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 x

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

x Soliciting Material Pursuant to § 240.14a-12

Dynegy Inc.

(Name of Registrant as Specified in its Charter)

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

Douglas A. Hirsch

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

Payment of Filing Fee (Check the appropriate box):

x 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.

¨ 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

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DISCLAIMER

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

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
thereof. The inclusion of such information is not an indication of any participation in or endorsement of the views expressed h

Seneca Capital International Master Fund, L.P., Seneca Capital, L.P., Seneca Capital Investments, L.P., Seneca Capital Investr
LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch (together with each of the foregoing, Seneca) have jointly made
Exchange Commission (SEC) of a proxy statement and an accompanying proxy card to be used to solicit votes in connectio
proposed acquisition of Dynegy by Denali Parent Inc. and Denali Merger Sub Inc., which will be voted on at a meeting of Dyn
SENECA ADVISES ALL STOCKHOLDERS OF DYNEGY TO READ THE PROXY STATEMENT AND OTHER PROXY
BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. SUCH PROXY MATERIALS WILL BE AVAILABL
HTTP://WWW.SEC.GOV. IN ADDITION, ONCE AVAILABLE, SENECA MAY PROVIDE COPIES OF THE PROXY ST
REQUESTS FOR COPIES SHOULD BE DIRECTED TO THE PARTICIPANTS PROXY SOLICITOR, GEORGESON, IN
Each of Seneca Capital International Master Fund, L.P., Seneca Capital, L.P., Seneca Capital Investments, L.P., Seneca Capita
International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch is a participant in this solicitation. Douglas A. H
Capital Investments, LLC, Seneca Capital International GP, LLC and Seneca Capital Advisors, LLC. The principal occupation
Capital Investments, LLC is the general partner of Seneca Capital Investments, L.P. Seneca Capital International GP, LLC is th
International Master Fund, L.P., and Seneca Capital Advisors, LLC is the general partner of Seneca Capital, L.P. The principal
Investments, LLC, Seneca Capital Investments, L.P., Seneca Capital International GP, LLC, Seneca Capital International Mast
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 co
(Shares), representing beneficial ownership of approximately 6.4% of the Shares. As of November 4, 2010, Seneca Capital,
representing beneficial ownership of approximately 2.9% of the Shares. Each of Seneca Capital Investments, L.P., Seneca Cap
deemed to beneficially own 11,226,500 Shares, representing beneficial ownership of approximately 9.3% of the Shares, held in
Master Fund, L.P. and Seneca Capital, L.P. Seneca Capital International GP, LLC may be deemed to beneficially own 7,712,10
approximately 6.4% of the Shares, held by Seneca Capital International Master Fund, L.P. Seneca Capital Advisors, LLC may
Shares, representing beneficial ownership of approximately 2.9% of the Shares, held by Seneca Capital, L.P. Each of Seneca C
Investments, LLC, Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch disclaims ben
extent of its or his pecuniary interest therein, and this filing shall not be deemed an admission of beneficial ownership of such S
As of November 4, 2010, Seneca Capital International Master Fund, L.P. and Seneca Capital, L.P. held over-the-counter Europ
purchase 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 REFOCUSED 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
Dynegy Power Corp.
Dynegy 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 Merg

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
Dynegy
Dynegy 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 Dynegy s presentation Setting the Record Straight: The Truth About Asset Sales, Dividends and Debt Facilitie
dated October 2010 (Setting the Record Straight), Dynegy states that If asset retirements do not materialize, EBITDA wou
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 sma
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
Dynegy.
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

31

(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 Quar
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
/
Mcfe
to
$4.26
/
Mcfe
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% un-levered 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.

Fuel Type	Required Technology	Install Cost ($/kw)	Incremental Cost ($/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)

Region	FGD & SCR	FGD Only	SCR 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 amortizatio
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 acquisiti
NRG: Includes convertible preferred stock on an as-converted basis. Net debt pro forma for closing of Green Mountain Energ
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. Ret
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. 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.