DYNEGY NATIONAL OVERVIEW

DYNEGY’S PORTFOLIO HAS BEEN TRANSFORMED TO PREDOMINATELY NATURAL GAS, AND INVESTMENT HAS SHIFTED TOWARD NEW ENGLAND, THE MID- ATLANTIC AND TEXAS

(1) Portfolio as of November 28, 2017; (2) PJM and MISO capacity percentages reflect pseudo-tied MWs in PJM
## DYNEGY ILLINOIS OVERVIEW

<table>
<thead>
<tr>
<th>FACILITY</th>
<th>MUNICIPALITY</th>
<th>COUNTY</th>
<th>NET CAP. (MW)</th>
<th>TOTAL DIRECT JOBS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baldwin</td>
<td>Baldwin</td>
<td>Randolph</td>
<td>1,185</td>
<td>204</td>
</tr>
<tr>
<td>Calumet</td>
<td>Chicago</td>
<td>Cook</td>
<td>380</td>
<td>8</td>
</tr>
<tr>
<td>Coffeen</td>
<td>Coffeen</td>
<td>Montgomery</td>
<td>915</td>
<td>151</td>
</tr>
<tr>
<td>Duck Creek</td>
<td>Canton</td>
<td>Fulton</td>
<td>425</td>
<td>93</td>
</tr>
<tr>
<td>Edwards</td>
<td>Bartonville</td>
<td>Peoria</td>
<td>585</td>
<td>118</td>
</tr>
<tr>
<td>Havana</td>
<td>Havana</td>
<td>Mason</td>
<td>434</td>
<td>97</td>
</tr>
<tr>
<td>Hennepin</td>
<td>Hennepin</td>
<td>Putnam</td>
<td>294</td>
<td>85</td>
</tr>
<tr>
<td>Joppa</td>
<td>Joppa</td>
<td>Massac</td>
<td>802/221</td>
<td>178</td>
</tr>
<tr>
<td>Kendall</td>
<td>Minooka</td>
<td>Kendall</td>
<td>1,288</td>
<td>54</td>
</tr>
<tr>
<td>Kincaid</td>
<td>Kincaid</td>
<td>Christian</td>
<td>1,108</td>
<td>144</td>
</tr>
<tr>
<td>Newton</td>
<td>Jasper Co.</td>
<td>Jasper Co.</td>
<td>615</td>
<td>95</td>
</tr>
<tr>
<td>Regional HQ</td>
<td>Collinsville</td>
<td>Madison</td>
<td></td>
<td>140</td>
</tr>
<tr>
<td>Springfield Office</td>
<td>Springfield</td>
<td>Sangamon</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Total IL</td>
<td></td>
<td></td>
<td>~8,000</td>
<td>~1,400</td>
</tr>
</tbody>
</table>

MISO Plants plus Joppa are shown in bold.

* Kincaid and Joppa are geographically located downstate but not part of MISO.
The Illinois market is bifurcated between two markets:

**PJM** and **MISO**.

**PJM** is a market of competitive generators and retailers, which provides customers with electric choice.

**MISO** is a market of vertically-integrated utilities that don't have customer choice like Illinois. The MISO capacity market is not intended to value reliability (resource adequacy); it is only a residual balancing mechanism.

As a result, independent generators, that rely upon the competitive market for cost recovery, have to compete against utility owned generation, largely from other states that is subsidized by ratepayers.

Dynegy has been warning of the pitfalls of the downstate Illinois market structure for several years. Dynegy has proposed several options:

1. MISO fix the market design for Southern Illinois due to its uniqueness in MISO
2. Move Southern Illinois to PJM
3. Fixed Resource Adequacy Plan (FRAP)
4. New IPA Procurement Proposal

* Kincaid and Joppa are geographically located downstate but not part of MISO.
THE UNDERLYING DEFECTS

- MISO is comprised of 14 states served by regulated, vertically-integrated utilities without competitive markets, and Downstate Illinois, which has competitive wholesale and retail electricity markets.

- The general MISO capacity market construct is well-suited for the 14 other states but ill-suited for Illinois.
  - The MISO process only procures generation capacity for one year ahead, through auctions held 2 to 3 months before the start of the year; therefore it does not provide long-term price signals.
  - The MISO auctions are “residual,” and do not involve all wholesale power suppliers and all retail suppliers.
  - Regulated utilities in other MISO states, who recover their costs through rates set by regulators and charged to captive retail ratepayers, can bid short-term excess capacity into the MISO Zone 4 auctions, with no commitment required to serve Downstate Illinois on a long-term basis.
  - The MISO process does not consider the need to select generating capacity within IL MISO Zone 4 to support the reliable operation and resilience of the Downstate Illinois transmission grid (the MISO process only looks at one reliability attribute, not all).
THE RESULTING EFFECTS

The current electric generation capacity procurement mechanism for Downstate Illinois (Ameren Illinois service area / MISO Zone 4) does not produce stable, long-term pricing signals

- Erratic, unstable prices from year-to-year, discouraging investment
- Prices for generation capacity are insufficient to support existing Downstate power plants or to incentivize investments in new generating capacity or to improve efficiency of existing plants.

Existing generating plants in Downstate Illinois are at risk of closing

- Several generating units have already been closed.
- Additional generating units will likely be closed in the next 1-3 years without a solution.
- These closures impact long-term electric reliability and adequacy in Downstate Illinois as well as costing the region jobs, economic activity, State and local tax revenues, and support for local communities, economies, governments and other institutions.
Recent MISO Downstate Illinois Auctions | Price per Unit
--- | ---
MISO 2015-2016 | $150.00
MISO 2016-2017 | $72.00
MISO 2017-2018 | $1.50

...in contrast to the most recent PJM auctions (which are three years ahead)

Recent PJM ComEd Zone Auctions | Price per Unit
--- | ---
PJM 2018-2019 | $215.00
PJM 2019-2020 | $202.00
PJM 2020-2021 | $153.00

There is a substantial disparity between capacity prices in upstate Illinois and capacity prices in downstate Illinois.
ILLINOIS CAPACITY MARKET COMPARISON

**Plant in PJM Market**
Last Auction Clearing Price $153/MW-Day
= $27.9 M / Year Capacity Revenue for a 500 MW plant

**Plant in MISO Market**
Last Auction Clearing Price $1.50/MW-Day
= $0.274 M / Year Capacity Revenue for a 500 MW Plant
[ Only 1% of the revenue of a similar PJM-located plant ]

LACK OF A ROBUST CAPACITY MARKET PRECLUDES INVESTMENT IN EFFICIENCY PROJECTS, ENVIRONMENTAL CONTROLS, COAL-TO-GAS CONVERSION, ETC.
WHEN WILL THE PROBLEM OCCUR?

OMS Survey*

2018-2019

Move Joppa

At-Risk

Result

OMS Survey*

2019-2020

Prev. Adj.

Add’l At-Risk

*Reflects MISO’s announced increase in the PRM from 15.8 to 17.1%

MOVING JOPPA (NOT A MISO RESOURCE) OR RETIRING A FRACTION OF AT-RISK PLANTS RESULTS IN A SUPPLY DEFICIT AS EARLY AS 2018
RMR (A.K.A. SSR) CONTRACTS

Relative Cost of Edwards SSR Agreement

$ / MWD

2013: $213
2014: $338
2015: $198

MISO CONE: $260
MISO PRA 15-16: $150
MISO PRA 16-17: $72
MISO PRA 17-18: $1.50

SSR AGREEMENTS ARE AN EXPENSIVE NON-MARKET SOLUTION
COMPETITIVE MARKET SOLUTION

One straightforward solution is for Illinois to enact Legislation that establishes an Illinois-specific capacity procurement process for Downstate Illinois (as permitted by MISO’s FERC-approved rules), with these components:

• Procure capacity for three years and more in the future using a mix of longer-duration supply contracts as determined by the IPA and the ICC.

• Require all entities serving retail customers in Ameren Illinois territory (utilities and competitive suppliers) to acquire capacity through this process.

• Allow all capacity resource types that can deliver into MISO Zone 4 to participate as bidders (traditional coal, gas and nuclear generation; renewable resources; demand response resources; energy efficiency resources).

• Each selected capacity supplier will receive the price it bid; this will encourage realistic bidding based on suppliers’ actual costs and lead to capacity suppliers being selected based on efficiency and costs.

• Allow the IPA and ICC to select suppliers taking into account the need for in-Zone generation capacity to support the reliability and resilience of the Downstate Illinois transmission grid.

THIS SOLUTION WILL PROTECT ILLINOIS RESOURCE ADEQUACY AND PROVIDE PRICE STABILITY