EX-99.1 4 dex991.htm PRESS RELEASE

EXHIBIT 99.1

Feb. 3, 2004

Media: John Sousa or David Byford
(713) 767-5800

Analysts: Katie Pipkin
(713) 507-6466

DYNEGY ANNOUNCES AGREEMENT TO SELL ILLINOIS POWER TO AMEREN

- $2.3 billion transaction includes stock of Illinois Power and Dynegy's 20 percent minority interest in the Joppa power generation facility
- Transaction will strengthen Dynegy's financial condition through significantly lower debt levels
  - Ameren to assume $1.8 billion of Illinois Power debt at closing
  - Dynegy to receive $400 million in cash at closing
  - Remaining $100 million of the purchase price to be escrowed by Ameren
- Companies enter into two-year power purchase agreement; Ameren will purchase 2,800 megawatts of capacity and energy to serve Illinois Power's customers beginning in 2005
- Illinois Power President Larry Altenbaumer announces retirement effective April 1, 2004

HOUSTON (Feb. 3, 2004) – Dynegy Inc. (NYSE: DYN), the parent company of Illinois Power Company, today announced that it has entered into an agreement with Ameren Corp. (NYSE: AEE) through which Ameren will acquire all of the outstanding common and preferred stock of Illinois Power owned by Illinova Corp., a Dynegy subsidiary. The agreement also includes the sale of Dynegy's 20 percent minority interest in the Joppa power generation facility in Joppa, Ill. Ameren is currently the operator of and has a 60 percent ownership interest in the 1,086-gross-megawatt coal-fired facility.

The $2.3 billion purchase price consists of the assumption of Illinois Power's debt, estimated to be approximately $1.8 billion at closing, $400 million of cash, subject to working

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DYNEGY ANNOUNCES AGREEMENT TO SELL ILLINOIS POWER TO AMEREN

capital adjustments, and a $100 million escrow. The escrow is to be released in full on Dec. 31, 2010 or sooner on the occurrence of specified events relating to contingent environmental liabilities associated with Illinois Power's former generating facilities. Illinois Power's $2.3 billion intercompany note receivable, which was established in connection with Illinois Power's transfer of its generation facilities prior to Dynegy's merger with Illinova in 2000, will be eliminated in conjunction with the closing of the transaction.

"This transaction is a significant step forward in our ongoing efforts to improve the balance sheets of both Dynegy and Illinois Power and to create financially stronger companies," said Bruce A. Williamson, president and chief executive officer of Dynegy Inc. "Our agreement will also further solidify Dynegy's position as an operationally focused company with a business model consisting of unregulated energy businesses where we believe we have competitive advantages, market share and growth potential for our shareholders."

In a related agreement that is conditioned upon the closing of the transaction, Dynegy has contracted to sell 2,800 megawatts of capacity and energy to Illinois Power for two years beginning in January 2005. The capacity will be provided by Dynegy's generation facilities in Illinois and used by Ameren to meet Illinois Power's customer demand.

"Through this new power purchase agreement, Dynegy and our more than 600 generation employees in Illinois will remain committed to serving the state's electricity needs following the completion of the sales transaction," Williamson said. "Our arrangement with Ameren to serve the Illinois market will ensure continued reliability for Illinois Power's customers."

The sale is conditioned upon, among other things, the receipt of approvals from the Illinois Commerce Commission, the Federal Energy Regulatory Commission, the Securities and Exchange Commission, and other governmental and regulatory agencies. Pending these approvals, the acquisition is expected to close in the fourth quarter of 2004. There is no special legislation required to complete the transaction.

In connection with today's announcement, Larry F. Altenbaumer, president of Illinois Power, announced his retirement, effective April 1, 2004, after more than 30 years with the company. He will serve in a consulting role and assist with the approval process over the next

- more -

several months. Blake Young, who currently serves as executive vice president and chief administrative officer of Dynegy, will assume overall responsibility of Illinois Power and the transition to Ameren during the regulatory approval process.

"We appreciate Larry's many years of service to the company and wish him the best in his retirement," Williamson added. "Blake has played a key role in Dynegy's restructuring over the past year and a half, and he has successfully managed our exit from non-core businesses, including the sale of global communications and certain domestic and international generation assets. He will now bring his leadership to Illinois Power during the regulatory approval process, while ensuring we maintain safe and reliable service to our customers."

Dynegy intends to use the net cash proceeds from the transaction to reduce debt. Assuming a fourth quarter 2004 closing, the sale of Illinois Power is expected to improve Dynegy's liquidity position and be dilutive to earnings beginning in 2005. For accounting purposes, based on its current analysis, the company expects to record the following items in connection with the transaction:

- An impairment of goodwill associated with Illinois Power of approximately $90 million, which is based on the fair value indicated by today's Board-approved transaction with Ameren. This impairment will be reflected in the fourth quarter 2003, as required by GAAP, and will increase the company's 2003 net loss from $364 million as reported on January 29 to approximately $454 million;
- An after-tax charge of approximately $10 million relating to fees expected to be recorded in connection with the transaction, as well as approximately $5 million in associated tax payments. This charge will be recognized in the first quarter 2004 as required by GAAP; and
- An after-tax gain of approximately $80 million relating to Dynegy's 20 percent minority interest in the Joppa power generation facility. This gain will be recognized upon closing the transaction, which is expected to occur in the fourth quarter 2004.

2004 Guidance Estimate Update

Assuming a Dec. 31, 2004 closing, the accounting ramifications discussed above, which are subject to change primarily as a result of working capital adjustments, will impact the

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DYNEGY ANNOUNCES AGREEMENT TO SELL
ILLINOIS POWER TO AMEREN
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company's 2004 earnings guidance estimates as reported on January 29 as follows:

- The anticipated $15 million pre-tax charge associated with transaction fees reduces the company's EBITDA estimate for the regulated energy delivery segment to $295-$305 million;
- The anticipated $80 million gain associated with Dynegy's investment in Joppa increases the company's EBITDA estimate for the power generation segment to $540-$550 million;
- The $65 million net gain from these items reduces Dynegy's projected 2004 net loss to $75-$45 million, or $(0.20) to $(0.12) per share; and
- The $400 million in anticipated cash proceeds at closing, offset by approximately $30 million in expected cash payments of fees and taxes associated with the transaction, increases the company's free cash flow estimate to $430-$480 million.

Credit Suisse First Boston acted as Dynegy's financial advisor in connection with the transaction.

Dynegy Inc. provides electricity, natural gas and natural gas liquids to wholesale customers in the United States and to retail customers in the state of Illinois. The company owns and operates a diverse portfolio of energy assets, including power plants totaling approximately 13,000 megawatts of net generating capacity and gas processing plants that process more than 2 billion cubic feet of natural gas per day.

Illinois Power owns approximately 40,000 miles of electric transmission and distribution lines, more than 750 miles of natural gas transmission pipe and 7,600 miles of natural gas distribution lines. Illinois Power, which has more than 1,800 employees and approximately 590,000 electricity customers and 415,000 natural gas customers across northern, central and southern Illinois, currently comprises Dynegy's regulated energy delivery reporting segment.

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Certain statements included in this news release are intended as "forward-looking statements." These statements include assumptions, expectations, predictions, intentions or beliefs about future events, particularly the consummation of the sale of Illinois Power Company, the resulting improvement of Dynegy's liquidity beginning in 2005 and the effectiveness of a power purchase agreement with Ameren. Dynegy cautions that actual future results may vary materially from those expressed or implied in any forward-looking statements. Some of the key factors that could cause actual results to vary materially from those expressed or implied include the receipt of required regulatory approvals and the satisfaction of other conditions precedent to closing. There can be no assurance that such conditions will be satisfied or that such closing will occur. More information about the risks and uncertainties relating to these forward-looking statements are found in Dynegy's SEC filings, which are available free of charge on the SEC's web site at http://www.sec.gov.

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported)
September 30, 2003

DYNEGY INC.

(Exact name of registrant as specified in its charter)

Illinois	**1-15659**	**74-2928353**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

1000 Louisiana, Suite 5800
Houston, Texas 77002
(Address of principal executive offices including Zip Code)

(713) 507-6400
(Registrant's telephone number, including area code)

N.A.
(Former name or former address, if changed since last report)

Item 5. Other Events.

On September 30, 2003, Dynegy Inc. ("Dynegy") announced that it priced $300 million of additional Second Priority Senior Secured Notes (the "Notes Offering"). The Notes Offering includes (i) $100 million of 9.875% Second Priority Senior Secured Notes due 2010 issued at a premium to par of 104.25% with a yield to maturity of approximately 9.02% and (ii) $200 million of 10.125% Second Priority Senior Secured Notes due 2013 issued at a premium to par of 105.25% with a yield to maturity of approximately 9.3%, all to be issued by Dynegy Holdings Inc. ("DHI"), Dynegy's wholly owned subsidiary, in a private placement transaction. Each of these series of additional notes will be treated as a single class with the corresponding series of existing notes that were originally issued on August 11, 2003, which had a yield to maturity of 10.0% and 10.25%, respectively. The Notes Offering is expected to close on or about October 15, 2003, and is conditioned on, among other things, amendment of DHI's restructured bank credit facility.

A copy of Dynegy's September 30th press release announcing the pricing of the additional Second Priority Senior Secured Notes is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements: Not applicable

(b) Pro Forma Financial Information: Not applicable

(c) Exhibits:

Exhibit No.	Document
99.1	Press release dated September 30, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DYNEGY INC.
(Registrant)

Dated: October 1, 2003

By: /S/ J. KEVIN BLODGETT

Name: J. Kevin Blodgett
Title: Corporate Secretary

EXHIBIT INDEX

Exhibit Number	Document
99.1	Press release dated September 30, 2003.

EX-99.1 3 dex991.htm PRESS RELEASE DATED SEPTEMBER 30, 2003

Exhibit 99.1

NR03-47

Sept. 30, 2003

Media: John Sousa or David Byford
(713) 767-5800

Analysts: Katie Pipkin
(713) 507-6466

DYNEGY ANNOUNCES PRICING ON $300 MILLION OF ADDITIONAL SENIOR SECURED NOTES

HOUSTON (Sept. 30, 2003) – Dynegy Inc. (NYSE: DYN) today announced that its subsidiary, Dynegy Holdings Inc., has priced $300 million of additional second priority senior secured notes in a private placement transaction.

The senior secured notes offering includes $100 million of 9.875% second priority senior secured notes due 2010 issued at a premium to par of 104.25% with a yield to maturity of approximately 9.02%. The senior secured notes offering also includes $200 million of 10.125% second priority senior secured notes due 2013 issued at a premium to par of 105.25% with a yield to maturity of approximately 9.3%. Each of these series of additional notes will be treated as a single class with the corresponding series of existing notes that were originally issued on Aug. 11, 2003, which had a yield to maturity of 10.0% and 10.25%, respectively.

The offering is expected to close on Oct. 15, 2003, and will be conditioned on, among other things, amendment of Dynegy's restructured bank credit facility to permit the intended use of proceeds. Dynegy intends to use the net proceeds from this offering to repay the $194 million remaining outstanding under the Term B loan and to retire the $170 million capital lease obligation associated with the CoGen Lyondell power generation facility, with the difference coming from cash on hand.

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DYNEGY ANNOUNCES PRICING ON $300 MILLION
NR03-47
OF ADDITIONAL SENIOR SECURED NOTES
2-2-2-2-2

The notes will not be registered under the Securities Act of 1933, or any state securities laws. Therefore, the notes may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and any applicable state securities laws. This news release is neither an offer to sell nor a solicitation of any offer to buy the notes.

Dynegy Inc. provides electricity, natural gas and natural gas liquids to wholesale customers in the United States and to retail customers in the state of Illinois. The company owns and operates a diverse portfolio of energy assets, including power plants totaling approximately 13,000 megawatts of net generating capacity, gas processing plants that process more than 2 billion cubic feet of natural gas per day and approximately 40,000 miles of electric transmission and distribution lines.

Certain statements included in this news release are intended as "forward-looking statements." These statements include assumptions, expectations, predictions, intentions or beliefs about future events, particularly the consummation of the private placement offering described above. Dynegy cautions that actual future results may vary materially from those expressed or implied in any forward-looking statements. Specifically, Dynegy cannot assure you that the referenced credit facility amendment will be obtained or that the private placement offering described above will be consummated. More information about the risks and uncertainties relating to these forward-looking statements are found in Dynegy's SEC filings, including its Annual Report on Form 10-K for the year ended December 31, 2002, as amended, and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, which are available free of charge on the SEC's web site at http://www.sec.gov.

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported)
October 30, 2003

DYNEGY INC.

(Exact name of registrant as specified in its charter)

Illinois	1-15659	74-2928353
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1000 Louisiana, Suite 5800
Houston, Texas 77002
(Address of principal executive offices including Zip Code)

(713) 507-6400

(Registrant's telephone number, including area code)

N.A.

(Former name or former address, if changed since last report)

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements: Not applicable

(b) Pro Forma Financial Information: Not applicable

(c) Exhibits:

Exhibit No.	Document
99.1	Press release dated October 30, 2003.

Item 12. Results of Operations and Financial Condition.

On October 30, 2003, Dynegy Inc. ("Dynegy") issued a press release announcing Dynegy's earnings for the third quarter 2003 and affirming its 2003 guidance estimate. A copy of Dynegy's October 30th press release is attached hereto as exhibit 99.1 and is incorporated herein by this reference. The press release contains certain non-GAAP financial information. The reconciliation of such non-GAAP financial information to GAAP financial measures is included in the press release. Further, the press release contains statements intended as "forward-looking statements" which are subject to the cautionary statement about forward-looking statements set forth therein.

In accordance with SEC Release No. 33-8176, the information contained in such press release shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Dynegy management will hold an investor conference call at 11 a.m. EDT (10 a.m. CDT) on Thursday, October 30, 2003 to review its third quarter 2003 financial results. A live simulcast of the conference call, together with the related presentation materials, will be available on the Internet in the "News and Financials" section of www.dynegy.com.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DYNEGY INC.
(Registrant)

Dated: October 30, 2003

By: /S/ J. KEVIN BLODGETT

Name: J. Kevin Blodgett
Title: Corporate Secretary

EXHIBIT INDEX

Exhibit No.	Document
99.1	Press release dated October 30, 2003.

EX-99.1 3 dex991.htm PRESS RELEASE

EXHIBIT 99.1

Oct. 30, 2003

Media: John Sousa or David Byford
(713) 767-5800

Analysts: Katie Pipkin or Jennifer Rosser
(713) 507-6466

DYNEGY REPORTS THIRD QUARTER RESULTS

- **Strong operating earnings and cash flow produced by generation and natural gas liquids businesses**
- **Quarter marks full year of successful self-restructuring and refinancing initiatives**
    - **Debt and other obligations down $1.5 billion in last 12 months**
    - **Total collateral reduced by more than 50 percent in last 12 months**
    - **Liquidity position remains strong at $1.4 billion**

HOUSTON (Oct. 30, 2003) – Dynegy Inc. (NYSE: DYN) today reported net income of $5 million for the third quarter 2003. While the company's operating businesses demonstrated continued solid performance, quarterly net income was impacted by an aggregate net loss of $16 million from Dynegy's customer risk management segment and its discontinued operations. Net income available to common shareholders was $1.188 billion, or $2.69 per diluted share, as a result of the recognition of a $1.183 billion benefit (net of accreted dividends) from the restructuring of the Series B preferred stock previously held by a ChevronTexaco subsidiary.

After eliminating the impact of the losses related to customer risk management and discontinued operations, net income for the quarter was $21 million. This reflects the company's power generation, natural gas liquids and regulated energy delivery businesses combined with corporate-level expenses.

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DYNEGY REPORTS THIRD QUARTER RESULTS

"Dynegy embarked on its self-restructuring plan in earnest in the fourth quarter 2002 and we now have a full year of results to show for our efforts," said Bruce A. Williamson, president and chief executive officer of Dynegy Inc. "Debt and other obligations are lower by 17 percent, or $1.5 billion, from 2002 levels and we have recaptured more than 80 percent of the capital which was tied to the marketing and trading business. In addition, total collateral is less than half of what it was at last year's peak. Through all of this, we have maintained strong cash and total liquidity levels.

"Our three energy asset businesses continue to produce strong results in terms of operating earnings, and we generated solid free cash flow after meeting our capital expenditure requirements," Williamson added. "Our business model going forward will focus on low-cost, efficient operations. This disciplined approach will position the company to capitalize on future commodity price recovery and reduce debt to sustainable levels."

For purposes of this news release, the commodity pricing forecasts referred to below represent the assumptions provided by the company on Jan. 7, 2003.

Power Generation

Earnings before interest and taxes (EBIT) from the power generation business was $129 million for the third quarter 2003. This segment benefited from strong operational performance combined with favorable commodity prices during the quarter. The realized on-peak power price was $44.77 per megawatt-hour, a 4.3 percent increase over the company's forecasted price of $42.91. Due to milder-than-usual summer weather, the segment generated 10.5 million net megawatt-hours of electricity for the third quarter 2003, representing an approximate 5 percent decrease from the third quarter 2002. For the nine months ended Sept. 30, 2003, cash flow from operations was approximately $315 million, while capital expenditures were approximately $120 million. With proceeds from asset sales of approximately $50 million, free cash flow for the power generation segment was $245 million for the first nine months of 2003.

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DYNEGY REPORTS THIRD QUARTER RESULTS

Progress was made during the quarter on the company's previously announced plans to divest its non-strategic ownership interests in certain domestic and international power generation facilities. The company sold its interests in projects in Texas and Washington totaling approximately 130 megawatts of net generating capacity. In addition, the company sold its interests in facilities in Honduras and Pakistan totaling approximately 110 megawatts of net generating capacity. Total proceeds from the sales were approximately $25 million.

Natural Gas Liquids

EBIT from the natural gas liquids business was $29 million for the third quarter 2003. This segment's performance benefited from higher commodity prices, with an average first-of-the-month Henry Hub natural gas price of $4.97. This price was 24 percent higher than the company's forecasted price of $4.01. The average crude oil price of $30.45 per barrel represented a 13 percent increase over the company's forecasted price of $27, and the average natural gas liquids price of $0.51 per gallon was an 11 percent increase over the company's forecasted price of $0.46. For the nine months ended Sept. 30, 2003, cash flow from operations was approximately $155 million, while capital expenditures were approximately $40 million. With proceeds from asset sales of approximately $20 million, free cash flow for the natural gas liquids segment was $135 million for the first nine months of 2003.

Field plant results were favorable due to percent-of-proceeds/percent-of-liquids contracts that benefit from higher natural gas liquids and natural gas prices. Straddle plant results were lower than planned as a result of the low fractionation spread, which has led to plant shutdowns and natural gas bypassing in keep-whole situations. Reduced volumes from both Dynegy- and third party-owned processing plants have resulted in lower fractionation volumes at Dynegy's facilities. Fractionation volumes were 186.8 thousand barrels per day for the third quarter 2003, representing a 17 percent decrease from the third quarter 2002.

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DYNEGY REPORTS THIRD QUARTER RESULTS

Regulated Energy Delivery

EBIT from the regulated energy delivery business totaled $64 million for the third quarter 2003. While Illinois Power experienced milder-than-usual summer weather in its service territory, sales volumes remained relatively unchanged from plan. Results were impacted by higher general and administrative expenses due to insurance-related claims and litigation reserves.

This segment delivered total electricity of 5,282 million kilowatt-hours for the third quarter 2003, compared to 5,450 million kilowatt-hours for the third quarter 2002. Total natural gas delivered for the quarter was 92 million therms, compared to 100 million therms for the third quarter 2002. For the nine months ended Sept. 30, 2003, cash flow from operations was approximately $85 million, excluding intercompany interest payments from Dynegy, with capital expenditures of $100 million.

Dynegy is continuing its exclusive discussions with Exelon Corp. relating to a potential sales transaction involving Illinois Power.

Customer Risk Management

Losses before interest and taxes for the customer risk management segment totaled $30 million for the third quarter 2003. This largely resulted from capacity payments in excess of realized margins related to the company's five remaining power tolling arrangements. The company's customer risk management business, including obligations associated with its power tolling contracts, will continue to affect its results of operations until the related obligations have been satisfied or restructured.

Corporate and Other

In Corporate and Other, which includes general and administrative expenses and depreciation, the company recorded a $40 million loss before interest and taxes for the quarter. Taxes for the period were $2 million. The interest expense of $145 million included the acceleration of $20 million of deferred financing costs associated with the August refinancing.

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DYNEGY REPORTS THIRD QUARTER RESULTS

Liquidity

At Sept. 30, 2003, Dynegy's liquidity was $1.4 billion. This consisted of $688 million in cash and $1.1 billion in revolving bank credit, less $353 million in letters of credit posted against that line of credit. There were no drawn amounts under the company's revolving credit facility. Total collateral posted as of Sept. 30, including cash and letters of credit, was approximately $612 million, down from $830 million on June 30, 2003.

As a comparison, the company's liquidity position stood at $1.6 billion on June 30, 2003.

Cash Flow

Operating cash flow, including working capital changes, for the nine months ended Sept. 30, 2003 was approximately $930 million. This consisted of approximately $555 million from the power generation, natural gas liquids and regulated energy delivery businesses and approximately $375 million from the customer risk management roll-off, less corporate-level expenses and cash flows from the company's former communications business. Operating cash flow was impacted by the results of the company's operating segments, the wind-down of the customer risk management business, including the return of collateral and prepayments, and the receipt of a $110 million federal income tax refund.

Additionally, rather than drawing letters of credit from its revolving credit facility, the company is currently using more cash as collateral with certain high-credit quality counterparties. As a result, the company is reducing letter of credit fees relative to cash interest income.

Investing cash flow uses for the first nine months of 2003 totaled approximately $200 million. This consisted of approximately $260 million in capital expenditures in the company's operating businesses offset by approximately $60 million in proceeds from asset sales. Dynegy expects to spend approximately $100 million on capital expenditures in the fourth quarter 2003. The company continues to manage all expenses tightly and now expects total capital expenditures before asset sales to be approximately $360 million for the full year, down from the most recent forecast of approximately $380 million.

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DYNEGY REPORTS THIRD QUARTER RESULTS

2003 Guidance Estimate

With today's earnings announcement, Dynegy is re-affirming its current 2003 guidance estimate of ($0.07) to $0.01 per share for its generation, natural gas liquids and regulated energy delivery segments. Guidance estimates include corporate-level expenses and exclude the results associated with the company's customer risk management business, which includes tolling contracts, and its discontinued operations, which includes the company's former communications business, as well as related exit costs. Guidance also continues to exclude the cumulative effect of changes in accounting principles and the non-cash, implied dividends associated with the Series B preferred stock previously held by ChevronTexaco, as well as the benefit associated with the recently completed Series B preferred stock exchange. The company's 2003 guidance estimate of ($0.07) to $0.01 reconciles to its expected reported 2003 net income available to common shareholders of $2.10 to $2.24 per share, which includes the customer risk management results, discontinued operations, the cumulative effect of changes in accounting principles, and preferred dividends.

Investor Conference Call/Webcast

Dynegy will discuss third quarter 2003 financial results during an investor presentation to be webcast live today at 11 a.m. EST/10 a.m. CST. Participants may access the webcast and the related presentation materials on the "News & Financials" section of www.dynegy.com.

About Dynegy Inc.

Dynegy Inc. provides electricity, natural gas and natural gas liquids to wholesale customers in the United States and to retail customers in the state of Illinois. The company owns and operates a diverse portfolio of energy assets, including power plants totaling approximately 13,000 megawatts of net generating capacity, gas processing plants that process more than 2 billion cubic feet of natural gas per day and approximately 40,000 miles of electric transmission and distribution lines.

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DYNEGY REPORTS THIRD QUARTER RESULTS

Certain statements included in this news release are intended as "forward-looking statements." These statements include assumptions, expectations, predictions, intentions or beliefs about future events, particularly the ongoing effects of Dynegy's customer risk management business and Dynegy's expected earnings for 2003. Dynegy cautions that actual future results may vary materially from those expressed or implied in any forward-looking statements. Some of the key factors that could cause actual results to vary materially from those expected include: changes in commodity prices, particularly for power, natural gas and natural gas liquids; the effects of competition on Dynegy's results of operations; the effects of weather on Dynegy's asset-based businesses and the demand for their products and services; Dynegy's ability to successfully execute its exit from the customer risk management business and the costs associated with this exit; Dynegy's ability to operate its businesses within the confines of the increased borrowing rates and restrictive covenants contained in its restructured credit agreement and second priority senior secured notes indenture; Dynegy's ability to address its substantial leverage, including the scheduled 2005 maturity of its $1.1 billion revolving credit facility; increased interest costs associated with Dynegy's restructured bank credit facilities and recently completed refinancing transactions; operational factors affecting Dynegy's assets, including blackouts or other unscheduled outages; and uncertainties regarding environmental regulations and litigation and other legal or regulatory developments affecting Dynegy's businesses, including litigation relating to the western power and natural gas markets, shareholder claims and master netting agreement matters, as well as the ongoing regulatory investigations primarily relating to Project Alpha and Dynegy's past trading practices. More information about the risks and uncertainties relating to these forward-looking statements are found in Dynegy's SEC filings, including its Annual Report on Form 10-K for the year ended Dec. 31, 2002, as amended, and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, which are available free of charge on the SEC's web site at http://www.sec.gov.

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DYNEGY INC.
REPORTED UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN MILLIONS, EXCEPT PER SHARE DATA)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues	$ 1,385	$ 1,298	$ 4,327	$ 4,066
Cost of sales, exclusive of depreciation shown separately below	(1,091)	(1,052)	(3,808)	(3,476)
Depreciation and amortization expense	(109)	(115)	(340)	(308)
Impairment and other charges	(1)	(922)	6	(964)
Gain (loss) on sale of assets	—	9	15	10
General and administrative expenses	(83)	(94)	(286)	(262)
Operating income (loss)	101	(876)	(86)	(934)
Earnings (losses) from unconsolidated investments	51	(119)	142	(66)
Interest expense	(145)	(83)	(364)	(213)
Accumulated distributions associated with trust preferred securities	—	(3)	(8)	(10)
Other income and expense, net	—	(39)	20	(71)
Income (loss) from continuing operations before income taxes	7	(1,120)	(296)	(1,294)
Income tax benefit (provision)	(3)	87	109	169
Income (loss) from continuing operations	4	(1,033)	(187)	(1,125)
Income (loss) on discontinued operations, net of tax	1	(618)	(6)	(1,100)
Cumulative effect of change in accounting principle, net of tax	—	—	55	(234)
Net income (loss)	$ 5	$(1,651)	$ (138)	$(2,459)
Less: Preferred stock dividends (gain)	(1,183)	83	(1,018)	248
Net income (loss) applicable to common stockholders	$ 1,188	$(1,734)	$ 880	$(2,707)
Earnings (loss) before interest and taxes ("EBIT") (1)	$ 152	$(1,702)	$ 139	$(2,710)
Basic earnings (loss) per share:				
Earnings (loss) from continuing operations (2)	$ 3.17	$ (3.03)	$ 2.23	$ (3.76)
Income (loss) on discontinued operations	—	(1.68)	(0.02)	(3.02)
Cumulative effect of change in accounting principle	—	—	0.15	(0.64)
Basic earnings (loss) per share	$ 3.17	$ (4.71)	$ 2.36	$ (7.42)
Diluted earnings (loss) per share:				
Income (loss) from continuing operations (2)	$ 2.69	$ (3.03)	$ 2.10	$ (3.76)
Income (loss) on discontinued operations	—	(1.68)	(0.02)	(3.02)
Cumulative effect of change in accounting principle	—	—	0.13	(0.64)
Diluted earnings (loss) per share	$ 2.69	$ (4.71)	$ 2.21	$ (7.42)
Basic shares outstanding	375	368	373	365
Diluted shares outstanding	442	369	397	369

(1) EBIT is a non-GAAP financial measure. EBIT consists of Operating income (loss), plus Earnings (losses) from unconsolidated investments, less Accumulated distributions associated with the trust preferred securities, Other income and expense, net, Income (loss) on discontinued operations and Cumulative effect of change in accounting principle. We use EBIT to measure the operating results of our business segments before taking into account interest and taxes, which are generally accounted for across the enterprise on a consolidated basis. EBIT should not be used in lieu of GAAP measures such as net income and cash flow from operations. A reconciliation of EBIT to Operating income (loss) and Net income for the periods presented is included below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Operating income (loss)	$ 101	$ (876)	$ (86)	$ (934)
Earnings (losses) from unconsolidated investments	51	(119)	142	(66)
Accumulated distributions associated with trust preferred securities	—	(3)	(8)	(10)
Other income and expense, net	—	(39)	20	(71)
Loss on discontinued operations, pre-tax	—	(665)	(16)	(1,395)
Cumulative effect of change in accounting principle, pre-tax	—	—	87	(234)
Earnings (loss) before interest and taxes	152	(1,702)	139	(2,710)
Interest expense	(145)	(83)	(364)	(213)
Income tax benefit (provision) on continuing operations	(3)	87	109	169
Income tax benefit on discontinued operations	1	47	10	295
Income tax provision on cumulative effect of change in accounting principle	—	—	(32)	—
Net income (loss)	$ 5	$(1,651)	$(138)	$(2,459)

(2) See "Reported Unaudited Basic and Diluted Earnings (Loss) Per Share From Continuing Operations" for a reconciliation of basic earnings (loss) per share from continuing operations to diluted earnings (loss) per share from continuing operations.

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DYNEGY INC.
REPORTED UNAUDITED BASIC AND DILUTED EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS
(IN MILLIONS, EXCEPT PER SHARE DATA)

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Income (loss) from continuing operations	$ 4	$ (1,033)	$ (187)	$(1,125)
Convertible preferred stock gain (dividends)	1,183	(83)	1,018	(248)
Income (loss) from continuing operations for basic earnings per share	1,187	(1,116)	831	(1,373)
Effect of dilutive securities:				
Interest on convertible debentures	4	—	4	—
Income (loss) from continuing operations for diluted earnings per share	$ 1,191	$ (1,116)	$ 835	$(1,373)
Basic weighted-average shares	375	368	373	365
Effect of dilutive securities:				
Stock options	2	1	2	4
Convertible debentures (1)	65	—	22	
Diluted weighted-average shares	442	369	397	369
Earnings (loss) per share from continuing operations				
Basic Basic	$ 3.17	$ (3.03)	$ 2.23	$ (3.76)
Diluted (2)	$ 2.69	$ (3.03)	$ 2.10	$ (3.76)

(1) The diluted shares do not include the effect of the preferential conversion to Class B common stock of the Series B Mandatorily Convertible Redeemable Preferred Securities previously held by ChevronTexaco, as such inclusion would be anti-dilutive.

(2) When an entity has a net loss from continuing operations, SFAS No. 128, "Earnings per Share," prohibits the inclusion of potential common shares in the computation of diluted per-share amounts. Accordingly, we have utilized the basic shares outstanding amount to calculate both basic and diluted loss per share for the three and nine months ended September 30, 2002.

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DYNEGY INC.
REPORTED SEGMENTED RESULTS OF OPERATIONS
(Unaudited) (In Millions)

	Three Months Ended September 30, 2003					
	GEN	NGL	REG	CRM	Other	Total
Generation	$ 77					$ 77
Natural Gas Liquids						
Upstream		$ 31				31
Downstream		—				—
Regulated Energy Delivery			$ 64			64
Customer Risk Management				$ (26)		(26)
Other					$ (45)	(45)
Operating income (loss)	77	31	64	(26)	(45)	$ 101
Earnings (losses) from unconsolidated investments	51	2	—	(2)	—	51
Other items, net	1	(2)	—	4	(3)	—
Income (loss) on discontinued operations	—	(2)	—	(6)	8	—
Earnings (loss) before interest and taxes (1)	$ 129	$ 29	$ 64	$ (30)	$ (40)	$ 152
Interest expense						(145)
Pre-tax income						7
Income tax provision						(2)
Net income						$ 5

	Three Months Ended September 30, 2002					
	GEN	NGL	REG	CRM	Other	Total
Generation	$(495)					$ (495)
Natural Gas Liquids						
Upstream		$ 12				12
Downstream		17				17
Regulated Energy Delivery			$ 72			72
Customer Risk Management				$(482)		(482)
Other					$ —	—
Operating income (loss)	(495)	29	72	(482)	—	$ (876)
Earnings (losses) from unconsolidated investments	(112)	3	—	(10)	—	(119)
Other items, net	(14)	(9)	(3)	(16)	—	(42)
Income (loss) on discontinued operations	—	(3)	(586)	(34)	(42)	(665)
Earnings (loss) before interest and taxes (1)	$(621)	$ 20	$(517)	$(542)	$ (42)	$(1,702)
Interest expense						(83)
Pre-tax loss						(1,785)
Income tax benefit						134
Net loss						$(1,651)

(1) See Note (1) to Reported Unaudited Condensed Consolidated Statements of Operations. EBIT data for the various segments consists of Operating income (loss) plus Earnings (losses) from unconsolidated investments, Other items, net and Income (loss) on discontinued operations. We use EBIT to measure the operating results of our business segments before taking into account interest and taxes, which are generally accounted for across the enterprise on a consolidated basis. EBIT should not be used in lieu of GAAP measures such as net income and cash flow from operations.

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DYNEGY INC.
REPORTED SEGMENTED RESULTS OF OPERATIONS
(Unaudited) (In Millions)

	Nine Months Ended September 30, 2003					
	GEN	NGL	REG	CRM	Other	Total
Generation	$ 176					$ 176
Natural Gas Liquids						
Upstream		$ 86				86
Downstream		35				35
Regulated Energy Delivery			$ 158			158
Customer Risk Management				$(348)		(348)
Other					$ (193)	(193)
Operating income (loss)	176	121	158	(348)	(193)	$ (86)
Earnings (losses) from unconsolidated investments	135	7	—	—	—	142
Other items, net	4	(12)	—	27	(7)	12
Income (loss) on discontinued operations	—	(3)	—	(17)	4	(16)
Cumulative effect of change in accounting principle	47	—	(3)	43	—	87
Earnings (loss) before interest and taxes (1)	$ 362	$113	$ 155	$(295)	$ (196)	$ 139
Interest expense						(364)
Pre-tax loss						(225)
Income tax benefit						87
Net loss						$ (138)

	Nine Months Ended September 30, 2002					
	GEN	NGL	REG	CRM	Other	Total
Generation	$(376)					$ (376)
Natural Gas Liquids						
Upstream		$ 31				31
Downstream		52				52
Regulated Energy Delivery			$ 168			168
Customer Risk Management				$(809)		(809)
Other					$ —	—
Operating income (loss)	(376)	83	168	(809)	—	$ (934)
Earnings (losses) from unconsolidated investments	(50)	10	(1)	(25)	—	(66)
Other items, net	(29)	(20)	(3)	(29)	—	(81)
Loss on discontinued operations	—	(8)	(549)	(23)	(815)	(1,395)
Cumulative effect of change in accounting principle	—	—	—	—	(234)	(234)
Earnings (loss) before interest and taxes (1)	$(455)	$ 65	$(385)	$(886)	$(1,049)	$(2,710)
Interest expense						(213)
Pre-tax loss						(2,923)
Income tax benefit						464
Net loss						$(2,459)

(1) See Note (1) to Reported Unaudited Condensed Consolidated Statements of Operations. EBIT data for the various segments consists of Operating income (loss) plus Earnings (losses) from unconsolidated investments, Other items, net, Income (loss) on discontinued operations and Cumulative effect of change in accounting principle. We use EBIT to measure the operating results of our business segments before taking into account interest and taxes, which are generally

accounted for across the enterprise on a consolidated basis. EBIT should not be used in lieu of GAAP measures such as net income and cash flow from operations.

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DYNEGY INC.
SIGNIFICANT ITEMS
(Unaudited) (In Millions)

	Three Months Ended September 30, 2003					
	GEN	NGL	REG	CRM	Other	Total
Acceleration of financing costs (1)					$ (20)	$ (20)
Total	$ —	$ —	$ —	$ —	$ (20)	$ (20)

	Three Months Ended September 30, 2002					
	GEN	NGL	REG	CRM	Other	Total
Discontinued operations (2)		$ (3)	$(586)	$ (34)	$ (42)	$ (665)
Goodwill impairment (3)	$(549)			(348)		(897)
Impairment of generation investments (4)	(144)					(144)
Impairment of technology investments (5)	(1)	(1)	(1)	(9)		(12)
Enron settlement (6)	(6)	(4)	(2)	(9)		(21)
Other (7)				(25)		(25)
Total	$(700)	$ (8)	$(589)	$(425)	$ (42)	$(1,764)

(1) We recognized a pre-tax charge of approximately $20 million ($13 million after-tax) related to the acceleration of unamortized financing costs and the settlement value of the associated interest rate hedge instruments as part of our August 2003 refinancing. This charge is included in interest expense.

(2) We recognized a pre-tax loss of approximately $665 million ($618 million after-tax) related to discontinued operations. Included in the loss on discontinued operations is the $586 million loss on the sale of Northern Natural.

(3) We recognized a pre-tax charge of approximately $897 million ($897 million after-tax) for the impairment of goodwill associated with our GEN and CRM segments. These charges are included in Impairment and other charges.

(4) We recognized a pre-tax charge of approximately $144 million ($94 million after-tax) for the impairment of certain generation investments. These charges are included in Earnings from unconsolidated investments.

(5) We recognized a pre-tax charge of approximately $12 million ($8 million after-tax) for the impairment of certain technology investments. This charge, which was allocated to our reporting segments in accordance with our usual accounting methods, is included in Earnings from unconsolidated investments.

(6) We recognized a pre-tax charge of approximately $21 million ($14 million after-tax) related to the settlement of a lawsuit with Enron. This amount, which was allocated to our reporting segments in accordance with our usual accounting methods, is included in Other income and expense, net.

(7) We recognized a pre-tax charge of approximately $25 million ($16 million after-tax) related to the write-off of our investment in Dynegydirect. This amount is included in Impairment and other charges.

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DYNEGY INC.
SIGNIFICANT ITEMS
(Unaudited) (In Millions)

	Nine Months Ended September 30, 2003					
	GEN	NGL	REG	CRM	Other	Total
Southern settlement (1)				$(133)		$ (133)
Kroger settlement (2)				(30)		(30)
Sithe power tolling contract (3)				(125)		(125)
Legal reserve (4)					$ (50)	(50)
Acceleration of financing costs (5)					(24)	(24)
Gain on sale of Hackberry LNG (6)		$ 10		2		12
Discontinued operations (7)		(3)		(17)	4	(16)
Cumulative effect of changes in accounting principles (8)	$ 47		$ (3)	43		87
Total	$ 47	$ 7	$ (3)	$(260)	$ (70)	$ (279)

	Nine Months Ended September 30, 2002					
	GEN	NGL	REG	CRM	Other	Total
Discontinued operations (9)		$ (8)	$(549)	$ (23)	$ (815)	$(1,395)
Goodwill impairment (10)	$(549)			(348)		(897)
Impairment of generation investments (11)	(144)					(144)
Impairment of technology investments (12)	(5)	(4)	(2)	(20)		(31)
Restructuring costs (13)	(4)	(4)	(6)	(17)		(31)
Enron settlement (14)	(6)	(4)	(2)	(9)		(21)
Other (15)	(7)	(1)	(1)	(27)		(36)
Cumulative effect of change in accounting principle (16)					(234)	(234)
Total	$(715)	$(21)	$(560)	$(444)	$(1,049)	$(2,789)

(1) We recognized a pre-tax charge of approximately $133 million ($84 million after-tax) related to the settlement of three power tolling arrangements with Southern Power Company for $155 million. This charge is included in Cost of sales.

(2) We recognized a pre-tax charge of approximately $30 million ($19 million after-tax) for an agreement reached with the Kroger Company related to four power supply agreements. The charge is included in Revenues.

(3) We recognized a pre-tax charge of approximately $125 million ($79 million after-tax) related to a mark-to-market loss incurred during the nine months on contracts associated with the Sithe Independence power tolling arrangement. This charge is included in Revenues.

(4) We recognized a pre-tax charge of approximately $50 million ($32 million after-tax) for legal reserves. This charge is included in General and administrative expenses.

(5) We recognized a pre-tax charge of approximately $20 million ($13 million after-tax) related to the acceleration of unamortized financing costs and the settlement value of the associated interest rate hedge instruments as part of our August 2003 refinancing. We also recognized a pre-tax charge of approximately $4 million ($3 million after-tax) related to the acceleration of unamortized financing costs as part of our early payment of the Renaissance and Rolling Hills credit facility. These charges are included in interest expense.

(6) We recognized a pre-tax gain of approximately $12 million ($8 million after- tax) on the sale of our interest in Hackberry LNG Terminal LLC. This gain is included in Gain (loss) on sale of assets.

(7) We recognized a pre-tax loss of approximately $16 million ($6 million after-tax) related to discontinued operations.

(8) We reflected the rescission of EITF Issue 98-10 effective January 1, 2003 as a cumulative effect of a change in accounting principle. The net impact was a pre-tax benefit of $33 million ($21 million after-tax). We also adopted SFAS No. 143 effective January 1, 2003, and recognized a pre-tax benefit of $54 million ($34 million after-tax) associated with its implementation.

(9) We recognized a pre-tax loss of approximately $1,395 million ($1,100 million after-tax) related to discontinued

operations. Included in the loss on discontinued operations is $635 million in charges related to the impairment of communications assets, $49 million in charges related to the impairment of technology investments, and a $586 million loss on the sale of Northern Natural.

(10) We recognized a pre-tax charge of approximately $897 million ($897 million after-tax) for the impairment of goodwill associated with our GEN and CRM segments. These charges are included in Impairment and other charges.

(11) We recognized a pre-tax charge of approximately $144 million ($94 million after-tax) for the impairment of certain generation investments. These charges are included in Earnings from unconsolidated investments.

(12) We recognized pre-tax charges of approximately $31 million ($20 million after-tax) for the impairment of certain technology investments. These charges, which were allocated to our reporting segments in accordance with our usual accounting methods, are included in Earnings from unconsolidated investments.

(13) We recognized a pre-tax charge of approximately $31 million ($20 million after-tax) for severance benefits for approximately 325 employees, including our former Chief Executive Officer and Chief Financial Officer. This charge, which has been allocated to our reporting segments in accordance with our usual accounting methods, is included in Impairment and other charges.

(14) We recognized a pre-tax charge of approximately $21 million ($14 million after-tax) related to the settlement of a lawsuit with Enron. This amount is included in Other income and expense, net.

(15) We recognized a pre-tax charge of approximately $25 million ($16 million after-tax) related to the write-off of our investment in Dynegydirect. We also recognized a pre-tax charge of approximately $5 million ($3 million after-tax) related to information technology equipment write-offs. Additionally, we incurred approximately $6 million of pre-tax ($4 million after-tax) charges associated with fees related to a voluntary action that we took that altered the accounting for certain lease obligations. These amounts are included in Impairment and other charges.

(16) We adopted SFAS No. 142 effective January 1, 2002, and, accordingly, tested for impairment all amounts recorded as goodwill. We determined that goodwill associated with our communications business was impaired and recognized a charge of $234 million for this impairment upon the adoption of SFAS No. 142.

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DYNEGY INC.
SUMMARY CASH FLOW INFORMATION
(Unaudited) (In Millions)

	Nine Months Ended September 30, 2003				
	GEN	NGL	REG	Other	Total
Operating Cash Flow	$ 315	$155	$ 85	$375	$ 930
Capital Expenditures	(120)	(40)	(100)	—	(260)
Proceeds from Asset Sales	50	20	—	(10)	60
Free Cash Flow (1)	$ 245	$135	$ (15)	$365	$ 730

(1) Free cash flow is a non-GAAP financial measure. Free cash flow consists of operating cash flows less capital expenditures, adjusted for proceeds from asset sales. We use free cash flow to measure the cash generating ability of our operating asset-based energy businesses relative to their capital expenditure obligations. Free cash flow should not be used in lieu of GAAP measures with respect to cash flows and should not be interpreted as available for discretionary expenditures, as mandatory expenditures such as debt obligations are not deducted from the measure. A reconciliation of free cash flow to operating cash flow for the period presented is included above.

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DYNEGY INC.
OPERATING DATA

	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
GEN				
Million Megawatt Hours Generated - Gross	11.2	11.8	29.8	30.0
Million Megawatt Hours Generated - Net	10.5	11.0	28.2	28.0
Average Natural Gas Price - Henry Hub ($/Mmbtu) (1)	$ 4.88	$ 3.19	$ 5.35	$ 3.03
Average On-Peak Market Power Prices ($/Mwh):				
Cinergy	$39.21	$ 33.47	$ 40.78	$ 27.14
Commonwealth Edison	$39.34	$ 31.91	$ 40.01	$ 26.62
Southern	$44.02	$ 33.69	$ 44.47	$ 30.22
New York - Zone G	$61.46	$ 55.75	$ 65.02	$ 44.44
ERCOT	$43.42	$ 30.14	$ 47.16	$ 27.21
NGL				
Natural Gas Field Plant Processing Volumes (MBbls/d)	61.5	56.3	59.2	55.0
Natural Gas Straddle Plant Processing Volumes (MBbls/d)	23.4	35.3	25.6	36.5
Total Natural Gas Processing Volumes	84.9	91.6	84.8	91.5
Fractionation Volumes (MBbls/d)	186.8	224.8	183.5	223.7
Natural Gas Liquids Sold (MBbls/d)	276.1	481.9(2)	305.0	519.6(2)
Average Commodity Prices:				
Crude Oil - WTI ($/Bbl)	$30.45	$ 28.40	$ 31.38	$ 24.78
Natural Gas Liquids ($/Gal)	$ 0.51	$ 0.41	$ 0.54	$ 0.37
Fractionation Spread ($/MMBtu)	$ 0.95	$ 1.41	$ 0.61	$ 1.19
REG				
Electric Sales in KWH (Millions):				
Residential	1,766	1,832	4,197	4,342
Commercial	1,208	1,231	3,318	3,334
Industrial	1,561	1,667	4,614	4,719
Transportation of Customer-Owned Electricity	642	622	1,792	1,923
Other	105	98	292	283
Total Electricity Delivered	5,282	5,450	14,213	14,601
Gas Sales in Therms (Millions):				
Residential	18	18	238	214
Commercial	10	11	98	90
Industrial	16	24	57	61
Transportation of Customer-Owned Gas	48	47	170	180
Total Gas Delivered	92	100	563	545
Cooling Degree Days - Actual	773	1,006	971	1,432
Cooling Degree Days - 10 year rolling average	850	860	1,214	1,246
Heating Degree Days - Actual	88	29	3,492	3,024
Heating Degree Days - 10 year rolling average	—	—	3,018	3,054

(1) Calculated as the median gas price for each day during the period.

(2) Includes 89.2 and 102.1 MBbls/d for the three- and nine-month periods ended September 30, 2002, respectively, associated with the global liquids business sold in late 2002.

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported)
October 31, 2003

DYNEGY INC.

(Exact name of registrant as specified in its charter)

Illinois	1-15659	74-2928353
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1000 Louisiana, Suite 5800
Houston, Texas 77002
(Address of principal executive offices including Zip Code)

(713) 507-6400
(Registrant's telephone number, including area code)

N.A.
(Former name or former address, if changed since last report)

Item 5. Other Events

On October 31, 2003, Dynegy Inc., the parent company of Illinois-based utility Illinois Power Company, entered into a purchase agreement under which a newly formed subsidiary of Exelon Corporation will acquire substantially all of the assets and liabilities of Illinois Power. The assets included in the transaction consist of approximately 40,000 miles of electric transmission and distribution lines, more than 750 miles of natural gas transmission pipe and 7,600 miles of natural gas distribution lines. Illinois Power, which has more than 1,800 employees and approximately 590,000 electricity customers and 415,000 natural gas customers across northern, central and southern Illinois, currently comprises Dynegy's regulated energy delivery reporting segment.

PURCHASE AGREEMENT

Under the terms of the purchase agreement, which has been approved by each company's board of directors, the Exelon subsidiary will acquire Illinois Power's assets and liabilities for $2.225 billion. The purchase price includes:

- the assumption by Exelon of all of Illinois Power's debt, estimated to be approximately $1.8 billion at closing;
- a $150 million promissory note, which is described below; and
- approximately $275 million of cash, subject to working capital adjustments.

Proceeds from the transaction, with respect to which Dynegy expects to record a book loss, would be used to reduce outstanding indebtedness.

The consummation of the sale is conditioned on, among other things, the elimination of the $2.3 billion intercompany note between Illinois Power and Illinova Corporation, a Dynegy subsidiary and Illinois Power's parent company. The sale is also conditioned on the receipt of all regulatory approvals as specified in the purchase agreement, including approvals from the Illinois Commerce Commission (ICC), the Federal Energy Regulatory Commission (FERC), the Securities and Exchange Commission (SEC), and other governmental and regulatory agencies, as well as the passage of legislation that is expected to be introduced in the Illinois General Assembly during its November veto session, which ends on November 20, 2003. This legislation would authorize the ICC to consider the sale transaction and proposed rate plan for ComEd, Exelon's Illinois utility subsidiary, and Illinois Power in a single proceeding and render a decision on both issues in a nine-month review process. The proposed rate plan contemplates rate increases for both ComEd and Illinois Power beginning in 2007.

The proposed legislation provides for an immediate effective date, which requires passage by vote of at least three-fifths of each house of the General Assembly. If the legislation passes by a three-fifths super-majority vote in the November veto session and is promptly signed into law by the Governor, then it would become effective in late November. After the legislation becomes effective, a petition would be filed with the ICC in December, which would start the nine-month review with a decision expected in September 2004. Filings with FERC and the SEC are expected to be made around the same time as the filing of the petition with the ICC. Rulings by FERC and the SEC are currently anticipated within a few months following the ICC's decision. Pending these state and federal approvals, the sale is expected to close in the fourth quarter of 2004. Approval of the legislation by less than a three-fifths super-majority would delay its effective date, as well as the filings with the ICC, FERC and SEC, until July 2004, and delay the decision by the ICC until early 2005.

The purchase agreement may be terminated upon the occurrence of certain events, including:

- if the closing shall not have occurred on or before December 31, 2004; or
- if the above-described Illinois legislation does not become effective within 60 days of the end of the legislative session of the Illinois General Assembly scheduled to begin in January 2004.

PROMISSORY NOTE

As indicated above, the purchase price includes a $150 million promissory note which bears interest at 5 percent per annum, payable quarterly, matures in December 2010 and is subject to mandatory prepayment or extension upon the occurrence of specified events, including those relating to credit ratings upgrades obtained by Dynegy and contingent environmental liabilities retained by Illinois Power. Should one of these specified prepayment events occur prior to the closing, the promissory note would not be issued and Dynegy would receive the related $150 million in cash at closing.

POWER PURCHASE AGREEMENT

In a related agreement that is conditioned upon the closing of the transaction, Dynegy has contracted to sell 6,000 megawatts (MWs) of generating capacity to an Exelon subsidiary for six years beginning in January 2005. The capacity, which will be provided by Dynegy's coal-fired baseload facilities in Illinois, natural gas-fired peaking facilities throughout the region and Dynegy's Kendall tolling contract, will be used by Exelon to meet its customer demand.

Under this power purchase agreement, Exelon will purchase approximately 2,900 MWs of capacity and energy from Dynegy's peaking facilities and the Kendall tolling arrangement. Also as part of the power purchase agreement, Exelon will purchase 3,100 MWs of capacity only from Dynegy's baseload coal fleet. Dynegy will dispatch and sell the energy from these coal assets into the Illinois wholesale marketplace. It is anticipated that this arrangement will be in place concurrently with the termination of Dynegy's power purchase agreement with Illinois Power and the closing of the transaction.

INCORPORATION BY REFERENCE

A copy of the purchase agreement is included herein as Exhibit 2.1 and a copy of Dynegy's press release with respect to the transaction is included herein as Exhibit 99.1. The Purchase Agreement and the press release are incorporated herein by reference. The foregoing description of the purchase agreement and the press release and the transactions contemplated thereby or discussed therein are qualified in their entirety by reference to such exhibits.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements: Not applicable

(b) Pro Forma Financial Information: Not applicable

(c) Exhibits:

Exhibit No.	Document
2.1	Purchase Agreement dated October 31, 2003 among Dynegy Inc., Illinois Power Company, IP Gas Supply Company, Exelon Energy Delivery Company, L.L.C. and New IP Company.
99.1	Press release dated November 3, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DYNEGY INC.
(Registrant)

Dated: November 4, 2003

By: /s/ J. KEVIN BLODGETT

Name: J. Kevin Blodgett
Title: Corporate Secretary

EXHIBIT INDEX

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