

DYNEGY INC.  
Form DFAN14A  
November 05, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**  
**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**Dynergy Inc.**

(Name of Registrant as Specified in its Charter)

**Seneca Capital International Master Fund, L.P.**

**Seneca Capital, L.P.**

Edgar Filing: DYNEGY INC. - Form DFAN14A

**Seneca Capital Investments, L.P.**

**Seneca Capital Investments, LLC**

**Seneca Capital International GP, LLC**

**Seneca Capital Advisors, LLC**

**Douglas A. Hirsch**

**(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

## Edgar Filing: DYNEGY INC. - Form DFAN14A

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

SAVING DYNEGY:  
THE POWER OF CHANGE  
Seneca Capital  
NOVEMBER 2010

2

**DISCLAIMER**

This presentation contains forward-looking statements about future events and sets forth a presentation of our beliefs. The forward-looking statements are not guarantees of future performance, and we caution you not to rely unduly on them. We have based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. While we consider these beliefs, expectations and assumptions to be reasonable, they are subject to a number of business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict. We caution you that the forward-looking statements are inherently uncertain and necessarily involve risks that may affect Dynegy's

performance, causing actual results to differ from those discussed or presented in this presentation.

This presentation is based on, and contains references to third-party sources of information, and we make no representation or warranty thereof. The inclusion of such information is not an indication of any participation in or endorsement of the views expressed herein.

Seneca Capital International Master Fund, L.P., Seneca Capital, L.P., Seneca Capital Investments, L.P., Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch (together with each of the foregoing, "Seneca") have jointly made a solicitation of proxies to the shareholders of DyneGY, Inc. (the "Company") in connection with the proposed acquisition of DyneGY by Denali Parent Inc. and Denali Merger Sub Inc., which will be voted on at a meeting of the Company on November 11, 2010. SENECA ADVISES ALL STOCKHOLDERS OF DYNEGY TO READ THE PROXY STATEMENT AND OTHER PROXY MATERIALS BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. SUCH PROXY MATERIALS WILL BE AVAILABLE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov). IN ADDITION, ONCE AVAILABLE, SENECA MAY PROVIDE COPIES OF THE PROXY STATEMENT AND OTHER PROXY MATERIALS. REQUESTS FOR COPIES SHOULD BE DIRECTED TO THE PARTICIPANTS' PROXY SOLICITOR, GEORGESON, INC. Each of Seneca Capital International Master Fund, L.P., Seneca Capital, L.P., Seneca Capital Investments, L.P., Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch is a participant in this solicitation. Douglas A. Hirsch is the principal occupation of Seneca Capital Investments, LLC, Seneca Capital International GP, LLC and Seneca Capital Advisors, LLC. The principal occupation of Seneca Capital Investments, LLC is the general partner of Seneca Capital Investments, L.P. Seneca Capital International GP, LLC is the general partner of Seneca Capital International Master Fund, L.P., and Seneca Capital Advisors, LLC is the general partner of Seneca Capital, L.P. The principal occupation of Seneca Capital Investments, LLC, Seneca Capital Investments, L.P., Seneca Capital International GP, LLC, Seneca Capital International Master Fund, L.P. is c/o Seneca Capital Investments, LP, 590 Madison Avenue, 28th Floor, New York, New York 10022.

As of November 4, 2010, Seneca Capital International Master Fund, L.P. beneficially owned 7,712,100 shares of DyneGY's common stock ( "Shares" ), representing beneficial ownership of approximately 6.4% of the Shares. As of November 4, 2010, Seneca Capital, L.P. beneficially owned 904,100 Shares, representing beneficial ownership of approximately 2.9% of the Shares. Each of Seneca Capital Investments, L.P., Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch is deemed to beneficially own 11,226,500 Shares, representing beneficial ownership of approximately 9.3% of the Shares, held in Seneca Capital International Master Fund, L.P. and Seneca Capital, L.P. Seneca Capital International GP, LLC may be deemed to beneficially own 7,712,100 Shares, representing beneficial ownership of approximately 6.4% of the Shares, held by Seneca Capital International Master Fund, L.P. Seneca Capital Advisors, LLC may be deemed to beneficially own 904,100 Shares, representing beneficial ownership of approximately 2.9% of the Shares, held by Seneca Capital, L.P. Each of Seneca Capital Investments, LLC, Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch disclaims beneficial ownership of such Shares to the extent of its or his pecuniary interest therein, and this filing shall not be deemed an admission of beneficial ownership of such Shares. As of November 4, 2010, Seneca Capital International Master Fund, L.P. and Seneca Capital, L.P. held over-the-counter European Shares of the Company, representing beneficial ownership of approximately 1,986,900 and 904,100 shares, respectively at an exercise price of \$1.00 per share as of January 21, 2011.

CERTAIN INFORMATION CONCERNING THE PARTICIPANTS

WE VOTE NO  
TO THE PROPOSED DEAL  
WRONG PRICE

We  
believe  
worth  
more

than  
\$6  
per  
share  
today  
and  
up  
to  
\$16

-  
\$18  
in  
a  
recovery  
scenario

Valued at less than 1/3 of replacement cost

Nearly 7.5% unlevered free cash flow yield at low point in electricity price cycle rising to as much as 14 -

17% in a power price recovery with additional upside if gas prices recover

Substantial optionality of assets and balance sheet creates highly compelling asymmetric risk/reward opportunity

**WRONG TIME**

Down  
42%  
since  
proposal  
of  
ill-conceived  
and  
questionably  
motivated  
reverse  
split

-  
dramatic  
underperformance

Traded down to virtually its ALL-TIME low on the day prior to Merger announcement

Cyclical trough in power industry with Q1 2011 EPA clean air rule proposals providing a roadmap to recovery

Highly flexible bond structure allows access to liquidity and provides optionality

**WRONG REASONS**

Management owns approximately \$1 million of unrestricted stock but receives almost \$38 million (\$0.31/share)

if  
deal  
closes

an  
arrangement  
that



is  
largely  
irrespective  
of  
deal  
price

Management has engaged in a scorched-earth campaign making sudden unsubstantiated claims about liquidity in a stark contrast to public statements in the weeks leading up to the deal  
Transaction structure featured significant obstacles to attracting superior offers, including NRG exclusivity

and  
a  
\$50  
million  
break-up  
fee

-  
9.2%  
of  
equity  
value,

a  
nearly  
unprecedented  
%  
of  
equity

Break-up fees are typically compared to equity purchase price, not enterprise value

3

AND YES TO THE POWER OF  
CHANGE

NEW LEADERSHIP

What if

shareholders elect two high-quality directors that believe in the  
value proposition for a re-focused Dynegy?

ALIGNMENT OF INTERESTS

What if  
shareholders propose a compensation plan that properly aligns  
directors/management with shareholder value?

**SHAREHOLDER VOICE**

What if  
shareholders propose resolutions encouraging:

Review of top management

Strategic review of assets

Optimization of debt structure

Optimization of cost structure

Unwind of reverse stock split

4

**MAKING THE REFOCUSSED DYNEGY THE PREMIER VEHICLE TO  
PARTICIPATE IN POWER MARKET RECOVERY**

WHY IS SENECA SPEAKING  
OUT?

Seneca is the largest economic equity holder in Dynegy

11.8% total interest includes 9.3% of voting common stock and economic exposure

to

an

additional

2.5%  
of  
common  
stock  
through  
non-voting  
\$0.01  
European  
call  
options

Seneca only benefits if stock price improves and loses money if stock price declines

Seneca has no other interests in Dynegy debt or equity

No equity shorts, CDS, bonds, LCDS, bank debt, structured interests or any other positions

13D rules compel disclosure

Seneca has a successful track record of concentrated long-term, deep-value investments in the power and energy sector

Supported shareholder alignment in Texas Genco and RRI directly followed by substantial gains for shareholders

Members of Seneca team have covered Dynegy closely for more than 10 years

Seneca has only filed one other 13D since our founding in 1996

Uniquely attractive nature of Dynegy investment opportunity compels us to take this extraordinary step

5

A DIFFERENCE IN ALIGNMENT  
DRIVES A DIFFERENCE OF OPINION  
VALUE

-

Seller at \$4.50/sh (\$0.90/sh pre-  
reverse split) after buying nearly 30%  
of stock in August 09 from LS Power

at nearly \$10/sh

-

12% economic interest in Dynegy  
(9.3% voting stock)

-

Only motivation is increasing  
shareholder  
value

fully  
aligned

Dynegy

Seneca

LIQUIDITY

STRATEGY

NATURAL GAS /

ENVIRONMENTAL

-

Only \$1 million of unrestricted common  
stock (much less than 1% of company)

-

\$38 million cash if deal consummates

-

misaligned with shareholders

OWNERSHIP

-

Value at more than \$6/sh today with  
upside to \$16-18 & minimal downside

-

Claim undrawn revolver creates  
liquidity crisis despite highlighting  
financial

flexibility on August 6th

-

Substantial secured financing capacity

-

Highly flexible bond structure with no  
major maturities until 2015

-

Claim high exposure to continued  
decline in natural gas prices

-

Highlight environmental cost risks

-

Believe Dynegy less sensitive to  
natural gas given coal on the margin

-

Believe clean air rules provide major  
benefit to Dynegy valuation

-

Urging cashing out at \$4.50  
(\$0.90/sh pre-reverse split) after 8  
years of no shareholder value creation

-

Voting against the proposed merger

-

Intend to propose two quality directors

-

Intend to propose unwind of reverse  
split and other value enhancing steps

6



PREMIER VEHICLE FOR  
PLAYING POWER MARKET  
RECOVERY

7

8  
LOTS OF WAYS TO WIN  
Capacity  
value

EPA-driven  
retirements

are  
a  
game  
changer  
for  
Midwest  
capacity  
margins  
Currently earning \$17/ MW-day vs. \$175/MW-day in nearby markets with tighter reserve margins  
Dark  
spread  
recovery

current  
weak  
dark  
spreads  
do  
not  
seem  
sustainable  
long-term  
Spark  
spread  
improvement

advantaged  
locations  
and  
higher  
utilization  
Natural  
gas  
prices

positive  
correlation  
and  
less  
sensitive  
than  
management  
suggests  
Premier vehicle to play EPA-driven market  
recovery given financial and operating leverage  
Source:  
Dynegy  
Second  
Quarter  
2010

Results  
presentation  
dated  
August  
6,  
2010,  
page  
13.

SELL NOW??

When the stock is back at post-Enron distressed levels?

0%

200%

400%

600%

800%

1000%

1200%

O-02

O-03

S-04

S-05

S-06

S-07

S-08

S-09

S-10

Oct 02 (\$4.55):

DYN Hires Bruce

Williamson

DYN

NRG

CPN

RRI

MIR

Feb 04 (\$20.50):

DYN Sells Illinois

Power to AEE

Aug 05 (\$27.65):

DYN Sells

Midstream to Targa

Sept 06 (\$30.35):

LS Power / DYN

Marriage

Aug 09 (\$9.65):

LS Power / DYN

Divorce, buy 30%

of stock at \$9.65

Aug 10 (\$2.78):

Merger Announced

Premium in Merger

July of 2002

July 24: \$4.90

July 25: \$2.55

July 26: \$3.40

July 27: \$6.00

DYN Averts

Bankruptcy with

Sale of Northern

Natural Gas

Note: Historical prices are adjusted for reverse split.

9

EPA CLEAN AIR RULES ARE  
JUST AROUND THE CORNER  
Proposed EPA rules for sulfur/  
NOx/mercury emissions are a game  
changer for electricity prices as many  
un-scrubbed plants should close  
More than 5,700 MW of shutdowns

already announced for 2010

2015

(1)

Credit Suisse estimates ~60GW of coal plants

will

close

between

2013-17

(1)

Significant impacts on power and capacity markets

Exelon estimates that PJM power prices could increase \$5/MWh - \$7/MWh

Capacity prices for its PJM fleet could increase by up to \$100/MW-day by

2015

(2)

10

2011 Calendar of Events

March:

Final CATR rule expected

March:

Proposed HAP MACT rule

May:

PJM 2014/15 capacity auction

H1 2011:

Potential MISO capacity market proposal

Nov:

Final HAP MACT rule

MISO Power Price Outlook is Bright

(1)

(1)

Source: Credit Suisse report Growth From Subtraction dated September 23, 2010. See Appendix for additional information the expected impact of the proposed EPA rules.

(2)

Source: Source: Exelon Clean in Competitive Markets presentation dated November 1-2, 2010.



11  
AND DYNEGY'S ASSETS ARE  
PRIMED TO BENEFIT

(1)  
\$/kw estimates for cost of adding environmental equipment are per Growth from Subtraction.  
Dynegy is extremely well positioned to benefit from EPA Clean Air rules given its substantial investment in pollution control equipment

Its largest, most efficient plants will have been scrubbed

We estimate pollution control equipment for Dynegy's coal fleet will have a replacement value of more than

\$1.7bn

upon

completion

A

MAJOR

COMPETITIVE

ADVANTAGE

12

THE NATURAL GAS PAIN HAS  
ALREADY BEEN SUFFERED

Natural gas has traded down to 2002 levels as a result of the shale drilling frenzy

Credit

Suisse

estimates

that  
many  
of  
the  
low  
cost  
plays  
require  
at  
least  
\$5/mcf  
(1)  
to  
earn  
a  
fair  
return  
Signs  
of  
drilling  
slowdown  
in  
response  
to  
low  
prices

gas  
rig  
count  
has  
been  
falling  
Natural gas is currently a cheaper fuel source than Eastern coal  
Expect  
incremental  
switching  
over  
time

Already  
seeing  
signs  
Dynegy's Midwest CCGT's increase margins while gas remains cheap vs coal (see comparative fuel cost for Kendall below)  
Dynegy's Midwest coal plant margins are less sensitive to natural gas than other regions  
Natural  
gas  
is  
currently

on  
the  
margin  
less  
than  
25%  
of  
the  
time  
in  
the  
Midwest

(1)  
Source:  
Credit  
Suisse  
report  
Natural  
Gas  
dated  
September  
17,  
2010.

Midwest Power Is Less Gas Sensitive  
CCGT s Are Currently Competitive with Coal

75%  
80%  
85%  
90%  
95%  
100%  
105%  
110%  
4/10  
5/10  
6/10  
7/10  
8/10  
9/10  
10/10  
\$3.93  
\$4.43  
\$4.93  
\$5.43  
\$5.93

NYMEX 2011 Gas  
2011 ERCOT On-Peak  
2011 CIN On-Peak  
Kendall  
Coal Plant

CCGT  
CAPP  
Fuel Price  
\$4.25  
\$70.00  
Midwest Basis / Transportation  
\$0.10  
\$15.00  
Delivered Fuel Price  
\$4.35  
\$85.00  
Delivered Fuel Price (\$/MMBTu)  
\$4.35  
\$3.54  
Heat Rate  
7,200  
10,500  
Cost of Fuel per MWh  
\$31.32  
\$37.19



\$32  
\$147  
\$163  
\$82  
\$0  
\$745  
\$1,047  
\$0  
\$175  
\$1,100  
\$375  
\$0  
\$200  
\$400  
\$600  
\$800  
\$1,000  
\$1,200  
2010  
2011  
2012  
2013  
2014  
2015  
2016  
2017  
2018  
2019  
2020+

Bond Maturities

13

LIABILITIES ARE AN ASSET

When has an undrawn revolver ever caused  
a liquidity crisis?



Synthetic L/C facility matched with cash  
\$680 mm of available cash at 10/1/2010

(2)

Virtually no secured recourse debt  
Substantial asset value to support  
borrowing

No major bond maturities until 2015

Extraordinary flexibility created by  
absence of restrictive covenants

Opportunity for value creation by  
repurchasing debt at a discount

(1)

Source:

Dynegy

Second

Quarter

2010

Results

presentation

dated

August

6,

2010,

pages

24

and

26.

Includes

only

bond

maturities

(2)

Source:

Dynegy

Merger

Proxy

dated

October

4,

2010

( Merger

Proxy )

page 5.

FIRST MAJOR

MATURITY:

JULY 2015

Dynegy Inc.

Sr. Unsec. Notes / Debentures

\$3,450

SKIS

\$200  
Senior Debentures  
\$257  
Central Hudson  
\$633  
Sithe Energies  
Dynergy Power Corp.  
Dynergy Holdings Inc.  
\$1,080 Million Revolver  
\$0  
Term L/C Facility  
\$850  
Tranche B Term  
\$68  
Cash (10/1/10)  
\$680  
Restr. Cash  
\$850  
Undrawn Revolver

14

**THERE IS SUBSTANTIAL  
LEVERAGE TO EFFICIENCY GAINS**

We believe that a refocused Dynegy has a fresh opportunity to optimize costs

Dynegy's  
overhead  
structure

was originally designed to support a larger asset base with a substantial trading operation

The Merger Proxy highlights an additional \$50 million a year (\$0.40/share of annual cash flow) of potential overhead savings

Why were these savings not disclosed before the Merger announcement?

Dynegy spends more than \$20 million per year on unutilized credit facilities

(1) More than 50% of total non-fuel operating expenditures (Non-fuel O&M plus SG&A) relate to non-plant level functions

(2) Dynegy's 2010 cash operating expenditures (Non-fuel O&M, SG&A and maintenance capex) is more than 15% higher than GenOn has guided on a \$/kw-year basis

Dynegy cash operating expenditures could be ~\$100mm lower if reduced to the same level as GenOn \$MMs

2010 Guided O&M Expense

\$465

2010 Guided SG&A Expense

\$135

Less: Lease Expense Included in O&M

(\$50)

Net Non-Fuel Operating Costs

\$550

Plant Level O&M Per SNL

(\$260)

Non-Plant Level O&M

\$290

(1)

Dynegy currently utilizes only \$455 million of its \$850 million Term LC Facility and none of its \$1 billion revolver. See Merger

page 5.

(2)

Source: Second Quarter 2010 Results page 33, SNL Financial and Seneca estimates.

WRONG PRICE  
15

WORTH >\$6/SHARE ON SUM OF  
THE PARTS VALUATION

16

(1)

Assumes maintenance capex of \$20/kw-year for coal plants and \$9/kw-year for gas plants based Seneca estimates and total ties

(2)

Valuation and capacity totals exclude Plum Point (140MW).

(3)

See appendix for a summary of detailed assumptions.

Note: As used in this presentation, UFCF refers to unlevered free cash flow

(\$ in millions)

2010

Maint

Unlevered

Net

Valuation

EBITDA

Capex

(1)

FCF

MWs

\$/KW

\$MMs

Commentary

Midwest Coal

Scrubbed Coal

(\$45)

2,241

\$700

\$1,569

Based on DCF Analysis

(3)

; Scrubber/SCR/baghouse

have repl. cost of \$800/kw

Unscrubbed

Coal

(\$18)

903

\$125

\$113

DCF of remaining life, shutting in 2015

(3)

; Assumes no value for Trona

Total Midwest Coal

\$288

(\$63)

\$225

3,144

\$535

\$1,682

Implied Unlevered Free Cash Flow Yield

13.4%

Midwest CCGT

Kendall

(\$11)

1,200

\$500



\$600  
 Supported by Casco Bay valuation of \$500/kw  
 Ontelaunee  
 (\$5)  
 580  
 \$800  
 \$464  
 MAAC already close to newbuild  
 pricing in latest capacity auction (\$226/mwd)  
 Total Midwest CCGT  
 \$113  
 (\$16)  
 \$96  
 1,780  
 \$598  
 \$1,064  
 Implied Unlevered Free Cash Flow Yield  
 9.1%  
 Midwest Peaking  
 Midwest Peaking/Other  
 \$18  
 (\$1)  
 \$16  
 164  
 \$250  
 \$41  
 Assumes minimal option value  
 Implied Unlevered Free Cash Flow Yield  
 NM  
 West  
 Moss Landing / Morro / Oakland  
 (\$30)  
 3,344  
 \$324  
 \$1,085  
 NRG bid price implies 12% UFCF. Spark spreads have improved since 8/12/10  
 Other Western Gas  
 (\$3)  
 352  
 \$250  
 \$88  
 Assumes minimal option value  
 Total West  
 \$144  
 (\$33)  
 \$111  
 3,696  
 \$317  
 \$1,173  
 Implied Unlevered Free Cash Flow Yield

9.4%

Northeast

Casco Bay

(\$5)

540

\$509

\$275

NRG bid price implies 12% UFCF. Spark spreads have improved since 8/12/10

Independence

(\$10)

1,064

\$600

\$638

Based on DCF Analysis

(3)

; Includes value of ConEd

contract

Roseton

/ Danskammer

(\$15)

1,693

\$200

\$339

Based on DCF Analysis

(3)

; Assumes coal retires in 2015

Total Northeast

\$190

(\$30)

\$160

3,297

\$380

\$1,252

EBITDA adds back \$50mm lease expense & \$50mm non-cash amortization

Implied Unlevered Free Cash Flow Yield

12.8%

Corporate SG&A

(\$135)

(\$450)

6x \$75mm of corporate SG&A including all announced cost cuts

Total

\$617

(\$143)

12,081

\$4,762

EBITDA adds back \$50mm lease expense & \$50mm non-cash amortization

Net Debt

(\$3,371)

NPV of Lease

(\$633)

Equity Value

\$758

Shares

120.6

Equity Value / Share

~\$6.50

(2)

17

WHAT COULD DYNEGY BE  
WORTH?

\$18.25

\$2.50

\$15.75

\$1.25

\$2.50

\$2.00  
\$3.50  
\$6.50

\$2.00  
\$4.00  
\$6.00  
\$8.00  
\$10.00  
\$12.00  
\$14.00  
\$16.00  
\$18.00  
\$20.00

Base Valuation

CCGT

Newbuild

Increased to

\$1,000/kw &

Market

Recovery

Accelerated

Delivered Coal

Cost Reduced

\$0.25/MMBTU

Versus Base

Case

Incremental

\$50mm Annual

O&M Savings

\$500mm Asset

Sale Proceeds

Applied to Debt

Reduction at

Current Market

Prices

Upside

Excluding

Improvement in

Natural Gas

Price Forecast

Gas Recovery

(\$1/mmbtu)

Upside

Valuation

\$4.50/Share Merger Price

18

**SUBSTANTIAL OPERATING CASH  
FLOW THROUGH THE TROUGH**

Dynegy does not pay cash taxes and has low maintenance capex therefore we believe free cash

flow  
is  
the  
most  
accurate  
valuation  
metric  
for  
Dynergy

Dynergy trades in line with peers on free cash flow but has better leverage to power market upside

(1)

See appendix for detail regarding IPP comparables

(2)

On page 6 of Dynergy's presentation "Setting the Record Straight: The Truth About Asset Sales, Dividends and Debt Facilities" dated October 2010 ("Setting the Record Straight"), Dynergy states that "If asset retirements do not materialize, EBITDA would be reduced

by  
an  
average  
of  
\$85mm  
each  
year  
from  
2013

2015 .

Adds back non-cash amortization related to Sithe purchase accounting

Removes  
management  
market  
recovery  
assumption

(2)

to  
show  
free  
cash  
flow  
before market recovery

Year

2011

2012

2013

Adj EBITDA From Merger Proxy

\$405

\$348

\$538

Central Hudson Lease Expense

\$50  
\$50  
\$50  
Sithe Non-Cash Amortization  
\$50  
\$50  
\$50  
Adj Cash EBITDA  
\$505  
\$448  
\$638  
Removal of Market Recovery Assumption  
  
(\$85)  
Adj Cash EBITDA Without Market Recovery  
\$505  
\$448  
\$553  
Maintenance Capex  
(\$119)  
(\$113)  
(\$119)  
Unlevered Free Cash Flow  
\$386  
\$335  
\$434  
Enterprise Value at \$4.50 Deal Price  
\$4,547  
\$4,547  
\$4,547  
Unlevered Free Cash Flow Yield  
8.5%  
7.4%  
9.5%  
Average of Peer Group  
(1)  
8.5%  
7.5%  
10.0%  
(\$ in millions)



19

WITH HUGE CASH FLOW UPSIDE

AS POWER PRICES RECOVER

Adjusting Dynegy's trough free cash flow for expectations of a market recovery could double the free cash flow yield

Gas  
price

improvements  
 would  
 be  
 additive  
 to  
 impact  
 of a  
 capacity / coal price driven dark spread recovery  
 (1)  
 Illustrated as a \$0.50/mmbtu reduction in delivered coal price.  
 Base Case  
 Upside Case  
 \$MM  
 % UFCF  
 \$MM  
 % UFCF  
 2012 Unlevered Free Cash Flow  
 \$335  
 7.4%  
 \$335  
 7.4%  
 Coal Capacity Uplift to \$150/MW-day  
 \$109  
 2.4%  
 \$191  
 4.2%  
 2,241MW Scrubbed Coal  
 x  
 (\$150/MW-day  
 recovery  
 -  
 \$17/MW-day  
 current)  
 \$250-Day Recovery  
 Spark Uplift at Kendall to \$150/MW-day  
 \$42  
 0.9%  
 \$85  
 1.9%  
 1,200MW  
 x  
 (\$150/MW-day  
 recovery  
 -  
 \$55/MW-day  
 current)  
 \$250-Day Recovery  
 Dark Spread Improvement by \$5/MWh  
 (1)  
 \$79

1.7%

\$79

1.7%

\$0.50/mmbtu x 10.5 plant heat rate x 15TWh Scrubbed Coal

Additional Cost Cuts

\$50

1.1%

\$50

1.1%

Pro Forma Unlevered Free Cash Flow Yield Excluding Gas Improvement

~13.5%

~16.5%

\$1/mmbtu Uplift in Gas

\$60

~1.5%

\$60

~1.5%

\$1/mmbtu x 8 market heat rate x 50% set by gas in recovery x 15TWh

Pro Forma Unlevered Free Cash Flow Yield

~15%

~18%

20  
LEVERAGE TO CYCLICAL  
RECOVERY  
Replacement Cost Of IPP Peers  
(2)  
Cyclical  
industries

tend  
to  
trade  
around  
replacement  
cost  
during  
cyclical  
peaks  
and  
at  
substantial  
discounts during cyclical troughs

(1)  
Dynegy trades at the lower end of its peers as a % of replacement cost and its stock price is much more sensitive than its peers to recovery in asset values  
Management has historically highlighted replacement cost as an important valuation metric suddenly

on  
October  
26  
th  
management  
attacked  
the  
use  
of  
replacement  
cost  
for  
valuation

From Dynegy 2008 CS Vail Presentation

(3)  
Inherent value  
\$40.50 -  
\$60.70  
per share  
Inherent value  
\$63.10 -  
\$90.50  
per share

[It is] a good time to invest in well-located CCGTs at prices well below replacement cost

-  
David Crane, CEO of NRG Energy (Proposed buyer of Dynegy CA / ME gas assets)

(4)  
(1)  
See Appendix for data regarding how refiners have historically traded through the cycle.

(2)  
Replacement cost assumptions for Scrubbed Coal, CCGT, Peakers, Nuclear and Geothermal per Macquarie research US smart  
Appendix for additional detail regarding IPP peer valuation.

(3)

Source: Dynegy Credit Suisse 2008 Energy Summit presentation dated February 6, 2008, page 3. Share price adjusted for 5

(4)

NRG Q3 2010 earnings call, November 4, 2010

\$/KW

Ave

Repl

DYN

IPP

Cost

MWs

Peers

Coal

\$2,400

3,514

CCGT

\$1,000

4,404

Peakers

\$700

4,163

Nuclear

\$7,000

Geothermal

\$3,500

Total Capacity

12,081

Estimated Newbuild

Value

\$15,752

Financial Enterprise Value / Newbuild

29%

31%

1% Move in EV/Replacement Value

\$158

\$/Share

\$1.31

% of Stock Price

29%

8%

Book Value per Share

\$24.13

Price / Book

19%

69%

THE PROPOSED DEAL RAISES  
QUESTIONS  
21

THE WRONG TIME TO SELL

22



23

**TIMELINE OF A TRAGEDY(TRAVESTY)**

Management Urging To Sell Dynegy at \$4.50/share (\$0.90/share Pre-Split)

Dynegy stock  
declined more  
than 22% in the  
week leading up

to the merger  
announcement

Management bought back ~30% of stock at \$9.65 in August 2009

\$2.00

\$3.00

\$4.00

\$5.00

\$6.00

\$7.00

\$8.00

\$9.00

\$10.00

2/16

3/3

3/18

4/2

4/17

5/2

5/17

6/1

6/16

7/1

7/16

7/31

8/15

8/30

9/14

9/29

3/12: 5 for 1

Reverse stock  
split proposed

5/25: 5 for 1

Reverse stock  
split effective

4/11: NRG/DYN Executives

meet to discuss possible  
stock deal, NRG involves

Blackstone

6/23: NRG Determines

not to proceed

6/24: Blackstone

approaches DYN to  
propose all cash

bid

7/29: Blackstone revises proposal to

\$5.25, but conditioned on sale of gas  
assets to NRG

8/4: Blackstone

revises proposal to

\$5.00 upon

agreement with DYN  
not to use proceeds  
from sale of gas  
assets to fund DYN  
purchase

8/5: Blackstone  
informs DYN that  
NRG talks  
reached impasse;  
Discussions with  
DYN temporarily  
stop

8/12: Blackstone  
revises proposal to  
\$4.50, merger  
agreement executed  
following day

7/21:  
Blackstone  
presents non-  
binding offer of  
\$5.00

5 Year Trading Highlights:

High (5/14/07): \$53.25

Low (8/12/10): \$2.76

Beg of Year (1/4/10): \$9.65

Current Blackstone Bid

Buyback 30% of Stock at \$9.65

**THIS IS A CYCLICAL BUSINESS  
NEAR A CYCLICAL TROUGH**

Electricity prices and dark spreads have fallen to near 6-year lows

Weak demand has exacerbated the excess supply

The decline of natural gas prices relative to coal has significantly impacted coal plant profitability

24

Source: Commodity broker data.

Source: Growth from Subtraction.

BUT RECOVERY IS WITHIN  
SIGHT

We expect that Midwest power markets will recover over the next several years:

EPA Clean Air rules

Rational  
decisions

by

plant  
owners  
to  
retire  
old  
and  
inefficient  
capacity

Gradual increase in demand

Industry leaders and research analysts are already discussing the 2014/15 impacts

Credit Suisse, Sanford Bernstein, Citigroup, Exelon, PSE&G, Edison Mission, PPL, FE all  
have highlighted this dynamic

Markets often price in recovery in advance of the actual recovery

Q1 2011 EPA rule proposals, PJM May 2011 capacity auction (for 2014/15) and  
potential MISO capacity market proposals are key near-term catalysts

25

Source:

Exelon.

Source: Growth from Subtraction.

NATURAL GAS PRICE  
DYNAMICS

Natural gas prices are currently at levels not seen for 8 years  
The current gas price is not sustainable as many plays that are considered  
low cost  
do not earn an acceptable return at less than \$5 gas

26



Source:  
Bloomberg  
data  
and  
Credit  
Suisse  
report  
Natural  
Gas  
dated  
September  
17,  
2010.  
Breakeven Gas Price Required for Different Basins

LIQUIDITY IS ON OUR SIDE

Given substantial asset value, limited secured debt and no significant bond maturities until 2015, we believe Dynegy has substantial liquidity to execute on its plan

27

(1)

Central

Hudson  
lease  
is  
secured  
by  
Danskammer/Roseton  
assets  
and  
has  
an  
unsecured  
guarantee  
from  
Dynergy.  
Note:  
Balance  
sheet  
information  
as  
of  
6/30/2010  
per  
Second  
Quarter  
2010  
Results  
page  
26,  
except  
for  
cash  
(as  
of  
10/1/2010).  
Matched  
Encumbered Assets  
Liabilities  
Sithe/Independence  
1064 MW  
Sithe  
Bonds  
\$257  
Danskammer/Roseton  
1693 MW  
Central Hudson Lease  
\$633  
Plum Point  
140 MW  
Off-balance sheet non-recourse debt

Available Assets

Liabilities

Cash

\$680

Revolver

Term Facility

\$68

Restricted Cash

\$850

Synthetic L/C Facility

\$850

Assets

Coal Assets

3144 MW

Combined Cycle Gas Assets

3340 MW

Other Gas / Oil Assets

2840 MW

Unsecured Bonds

\$3,650

-

No limitation on liens / asset sales

Substantial Secured

Debt Capacity

**DISSENTING DIRECTOR**

Victor Grijalva, former Vice Chairman of Schlumberger, voted  
AGAINST approval of the merger:

Sharp and anomalous drop in Dynegy's stock price over  
prior 3-month period

Stock trading at historically low price

Price did not reflect its trading price over a longer period of

time or its potential for future appreciation

Questioned evolution of transaction's terms and conditions

(e.g., significant diminution of price, NRG asset sale condition)

28

IT IS THE WRONG TIME TO SELL

WRONG REASONS

29

30  
ON AUGUST 6  
TH  
THE FUTURE  
SEEMED BRIGHT

Excerpt from Dynegy second quarter results presentation, August 6, 2010



MANAGEMENT HAS SUDDENLY  
CHANGED ITS TUNE

August 6, 2010

(week before merger announcement)

Post Announcement

(1)

Financial

## Management

No significant bond maturities until 2015

Simple, flexible capital structure

Liquidity of approximately \$2 billion

Significant risk associated with a stand-alone strategy

Limited access to capital markets

Will be forced to seek a restructuring  
Cash Flow

Increases as planned environmental spending declines

Forecasted negative free cash flow creates a very challenging liquidity position over time

Competitive  
Position

Lower  
cost  
baseload  
assets  
positioned  
to capture value as markets recover

Multi-year cost savings program

High leverage and fixed costs in a low commodity price environment  
Environmental

Major planned environmental upgrades to be completed in 2012

Consent Decree program should put our fleet of coal plants well ahead of others that have not acted

Likely negative impact of future environmental regulations on Dynegy's portfolio

(1)  
Sources:  
Dynegy  
presentation  
Dynegy  
Acquisition  
by  
The  
Blackstone  
Group  
L.P.  
dated  
October  
2010  
pages  
3,  
5,  
9,  
11  
and  
Setting  
the  
Record  
Straight  
page 3.

**WHY THE CHANGE OF HEART?**

Management will be able to realize an almost \$38 mm change-of-control payout, 90% of which

has  
no  
relation  
to  
the  
deal  
price

(3)  
Management currently owns less than 1% of Dynegy's common stock with a stock market value of \$4.8 million. Only \$1.1 million of this stock is unrestricted

(2)  
Non-executive directors, in total, own approximately 0.16% of Dynegy's common stock valued at \$862,000

(2)  
32  
(1)  
Includes restricted common stock and phantom stock per Merger Proxy. Valued at \$4.50 per share. Does not include approximately 249,000 shares held outright by executives worth \$1.1 million (page 99-100).

(2)  
See page 99  
100 of Merger Proxy. Excludes stock options (all out-of-the-money) but includes phantom stock units valued at \$4.50 per share.

(3)  
As the largest equity holder in Dynegy, Seneca is fully exposed to movements in Dynegy stock price

Deal Price  
Sensitive  
Deal Price Insensitive  
Stock  
Performance  
Equivalents(1)

Units  
Severance  
Total  
Bruce Williamson  
\$2,029,883  
\$5,400,000  
\$6,959,816  
\$14,389,699  
Holli Nichols  
513,720

1,380,000

4,915,586

6,809,306

J. Kevin Blodgett

382,896

1,030,400

4,102,309

5,515,605

Lynn A. Lednicky  
379,616

1,014,700

4,005,297

5,399,613

Charles C. Cook  
371,759

981,800

4,086,253

5,439,812

\$3,677,873

\$9,806,900

\$24,069,261

\$37,554,034

MISALIGNMENT LEADS TO  
POOR DECISIONS

Poor  
performance  
created  
a  
situation

where  
certainty  
of  
a  
\$10  
million  
change-of-

control payment (part of the overall \$38 million package) outweighed the effort required to achieve EBITDA and stock price targets

Performance awards have been awarded to executives each year:

Target award values can be achieved by attaining certain 3-year stock price (2/3) and cumulative EBITDA (1/3) targets

The range below represents the minimum levels required to earn the performance bonus and the maximum level of achievement (200% of target award)

All performance units vest at 100% of the target award amount upon a change of control.

33

(1)

Source: Dynegy proxy dated April 6, 2009 and Dynegy proxy dated April 2, 2010.

Target

C-o-C

Award (\$MM)

Targets

Payout (\$MM)

2009 Grants for Top Management

(1)

\$5.4

\$12.50 - \$30.00 stock price

\$5.4

\$2.4 billion - \$3.3 billion 3-year cumulative EBITDA

2010 Grants for Top Management

(1)

4.4

\$12.50 - \$30.00 stock price

4.4

\$1.4 billion - \$2.0 billion 3-year cumulative EBITDA

\$9.8

\$9.8



CASH OUTFLOWS ARE NOT  
OPERATING LOSSES

The \$1.1 billion cumulative cash outflows in management's 5-year forecasts are not recurring

Environmental capex  
completion of scrubber program  
Debt reduction

scheduled maturities (including amortization of Sithe  
Independence debt)

Central Hudson lease payments decline substantially after 2015 and are  
fundamentally a repayment of debt

34

(1)

Source: Management projections from Merger Proxy page 55. Schedule of Central Hudson lease payments from Second Quarter  
2010 Results page 25.

Non-Recurring

(\$ in millions)

2011

2012

2013

2014

2015

Environmental Capital Expenditures

(\$146)

(\$87)

(\$27)

(\$12)

(\$7)

Unsecured Debt Maturities

(80)

(89)

-

-

-

Independence Sinking Fund Payments

(68)

(75)

(82)

-

-

Central Hudson Lease Payments (Total)

(112)

(179)

(142)

(143)

(143)

Total Env. Capex

+ Debt Mat + Lease Payments

(406)

(430)

(251)

(155)

(150)

Cumulative

Env.

Capex

+

Debt  
Mat  
+  
Lease  
Payments  
(406)  
(836)  
(1,087)  
(1,242)  
(1,392)  
DYN Forecast  
for  
Cumulative  
Forecast  
Cash  
Outflow  
(2011  
-  
2015)  
(1,112)

**DYNEGY IS MUCH LESS GAS  
SENSITIVE THAN MGMT THINKS**

We have modeled Dynegy's gross margin change based on commodity curves  
from June 7, 2010 and November 3, 2010:

(1)

Included hedges as disclosed by Dynegy

\$122

million  
impact  
over  
2011

2015  
period  
(2)  
vs.  
~\$500  
million  
impact  
according to management  
2011  
natural  
gas  
forward  
price  
declined  
from  
\$5.61  
/  
Mcf  
to  
\$4.26  
/  
Mcf  
over this period

Coal on margin in Midwest and competitiveness of CCGTs versus coal  
plants mitigate downside exposure to natural gas

35

(1)

See Dynegy's February 2, 2010 presentation from the 2010 Credit Suisse Energy Summit (CS Energy Summit 2010 Presenta

for key assumptions and hedges. See appendix for detailed commodity curves and calculations.

(2)

Excludes

peakers.

Dynegy

stated

that

Natural

gas

sensitivity

impacts

primarily

baseload

coal.

(CS

Energy

Summit

2010

Presentation , page 17)

Change in Gross Margin due to Power/Gas Curve Shifts (6/7/10 vs. 11/3/10)

(\$ in millions)

2011

2012

2013

2014

2015

Coal Plants

\$0

(\$36)

(\$46)

(\$46)

(\$76)

Combined Cycle Gas Plants

0

27

17

17

21

Total

0

(9)

(28)

(29)

(56)

Total Impact (2011 - 2015)

(\$122)

WHY THE GO-SHOP DIDN'T  
MAXIMIZE VALUE

Dynegy administered a 40-day go-shop period that did not  
produce any offers superior to \$4.50 per share

40-day time frame was insufficient

Conducted during mid / late August, a traditionally slow period

Sale of assets to NRG was exclusive

Incumbent right to match a superior offer

No expense reimbursement for matched offers

Restrictive confidentiality agreement (only 8 out of 42 contacted parties signed CA)

We have spoken with industry sources who cited one or more of the concerns above as significant barriers to their participation in the process

We believe that there should be substantial interest in a variety of Dynegy's assets once the merger is voted down

36



LENGHTY AND EXTENSIVE  
BOARD PROCESS?

37

Virtually all of the Extensive Process Occurred At Substantially  
Higher Stock Prices

Did not  
yield

benefits  
for  
shareholders  
and  
likely  
exhausted  
the  
board  
and management

\$2.00

\$4.00

\$6.00

\$8.00

\$10.00

\$12.00

\$14.00

\$16.00

\$18.00

\$20.00

Solicited interest from 16  
potential acquirors; 3  
engaged in preliminary  
discussions

Discussions with NRG  
Energy

Re-engaged in  
discussions with

Unnamed Party

LS Power Divorce /

~30% Share Repurchase  
at \$9.65

Agreed to Merger

Proposal

Initiated

discussions with

NRG / Blackstone

THE LS POWER RELATIONSHIP

38

And the Divorce

The Marriage

Just Last Year Dynegy Sold Assets,

Raised Debt and Repurchased Stock

One Year Before Agreeing to be Sold at \$4.50/share (\$0.90 Pre-Reverse

Split), Dynegy Bought Back ~30% of its Stock at \$9.65/share

(1)  
Unlevered free cash flow yield shown above is (EBITDA less Maintenance Capex) divided by Enterprise Value

(2)  
Source:  
Dynegy  
presentation  
Executing  
our  
Growth  
and  
Value  
Vision  
dated  
September  
15,  
2006.

(3)  
Source:  
Dynegy  
presentation  
Dynegy  
Achieves  
Three  
Strategic  
Objectives  
dated  
August  
10,  
2009.

Announced on September 15, 2006  
Dynegy was a buyer at ~\$500/kw, an 8.5%  
unlevered  
free  
cash  
flow  
yield

(1)  
Dynegy  
Received:

(2)  
~4,900mw of combined cycle capacity  
~3,000mw of peaking capacity  
~265mw of coal capacity in development  
50% interest in power development JV  
Dynegy Gave Up:  
340mm Shares of Common Stock  
\$100mm of Cash  
\$275mm Dynegy Inc. Jr Subordinated Note  
Assumption of \$1.8bn of net debt from LS

Power

Announced on August 10, 2009

Dynegy was a seller at ~\$280/kw, a 9.2% unlevered

free

cash

flow

yield

(1)

Dynegy

Received:

(3)

\$1,025mm of cash

245mm Class B Common Shares (\$1.93 pre-split)

Dynegy Gave Up:

\$235mm 7.5% Senior Unsecured Note due

2015

~2,800mw of peaking capacity

~1,700mw of combined cycle capacity

THE POWER TO CHANGE

39

#### A PATH TO VALUE

Shortly after the defeat of the Merger, shareholders have the power to refocus Dynegy for success

Dynegy's shareholder-friendly charter and bylaws allow a majority of stockholders to replace directors and adopt shareholder resolutions acting by written consent in lieu of a meeting

November: Seneca currently expects to file preliminary consent

solicitation materials with the SEC to obtain majority shareholder approval to replace 2 existing board members and adopt value enhancing shareholder resolutions

December: Upon expected SEC clearance of consent materials and majority shareholder approval, Dynegy board will be reinvigorated with two new directors that believe in the value proposition for a refocused Dynegy and is empowered by strong shareholder support for value maximization

40

Seneca is in Discussions With Several Extraordinarily Strong Potential Board Candidates Compelled by the Dynegy Investment Opportunity



#### SHAREHOLDER RESOLUTIONS

Resolutions would encourage the new Directors to:

Determine which of the current top management team is appropriate for Dynegy going forward

Create proper alignment of interests between management / board of directors and shareholders (through revised compensation plans)

Analyze and pursue asset sales given strategic / operational fit

and

current valuation and other financial considerations

Optimize debt structure and examine opportunities to return capital  
to shareholders

Analyze hedging and collateral posting strategy

Investigate additional cost-cutting opportunities

Unwind reverse stock split

41

With The Goal of Maximizing Dynegy

Shareholder Value Over the Long-Term

STAYING PUBLIC:

THE PHOENIX RISES

Public market will recognize value of new board / management

Properly aligned with shareholders

Reinvigorated and focused on creating shareholder value

Public markets demonstrate a willingness to price in mid-cycle  
well in anticipation of recovery

Numerous examples of cyclical investors accelerating recognition  
of mid-cycle economics

land rigs, jack-ups, aluminum

Key catalysts upcoming on EPA clean air rules and forward  
capacity auctions

expect to be an important theme for 2011

Potential vehicle for future consolidation

Synergy value from strategic

transactions continue to represent an

additional value driver for public shareholders

42

43

WITHOUT THE REVERSE SPLIT WOULD  
DYNEGY HAVE TRADED BELOW \$1.00/SH?

\$0.50

\$0.60

\$0.70

\$0.80

\$0.90  
\$1.00  
\$1.10  
\$1.20  
\$1.30  
\$1.40  
\$1.50  
\$1.60  
\$1.70  
\$1.80  
\$1.90  
\$2.00  
3/12  
3/27  
4/11  
4/26  
5/11  
5/26  
6/10  
6/25  
7/10  
7/25  
8/9  
8/24  
9/8  
9/23  
10/8  
10/23  
30%  
40%  
50%  
60%  
70%  
80%  
90%  
100%  
110%  
120%  
130%  
Current Blackstone Bid  
NRG  
CPN  
RRI  
MIR  
3/12: 5 for 1  
Reverse stock  
split proposed  
5/25: 5 for 1  
Reverse stock  
split effective

DYN

Underperformance

Or allowed the Company to be potentially sold for \$0.90 / share (pre-reverse split)?

44

**REVERSE STOCK SPLITS ARE A  
RECIPE FOR UNDERPERFORMANCE**

The reverse split provides an interesting opportunity for investors who can take full benefit from the short side of the portfolio.

Creating a Key Signal for Sellers



The dismal short-term and long-term performance of reverse-split stocks is consistent across time. Reverse splits have performed poorly in almost every year, boosting the reverse split's reliability as a stay-away sign..

Reverse Stock Splits Consistently Perform Poorly

We Believe Dynegy Should Unwind Their Reverse Stock Split

Credit Suisse conducted a 30 year extensive study of reverse splits and concluded

Source: Credit Suisse report Split N Slide dated 7/1/08.

45

THE PREMIER VEHICLE TO PLAY

POWER RECOVERY

Compelling valuation with catalysts

Sum-of-the-parts valuation supports stock price of greater than \$6 per share, 7.5% unlevered free cash yield at low point in the cycle, trading at less than 1/3 of replacement cost

EPA-driven plant retirements will be a game changer for Dynegy's scrubbed plants  
Proposed rules on CATR and HAP MACT and upcoming capacity auctions in Q1/Q2  
2011 provide important signal to markets

Attractive upside/downside

Upside

of

more

than

\$16

-

\$18/sh

and

14

-

17%

unlevered

free

cash

yield

in

a

recovery

scenario Midwest coal plants currently earning ~\$17/mw-day capacity prices versus  
~\$226/MW-day in recovered markets

Operating cost efficiencies and capital structure optimization provide tools to mitigate  
downside risk

Dramatic stock underperformance already reflects low cycle assumptions

potential for unwind of reverse split to provide downside stock price protection

A new lease on life

Re-invigorated governance with new directors that believe in the Dynegy value  
proposition and are aligned with shareholders

Shareholder

resolutions

that

encourage

important

value

enhancing

measures

SUMMARY

46

Seneca owns 12% economic interest and is solely motivated by increasing shareholder value

Fully aligned with shareholders

Management owns less than 1% and receives \$38 million change of control if deal consummates

Misaligned with shareholders

Last year management bought back nearly 30% of its own stock at \$9.65/sh only to turn around this year and recommend that shareholders sell out at \$4.50/sh (\$0.90/sh pre-reverse split)

After  
years  
of  
stock  
price  
declines  
and  
unsuccessful  
attempts  
to  
sell  
the  
company  
at  
substantially higher prices, management and the board are throwing in the towel near the  
bottom  
of  
the  
cycle

and  
management  
is  
being  
rewarded  
On  
August  
6  
management  
presented  
a  
bright  
outlook  
for  
the  
company's  
commercial/  
financial  
prospects  
After  
agreeing  
to  
the  
deal  
a  
week  
later,  
management

suddenly  
and  
unjustifiably  
presented  
the  
company's financial situation as dire  
Dynegy  
investors  
have  
the  
potential  
to  
triple  
or  
quadruple  
their  
investment  
over  
the  
next  
several  
years as power prices recover  
EPA rules provide near-term catalyst for value recognition  
Downside risk is mitigated by cost cutting and balance sheet optimization opportunities as well  
as unwinding of reverse split  
Substantial unutilized secured debt capacity provides the liquidity to support tremendous time  
value  
Alignment  
Throwing in  
the Towel  
Change in Tune  
Giving Away the  
Upside for Free  
th

CONCLUSION

47

WE VOTE NO TO THE PROPOSED DEAL  
WRONG PRICE

We  
believe  
worth

more  
than  
\$6  
per  
share  
today  
and  
up  
to  
\$16

-  
\$18  
in  
a  
recovery  
scenario

Valued at less than 1/3 of replacement cost

Nearly 7.5% unlevered free cash flow yield at low point in electricity price cycle rising to as much as 14 -

17% in a power price recovery with additional upside if gas prices recover

Substantial optionality of assets and balance sheet creates highly compelling asymmetric risk/reward opportunity

**WRONG TIME**

Down  
42%  
since  
proposal  
of  
ill-conceived  
and  
questionably  
motivated  
reverse  
split

-  
dramatic  
underperformance

Traded down to virtually its ALL-TIME low on the day prior to Merger announcement

Cyclical trough in power industry with Q1 2011 EPA clean air rule proposals providing a roadmap to recovery

Highly flexible bond structure allows access to liquidity and provides optionality

**WRONG REASONS**

Management owns approximately \$1 million of unrestricted stock but receives almost \$38 million (\$0.31/share)

if  
deal  
closes

an  
arrangement



that  
is  
largely  
irrespective  
of  
deal  
price

Management has engaged in a scorched earth campaign making sudden unsubstantiated claims about liquidity in a stark contrast to public statements in the weeks leading up to the deal  
Transaction structure featured significant obstacles to attracting superior offers, including NRG exclusivity

and  
a  
\$50  
million  
break-up  
fee

-  
9.2%  
of  
equity  
value,

a  
nearly  
unprecedented  
%  
of  
equity

Break-up fees are typically compared to equity purchase price, not enterprise value

APPENDIX  
48

EPA CLEAN AIR RULES WILL  
CHANGE MARKET DYNAMICS

Upcoming EPA rules will likely force coal generators to either invest in expensive control technologies or shut down

Stringent Maximum Achievable Control Technology (MACT) Rules would require compliance as early as 2014

Environmental controls are very expensive and unlikely for many plants

if the current power price environment persists

(1)

Pursuant to the Midwest Consent Decree, Dynegy will have spent \$730 mm (out of a total of \$960 mm) of environmental capital expenditures for the Midwest fleet by the end of 2010 and will have substantially completed its environmental capital expenditure program by 2013.

(3)

49

(1)

Source (including for the table): Growth From Subtraction.

(2)

Ability of TrONA

to meet compliance standards is still under discussion.

(3)

Source: Dynegy 2009 10-K and Merger Proxy page 55.

Install

Incremental

Fuel Type

Required Technology

Cost (\$/kw)

Cost (\$/MWh)

Eastern Coal

FGD + SCR

\$450 -

\$700

\$3 -

\$4

Western Coal

TrONA

+ Baghouse

(2)

\$150

\$5 -

\$6

**EPA RULES : WHO IS AT RISK?**

According to Credit Suisse, only 34% of the coal capacity in the US has

installed (or is announced plans to install) both scrubbers and SCRs and 30% have no environmental controls at all.

Smaller coal plants are less likely to invest in environmental controls as the capital cost is significantly higher on a \$ / kw basis. More than

50,000 MW of small coal plants have no environmental controls installed

50

(1) Source: Growth From Subtraction.

Coal Plant Capacity by Emission Control (Incl. Planned)

FGD &

FGD

SCR

Region

SCR

Only

Only

None

Total

CAISO

-

135

46

461

642

ERCOT

9,393

5,287

1,928

2,296

18,904

MISO

20,468

12,270

11,952

32,341

77,031

NEPOOL

1,343

214

666

652

2,875

NYISO

998

223

1,063

718

3,002

PJM

35,634

8,119

16,405

19,553

79,711

SPP  
 3,631  
 4,002  
 2,201  
 16,087  
 25,921  
 WECC  
 3,323  
 23,561  
 211  
 7,469  
 34,564  
 SERC  
 34,079  
 8,832  
 21,435  
 21,787  
 86,133  
 Other  
 5,940  
 2,331  
 2,318  
 1,448  
 12,037  
 114,809  
 64,974  
 58,225  
 102,812  
 340,820  
 Percent of Total  
 33.7%  
 19.1%  
 17.1%  
 30.2%  
 100.0%

(1)  
 Small (<300 MW) Coal Plant Capacity by Emission Control (Incl. Planned)

FGD &  
 FGD  
 SCR  
 Region  
 SCR  
 Only  
 Only  
 None  
 Total  
 CAISO

-  
 135  
 46

461  
642  
ERCOT  
184  
349  
8  
12  
553  
MISO  
2,756  
2,289  
3,774  
15,985  
24,803  
NEPOOL  
355  
214  
666  
252  
1,486  
NYISO  
343  
223  
1,063  
718  
2,347  
PJM  
4,940  
2,375  
4,865  
9,841  
22,021  
SPP  
-  
569  
318  
3,646  
4,533  
WECC  
554  
3,605  
211  
3,785  
8,154  
SERC  
4,819  
3,700  
7,484  
14,877  
30,880



Other

1,090

409

251

1,008

2,757

15,040

13,867

18,685

50,584

98,176

Percent of Total

4.4%

4.1%

5.5%

14.8%

28.8%

(1)

EPA RULES: WHAT DOES IT  
ALL MEAN?

Credit Suisse base case assumes that 60GW of coal capacity  
will  
be  
retired,  
causing

several

1

and

2

order

impacts

on

power and commodity markets:

Tightening reserve margins leading to higher capacity prices

Reduction in demand for coal

Increase in demand for natural gas

Reserve margins expected to tighten quickly (even assuming  
new build and demand response) leading to increased capacity

payments to generators

51

Source: Growth From Subtraction.

Estimated PJM RTO Capacity Payment (\$/MW-day)

2014/15

2015/16

2016/17

2017/18

2018/19

2019/20

Do Nothing

44

61

87

109

129

133

60 GW Retirement

101

151

220

243

243

243

100 GW Retirement

141

222

243

243

243

243

st

nd

EPA RULES: CATR

Proposed rule issued in July 2010, that would set emission caps  
for SO

2

and NOx for 31 eastern states and Washington D.C.

Final rule expected in March 2011

EPA projects that, by 2014, the proposed rule would (in the

covered area):

Reduce

generating

unit

SO

2

emissions

by

71%

compared

to

2005 levels

Reduce generating unit NOx emissions by 52% compared to

2005 levels

Trading of emissions credits may be allowed under the

proposed rule, but regional trading would be limited

52

**EPA RULES: HAZARDOUS AIR  
POLLUTANT (HAP) MACT**

The Clean Air Act requires the EPA to develop an emission control program for hazardous pollutants, including mercury and acid gases

The EPA is mandated pursuant to consent decree to draft a proposed Maximum Achievable Control Technology (MACT) rule by March 16, 2011 and to finalize it by November 16, 2011

MACT rule will apply to all existing and future coal and oil fired capacity

MACT requires achieving emissions levels as good as the average of the top 12% of existing sources

Credit Suisse estimates that for mercury emissions, this could require a 90% removal rate

Affected plants would have 3 years to comply (i.e., 2014 or 2015), assuming no case by case waivers or an exemption granted by the President

In

a

more

moderate

scenario,

the

EPA

could

propose

different

sets

of

standards

based on sub-categories, such as :

Size

Boiler pressure / temperature

Coal mix

No trading between plants

53

54

DYNEGY ENVIRONMENTAL  
OVERVIEW

Source: Second Quarter 2010 Results page 19.



55

**KEY DCF VALUATION**

**ASSUMPTIONS**

All DCF-based valuation metrics included the following assumptions:

Capacity factors based on historical plant-by-plant data and management guidance from public presentations

Strip gas prices through 2015 as of 10/29/10 with a flat \$6 long-term natural gas price

thereafter

Long-term CAPP coal of \$70/ton and PRB of \$12.50/ton

Increased coal transportation costs upon contract expiration

Natural

gas

sets

MISO

power

prices

approximately

15%

of

the

time

until

equilibrium

when gas sets MISO power prices for all on-peak hours

Dynegy unscrubbed

coal plants retired in 2015

Baldwin plant-to-hub basis normalized in 2014 as a result of plant shutdowns

\$850/kw

CCGT

and

\$625/kw

peaker

newbuild

economics

by

2016

-

2018

driven by

plant retirements from EPA rules

10% WACC on unlevered cash flows

Taxes calculated on a corporate level

COMPARABLE COMPANIES:  
UNLEVERED FREE CASH FLOW

56

DYN

CPN

NRG

RRI

MIR

Stock Price

\$4.50

\$12.50

\$19.91

\$3.76

\$10.61

Diluted Shares Outstanding

121

487

266

353

145

Equity Value

\$543

\$6,086

\$5,291

\$1,328

\$1,538

Financial Enterprise Value

\$4,547

\$15,178

\$8,390

\$2,989

\$2,992

2011E Generation EBITDAR

\$505

\$1,688

\$1,337

\$131

\$407

D&A

(\$360)

(\$596)

(\$832)

(\$260)

(\$212)

Taxes

35.0%

(\$177)

Maintenance Capex

(\$119)

(\$390)

(\$246)

(\$42)

(\$60)

Peer  
 Unlevered Free Cash Flow  
 \$386  
 \$1,298  
 \$914  
 \$89  
 \$347  
 Ave  
 2011 Unlevered Free Cash Yield  
 8.5%  
 8.6%  
 10.9%  
 3.0%  
 11.6%  
 8.5%  
 2012E Generation EBITDA  
 \$448  
 \$1,539  
 \$1,381  
 \$106  
 \$330  
 D&A  
 (\$360)  
 (\$596)  
 (\$832)  
 (\$260)  
 (\$212)  
 Taxes  
  
 (\$192)

Maintenance Capex  
 (\$113)  
 (\$390)  
 (\$246)  
 (\$42)  
 (\$60)  
 Unlevered Free Cash Flow  
 \$335  
 \$1,149  
 \$943  
 \$64  
 \$270  
 2012 Unlevered Free Cash Yield  
 7.4%  
 7.6%  
 11.2%  
 2.1%

9.0%  
 7.5%  
 2013E Generation EBITDA  
 \$553  
 \$1,654  
 \$1,193  
 \$288  
 \$463  
 D&A  
 (\$360)  
 (\$596)  
 (\$832)  
 (\$260)  
 (\$212)  
 Taxes  
  
 (\$126)

Maintenance Capex  
 (\$119)  
 (\$390)  
 (\$246)  
 (\$42)  
 (\$60)  
 Unlevered Free Cash Flow  
 \$434  
 \$1,264  
 \$821  
 \$246  
 \$403

2013 Unlevered Free Cash Yield  
 9.5%  
 8.3%  
 9.8%  
 8.2%  
 13.5%  
 10.0%

(\$ in millions)

Note:

EBITDA for CPN, MIR, NRG and RRI based on Mark-to-Market EBITDA from BofA Merrill Lynch Weekly Mark report October 25, 2010. DYN EBITDA estimates per Proxy and add back \$50 mm lease expense and \$50 mm non-cash amortization Con Ed contract. Balance sheet information as of 6/30/2010. Stock prices as of 10/29/2010.

CPN:

Share count includes 44 mm shares issuable to bankruptcy estate. Net debt pro forma for closing of Conectiv Energy acquisition

NRG: Includes convertible preferred stock on an as-converted basis. Net debt pro forma for closing of Green Mountain Energy valuation is included in Enterprise Value using 5x EBITDA valuation.

COMPARABLE COMPANIES:  
REPLACEMENT COST ANALYSIS

57

Note:

Balance sheet information as of 6/30/2010. Stock prices as of 10/29/2010. Replacement cost per Macquarie research US sm  
grid

dated December 1, 2009.

CPN:  
Share  
count  
includes  
44  
mm  
shares  
issuable  
to  
bankruptcy  
estate.  
Net  
debt  
pro  
forma  
for  
closing  
of  
Conectiv  
Energy  
acquisition.

NRG:

Includes convertible preferred stock on an as-converted basis. Net debt pro forma for closing of Green Mountain Energy. Retention valuation is included in Enterprise Value using 5x EBITDA valuation.

(\$ in millions)

DYN

CPN

NRG

RRI

MIR

Stock Price

\$4.50

\$12.50

\$19.91

\$3.76

\$10.61

Diluted Shares Outstanding

121

487

266

353

145

Equity Value

\$543

\$6,086

\$5,291

\$1,328

\$1,538

Financial Enterprise Value

\$4,547



\$15,178  
\$8,390  
\$2,989  
\$2,992  
\$/KW  
Ave  
Repl  
DYN  
IPP  
Cost  
MWs  
Peers  
Coal  
\$2,400  
3,514

8,159  
4,640  
3,082  
CCGT  
\$1,000  
4,404  
20,192  
717  
2,749  
238  
Peakers  
\$700  
4,163  
3,156  
15,116  
7,021  
6,961  
Nuclear  
\$7,000

1,126

Geothermal  
\$3,500

986

Total Capacity  
12,081  
24,334  
25,118

14,410  
10,281  
Estimated Newbuild  
Value  
\$15,752  
\$25,852  
\$38,764  
\$18,800  
\$12,508  
Financial Enterprise Value / Newbuild  
29%  
59%  
22%  
16%  
24%  
31%  
1% Move in EV/Replacement Value  
\$158  
\$239  
\$388  
\$188  
\$125  
\$/Share  
\$1.31  
\$0.53  
\$1.46  
\$0.53  
\$0.86  
% of Stock Price  
29%  
4%  
7%  
14%  
8%  
8%  
Book Value per Share  
\$24.13  
\$8.91  
\$30.22  
\$10.76  
\$30.84  
Price / Book  
19%  
140%  
66%  
35%  
34%  
69%

REFINING: A REPLACEMENT  
COST CASE STUDY

58

Source: Barclays Capital research report Sunoco: Good Value for Patient Investors dated April 30, 2010.

NATURAL GAS SENSITIVITY:

MIDWEST COAL

59

2011

2012

2013

2014

2015

Capacity (MW)

3,144

2,980

2,980

2,687

2,687

Capacity factor

85.0%

85.0%

85.0%

85.0%

85.0%

Generation (millions of MWh)

23.4

22.2

22.2

20.0

20.0

Cinergy Around-the clock power price (\$ / MWh)

6/7/2010

\$34.54

\$36.02

\$38.82

\$41.96

\$46.33

11/3/2010

31.17

34.77

37.68

40.55

43.51

Change - \$ / MWh

(3.37)

(1.26)

(1.14)

(1.41)

(2.83)

Change - %

(9.8%)

(3.5%)

(2.9%)

(3.4%)

(6.1%)

Unhedged revenue impact (\$ mm)

(\$79)

(\$28)

(\$25)

(\$28)

(\$57)

% Hedged

100%

15%

0%

0%

0%

Net revenue impact to Dynegy (\$ mm)

\$0

(\$24)

(\$25)

(\$28)

(\$57)

Note: Based on market data from commodity brokers and Seneca estimates.

NATURAL GAS SENSITIVITY:

DANSKAMMER COAL

60

2011

2012

2013

2014

2015

Generation (MWh @ 85% capacity factor)

2.8

2.8

2.8

2.8

2.8

New York Zone G Around-the clock power price (\$ / MWh)

6/7/2010

\$54.67

\$56.32

\$58.55

\$60.01

\$62.84

11/3/2010

45.61

48.68

51.10

\$53.40

\$55.63

Change - \$ / MWh

(9.06)

(7.64)

(7.45)

(6.60)

(7.21)

Change - %

(16.6%)

(13.6%)

(12.7%)

(11.0%)

(11.5%)

Unhedged revenue impact (\$ mm)

(\$25)

(\$21)

(\$21)

(\$18)

(\$20)

% Hedged

100%

40%

0%

0%

0%

Net revenue impact to Dynegy (\$ mm)

\$0

(\$13)

(\$21)

(\$18)

(\$20)



Note: Based on market data from commodity brokers and Seneca estimates.

NATURAL GAS SENSITIVITY:

ONTELAUNEE

61  
2011  
2012  
2013  
2014

2015

Capacity (MW)

580

580

580

580

580

Capacity factor

48%

48%

48%

48%

48%

Generation (millions of MWh)

2.4

2.4

2.4

2.4

2.4

6/7/2010

PJM East on-peak power price (\$ / MWh)

60.67

61.57

63.48

65.30

69.39

TETCO M3 gas price (\$ / MMBtu)

6.14

6.30

6.38

6.56

6.77

Plus: Basis (\$ / MMBtu)

0.05

0.05

0.05

0.05

0.05

Delivered gas price (\$ / MMBtu)

6.19

6.35

6.43

6.61

6.82

Spark Spread (\$ / MWh @ 7,100 heat rate)

16.74

16.48

17.85

18.40

20.98

11/3/2010

PJM East on-peak power price (\$ / MWh)

54.73

58.27

61.16

63.82

67.04

TETCO M3 gas price (\$ / MMBtu)

4.74

5.39

5.68

5.86

6.02

Plus: Basis (\$ / MMBtu)

0.05

0.05

0.05

0.05

0.05

Delivered gas price (\$ / MMBtu)

4.79

5.44

5.73

5.91

6.07

Spark Spread (\$ / MWh @ 7,100 heat rate)

20.70

19.65

20.44

21.83

23.98

Change - \$ / MWh

3.96

3.17

2.60

3.43

2.99

Change - %

23.7%

19.2%

14.5%

18.6%

14.3%

Unhedged revenue impact (\$ mm)

\$10

\$8

\$6

\$8

\$7

% Hedged

100%

15%

0%

0%

0%

Net revenue impact to Dynegy (\$ mm)

\$0

\$7

\$6

\$8

\$7

Note: Based on market data from commodity brokers and Seneca estimates.

NATURAL GAS SENSITIVITY:

KENDALL

62

2011

2012

2013

2014

2015

Capacity (MW)

1,200

1,200

1,200

1,200

1,200

Capacity factor

48%

48%

48%

48%

48%

Generation (millions of MWh)

5.0

5.0

5.0

5.0

5.0

6/7/2010

PJM West (COMED) on-peak power price (\$ / MWh)

41.94

42.08

44.09

48.81

53.69

Chicago City Gate gas price (\$ / MMBtu)

5.63

5.85

5.97

6.15

6.39

Plus: Basis (\$ / MMBtu)

0.10

0.10

0.10

0.10

0.10

Delivered gas price (\$ / MMBtu)

5.73

5.95

6.07

6.25

6.49

Spark Spread (\$ / MWh @ 7,400 heat rate)

(0.45)

(1.95)

(0.83)

2.53

5.70

11/3/2010

PJM West (COMED) on-peak power price (\$ / MWh)

37.65

41.93

44.49

46.55

48.21

Chicago City Gate gas price (\$ / MMBtu)

4.30

4.97

5.29

5.45

5.60

Plus: Basis (\$ / MMBtu)

0.10

0.10

0.10

0.10

0.10

Delivered gas price (\$ / MMBtu)

4.40

5.07

5.39

5.55

5.70

Spark Spread (\$ / MWh @ 7,400 heat rate)

5.10

4.44

4.62

5.47

6.01

Change - \$ / MWh

5.55

6.39

5.45

2.94

0.32

Change - %

(1220.2%)

(327.2%)

(656.3%)

116.0%

5.6%

Unhedged revenue impact (\$ mm)

\$28

\$32

\$27

\$15

\$2

% Hedged



100%

23%

23%

23%

23%

Net revenue impact to Dynegy (\$ mm)

\$0

\$25

\$21

\$11

\$1

Note: Based on market data from commodity brokers and Seneca estimates.

NATURAL GAS SENSITIVITY:

CASCO BAY

63

Note: Based on market data from commodity brokers and Seneca estimates.

2011

2012

2013

2014  
 2015  
 Capacity (MW)  
 540  
 540  
 540  
 540  
 540  
 Capacity factor  
 48%  
 48%  
 48%  
 48%  
 48%  
 Generation (millions of MWh)  
 2.3  
 2.3  
 2.3  
 2.3  
 2.3  
 6/7/2010  
 NEPOOL on-peak power price (\$ / MWh)  
 59.50  
 61.21  
 64.18  
 65.43  
 68.98  
 Less: Basis (\$ / MWh)  
 (4.50)  
 (4.50)  
 (4.50)  
 (4.50)  
 (4.50)  
 Est. Casco Bay on-peak power price (\$ / MWh)  
 55.00  
 56.71  
 59.68  
 60.93  
 64.48  
 Dawn, ON gas price (\$ / MMBtu)  
 5.90  
 6.05  
 6.17  
 6.32  
 6.52  
 Plus: Basis (\$ / MMBtu)  
 0.25  
 0.25  
 0.25  
 0.25

0.25  
 Delivered gas price (\$ / MMBtu)  
 6.15  
 6.30  
 6.42  
 6.57  
 6.77  
 Spark Spread (\$ / MWh  
 @ 7,400 heat rate)  
 9.52  
 10.08  
 12.21  
 12.35  
 14.35  
 11/3/2010  
 NEPOOL on-peak power price (\$ / MWh)  
 50.08  
 53.90  
 56.76  
 59.04  
 61.69  
 Less: Basis (\$ / MWh)  
 (4.50)  
 (4.50)  
 (4.50)  
 (4.50)  
 (4.50)  
 Est. Casco Bay on-peak power price (\$ / MWh)  
 45.58  
 49.40  
 52.26  
 54.54  
 57.19  
 Dawn, ON gas price (\$ / MMBtu)  
 4.59  
 5.20  
 5.46  
 5.63  
 5.78  
 Plus: Basis (\$ / MMBtu)  
 0.25  
 0.25  
 0.25  
 0.25  
 0.25  
 Delivered gas price (\$ / MMBtu)  
 4.84  
 5.45  
 5.71  
 5.88

6.03  
Spark Spread (\$ / MWh  
@ 7,400 heat rate)  
9.79  
9.05  
10.01  
11.01  
12.53  
Change -  
\$ / MWh  
0.26  
(1.03)  
(2.20)  
(1.34)  
(1.82)  
Change -  
%  
2.8%  
(10.3%)  
(18.0%)  
(10.9%)  
(12.7%)  
Unhedged  
revenue impact (\$ mm)  
\$1  
(\$2)  
(\$5)  
(\$3)  
(\$4)  
% Hedged  
100%  
40%  
0%  
0%  
0%  
Net revenue impact to Dynegy (\$ mm)  
\$0  
(\$1)  
(\$5)  
(\$3)  
(\$4)

NATURAL GAS SENSITIVITY:  
INDEPENDENCE

64

Note: Based on market data from commodity brokers and Seneca estimates.

2011

2012

2013

2014

2015

Capacity (MW)

1,064

1,064

1,064

1,064

1,064

Capacity factor

48%

48%

48%

48%

48%

Generation (millions of MWh)

4.4

4.4

4.4

4.4

4.4

6/7/2010

NY Zone A on-peak power price (\$ / MWh)

44.32

44.40

44.80

45.11

47.92

Transco Zone 6 gas price (\$ / MMBtu)

6.19

6.36

6.43

6.62

6.83

Spark Spread (\$ / MWh

@ 7,300 heat rate)

(0.85)

(2.00)

(2.13)

(3.21)

(1.97)

11/3/2010

NY Zone A on-peak power price (\$ / MWh)

39.17

41.81

44.30

46.22

47.62

Transco Zone 6 gas price (\$ / MMBtu)

4.78

5.45

5.72  
5.91  
6.06  
Spark Spread (\$ / MWh  
@ 7,300 heat rate)  
4.26  
2.03  
2.52  
3.07  
3.36  
Change -  
\$ / MWh  
5.12  
4.04  
4.65  
6.28  
5.33  
Change -  
%  
(599.9%)  
(201.5%)  
(218.6%)  
(195.4%)  
(270.4%)  
Unhedged  
revenue impact (\$ mm)  
\$23  
\$18  
\$21  
\$28  
\$24  
% Hedged  
100%  
70%  
70%  
64%  
0%  
Net revenue impact to Dynegy (\$ mm)  
\$0  
\$5  
\$6  
\$10  
\$24



NATURAL GAS SENSITIVITY:  
MOSS LANDING 1&2

65

Note: Based on market data from commodity brokers and Seneca estimates.

2011

2012

2013

2014  
2015  
Capacity (MW)  
1,020  
1,020  
1,020  
1,020  
1,020  
Capacity factor  
57%  
57%  
57%  
57%  
57%  
Generation (millions of MWh)  
5.1  
5.1  
5.1  
5.1  
5.1  
6/7/2010  
NP-15 on-peak power price (\$ / MWh)  
53.84  
57.42  
59.83  
62.96  
65.75  
PG&E South gas price (\$ / MMBtu)  
5.48  
5.72  
5.84  
6.04  
6.25  
Plus: Basis (\$ / MMBtu)  
0.30  
0.30  
0.30  
0.30  
0.30  
Delivered gas price (\$ / MMBtu)  
5.78  
6.02  
6.14  
6.34  
6.55  
Spark Spread (\$ / MWh  
@ 7,300 heat rate)  
11.64  
13.50  
15.02

16.69  
 17.96  
 11/3/2010  
 NP-15 on-peak power price  
 40.57  
 47.67  
 52.43  
 55.65  
 58.32  
 PG&E South gas price (\$ / MMBtu)  
 4.14  
 4.81  
 5.13  
 5.28  
 5.43  
 Plus: Basis (\$ / MMBtu)  
 0.30  
 0.30  
 0.30  
 0.30  
 0.30  
 Delivered gas price (\$ / MMBtu)  
 4.44  
 5.11  
 5.43  
 5.58  
 5.73  
 Spark Spread (\$ / MWh  
 @ 7,300 heat rate)  
 8.18  
 10.35  
 12.83  
 14.88  
 16.52  
 Change -  
 \$ / MWh  
 (3.45)  
 (3.15)  
 (2.19)  
 (1.80)  
 (1.43)  
 Change -  
 %  
 (29.7%)  
 (23.4%)  
 (14.6%)  
 (10.8%)  
 (8.0%)  
 Unhedged  
 revenue impact (\$ mm)

(\$18)

(\$16)

(\$11)

(\$9)

(\$7)

% Hedged

100%

50%

0%

0%

0%

Net revenue impact to Dynegy (\$ mm)

\$0

(\$8)

(\$11)

(\$9)

(\$7)

**CERTAIN INFORMATION CONCERNING THE PARTICIPANTS**

Seneca Capital International Master Fund, L.P., Seneca Capital, L.P., Seneca Capital Investments, L.P., Seneca Capital Investments, LLC, Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch (together with each of the foregoing, "Seneca Capital") have jointly made a preliminary filing with the Securities and Exchange Commission ("SEC") of a proxy statement and an accompanying proxy card to be used to solicit votes in connection with the solicitation of proxies against a proposed acquisition of Dynegy Inc. ("Dynegy") by Denali Parent Inc. and Denali Merger Sub Inc., which will be voted on at a meeting of Dynegy's stockholders.

SENECA CAPITAL ADVISES ALL STOCKHOLDERS OF DYNEGY TO READ THE PROXY STATEMENT AND OTHER PROXY MATERIALS AS THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. SUCH PROXY MATERIALS WILL BE AVAILABLE AT NO CHARGE ON THE SEC'S WEBSITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov). IN ADDITION, THE PARTICIPANTS IN THE PROXY SOLICITATION WILL PROVIDE COPIES OF THE PROXY STATEMENT WITHOUT CHARGE UPON REQUEST. REQUESTS FOR COPIES SHOULD BE DIRECTED TO THE PARTICIPANTS' PROXY SOLICITOR, GEORGESON, INC., BY CALLING (888) 877-5373.

Each of Seneca Capital International Master Fund, L.P., Seneca Capital, L.P., Seneca Capital Investments, L.P., Seneca Capital Investments, LLC, Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch (the "Participants") is a participant in this solicitation. Douglas A. Hirsch is the managing member of each of Seneca Capital Investments, LLC, Seneca Capital International GP, LLC and Seneca Capital Advisors, LLC. The principal occupation of Mr. Hirsch is investment management. Seneca Capital Investments, LLC is the general partner of Seneca Capital Investments, L.P. Seneca Capital International GP, LLC is the general partner of Seneca Capital International Master Fund, L.P., and Seneca Capital Advisors, LLC is the general partner of Seneca Capital, L.P. The principal business address of Mr. Hirsch, Seneca Capital Investments, LLC, Seneca Capital Investments, L.P., Seneca Capital International GP, LLC, Seneca Capital International Master Fund, L.P., Seneca Capital Advisors, LLC and Seneca Capital, L.P. is c/o Seneca Capital Investments, LP, 590 Madison Avenue, 28th Floor, New York, New York 10022.

As of November 4, 2010, Seneca Capital International Master Fund, L.P. beneficially owned 7,712,100 shares of Dynegy's common stock, par value \$0.01 per share ("Shares"), representing beneficial ownership of approximately 6.4% of the Shares. As of November 4, 2010, Seneca Capital, L.P. beneficially owned 3,514,400 Shares, representing beneficial ownership of approximately 2.9% of the Shares. Each of Seneca Capital Investments, L.P., Seneca Capital Investments, LLC, and Mr. Hirsch may be deemed to beneficially own 11,226,500 Shares, representing beneficial ownership of approximately 9.3% of the Shares, held in the aggregate by Seneca Capital International Master Fund, L.P. and Seneca Capital, L.P. Seneca Capital International GP, LLC may be deemed to beneficially own 7,712,100 Shares, representing beneficial ownership of approximately 6.4% of the Shares, held by Seneca Capital International Master Fund, L.P. Seneca Capital Advisors, LLC may be deemed to beneficially own 3,514,400 Shares, representing beneficial ownership of approximately 2.9% of the Shares, held by Seneca Capital, L.P. Each of Seneca Capital Investments, L.P., Seneca Capital Investments, LLC, Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch disclaims beneficial ownership of the Shares except to the extent of its or his pecuniary interest therein, and this filing shall not be deemed an admission of beneficial ownership of such Shares for any purpose.

As of November 4, 2010, Seneca Capital International Master Fund, L.P. and Seneca Capital, L.P. held over-the-counter European-style call options, providing the right to purchase 1,986,900 and 904,100 Shares, respectively, at an exercise price of \$1.00 per Share as of January 21, 2011.