through subsidies pressure coal economics
  - Environmental rules targeting coal
- Regulatory interference undermines effectiveness of economic markets

Coal can remain part of the generation stack for decades to come, but it cannot be business as usual

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