DYNEGY INC.
Form DFAN14A
January 25, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN CONSENT STATEMENT

SCHEDULE 14A INFORMATION

Consent 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 under § 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 Consent 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:
FOR ALL SHAREHOLDERS
Seneca Capital
JANUARY 25, 2011

2

DISCLAIMER

FORWARD-LOOKING STATEMENTS; STATEMENT OF SENECA CAPITAL BELIEFS; FORECASTS

This presentation contains statements,

including Seneca Capital s beliefs as to valuation, which are 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. You should be aware that any forward-looking statements are based on certain assumptions and subject to risks and uncertainties that exist in the business

environment
that
could
render
actual
outcomes
and
results
that
are
materially
different.
We
have
based
many
of
these
forward-looking statements on our beliefs, expectations and assumptions about future events that may prove to be inaccurate. While we consider these beliefs, expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are
difficult
to
anticipate
and
many
of
which
are
beyond
our
control.
We
caution
you
that
the
forward-looking
statements
are inherently uncertain and necessarily involve risks that may affect Dynegy Inc. s (Dynegy) business prospects and performance,
causing
actual
results
to
differ
from
those
discussed

or
presented
in
this
presentation.
Without
limiting
the
generality of the foregoing, Seneca Capital s beliefs as to future value are based on a variety of assumptions as to the future that Seneca Capital believes constitute a reasonable, potential valuation scenario that could develop within the next several years for Dynegy but which are nonetheless subject to risks and uncertainties that exist in the business environment that could render actual outcomes and results materially different than anticipated. Seneca Capital s beliefs as to current value are based on a variety of assumptions, including as to the future, that Seneca Capital believes constitute reasonable assumptions but which are nonetheless subject to risks and uncertainties that exist in the business environment that could render actual outcomes and results that are materially different.

THIRD-PARTY INFORMATION

This presentation is based on, and contains references to, third-party sources of information. Unless otherwise provided, no such third party has (a) participated in the preparation of this presentation, (b) other than as to Ventyx and the Big 4 Accounting Firm,
consented to the inclusion of such information in this presentation, or (c) endorsed the views
expressed herein. Neither Ventyx nor the Big 4 Accounting Firm have provided any representation or warranty as to the accuracy of information provided in their reports and you may not rely on their reports.

3
DISCLAIMER (CONT D)
CERTAIN
INFORMATION
CONCERNING
THE
PARTICIPANTS

Seneca Capital International Master Fund, L.P., Seneca Capital, L.P., Seneca Capital Investments, L.P., Seneca Capital Investr
Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch (together with each of the forego
jointly made a preliminary filing with the Securities and Exchange Commission (SEC) of a consent statement and a consent
replace two members of the Dynegy Board of Directors and to adopt certain other proposals set forth in the consent statement.
SENECA ADVISES ALL STOCKHOLDERS OF DYNEGY TO READ THE CONSENT STATEMENT AND OTHER CON
MATERIALS AS THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. SU
AVAILABLE AT NO CHARGE ON THE SEC S WEBSITE AT HTTP://WWW.SEC.GOV. IN ADDITION THE PARTICIPANTS IN THE CONSENT SOLICITATION WILL PROVIDE COPIES OF THE DEFINITIVE CONSENT STATEMENT, ONCE AVAILABLE, WITHOUT CHARGE UPON REQUEST. REQUESTS FOR COPIES SHOULD BE DIRECTED TO THE PARTICIPANTS CONSENT SOLICITOR AT

THE TELEPHONE NUMBER INCLUDED IN THE DEFINITIVE CONSENT STATEMENT, ONCE AVAILABLE.

Each of Seneca Capital International Master Fund, L.P., Seneca Capital, L.P., Seneca Capital Investments, L.P., Seneca Capita
LLC, Seneca Capital International GP, LLC, Seneca Capital Advisors, LLC and Douglas A. Hirsch is a participant in this solic
Hirsch is the managing member of each of Seneca Capital Investments, LLC, Seneca Capital International GP, LLC and Senec
LLC. The principal occupation of Mr. Hirsch is investment management. Seneca Capital Investments, LLC is the general partn
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 Cap
LLC, Seneca Capital Investments, L.P., Seneca Capital International GP, LLC, Seneca Capital International Master Fund, L.P.
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 January 20, 2011, Seneca Capital International Master Fund, L.P. beneficially owned 7,712,100 shares of Dynegy s con
$0.01 per share (Shares), representing beneficial ownership of approximately 6.4% of the Shares. As of January 20, 2011, S
beneficially owned 3,514,400 Shares, representing beneficial ownership of approximately 2.9% of the Shares. Each of Seneca
Investments, L.P., Seneca Capital Investments, LLC, and Mr. Hirsch may be deemed to beneficially own 11,226,500 Shares, re
beneficial ownership of approximately 9.3% of the Shares, held in the aggregate by Seneca Capital International Master Fund,
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
beneficially own 3,514,400 Shares, representing beneficial ownership of approximately 2.9% of the Shares, held by Seneca Ca
As of January 20, 2011, Seneca Capital International Master Fund, L.P. and Seneca Capital, L.P. held European-style call optio
right to purchase 2,331,400 and 1,059,600 shares, respectively at an exercise price of $0.01 per share by delivery of notice of e
15, 2011.

WE URGE YOU NOT TO TENDER
YOUR SHARES AT $5.50 / SHARE
We
believe
Dynegy
is
worth

$7.50
-
$8.50
/
share
today
with significant upside
in
a
recovery
Accounting Firm studied cost cutting / Ventyx analyzed power prices
Premier vehicle to play power recovery given operational / financial gearing and asymmetric upside to natural gas
Significant flexibility in debt structure and cost cutting provide levers to support equity value independent of commodity markets movements
Stock underperformed IPP peers by ~30% and S&P by ~40% since announcement of reverse split on 3/12/10
Special
Committee
decided
to
sell
BEFORE
even
beginning
careful
standalone
restructuring
analysis
promised
to
investors
on
November
23
rd
Significant
positive
catalysts
upcoming
with
potential
EPA
HAPS/MACT
rules
in
March,
PJM capacity auction in May and potential MISO capacity structure by June
$36mm management change of control severance payments (~6% of equity value) largely irrespective of deal price and a Board that has purchased only 16,000 shares

Go-Shop
conducted over Christmas unlikely to maximize participation with restrictive
confidentiality arrangements
IEP $0.50/sh increase represents less than 2% of enterprise value versus two
Blackstone deals that were overwhelmingly rejected by shareholders
4
WRONG
PRICE
WRONG
TIME
WRONG
REASONS
Disclaimer: Seneca Capital s beliefs regarding current and future value are based upon assumptions, including as to the future
however, substantial risks and uncertainties exist such that actual performance may deviate materially from Seneca Capital s f

82%
10
AFTER THE TRAGIC
UNDERPERFORMANCE
5
(1)
Includes CPN, NRG and GEN.

$2.50
$3.00
$3.50
$4.00
$4.50
$5.00
$5.50
$6.00
$6.50
$7.00
$7.50
$8.00
$8.50
$9.00
3/12
4/11
5/11
6/10
7/10
8/9
9/8
10/8
11/7
12/7
1/6
32%
42%
52%
62%
72%
112%
Current Icahn Bid
S&P 500
IPP Index
(1)
3/12: 5 for 1
Reverse stock
split proposed
5/25: 5 for 1
Reverse stock
split effective
8/13: Blackstone
$4.50/share proposed
merger announced close
to virtual all-time low
11/17: Blackstone
increases offer to
$5.00/share in face
of defeat
11/23: Blackstone and Dynegy

terminate proposed merger after only
26% of shareholders voting in support
12/15: IEP announces $5.50/share
cash tender ($1.10 pre-split)
DYN
~
30%
Under-
performance

AND SERIAL ATTEMPTS TO SELL WITHOUT
A CAREFUL STANDALONE REVIEW
6
Blackstone Transaction #1 (Aug. 12, 2010 @ $4.50 per share)
Cash deal at 1/3 of replacement cost at low point in the cycle after sharp and anomalous stock price underperformance
Granted exclusive rights to 1/3 of Dynegy assets

$50mm / $16mm break-up fees and Blackstone right to match
Blackstone Transaction #2 (Nov. 16, 2010 @ $5.00 per share)
Virtually
unprecedented
Recess
of
shareholder
meeting
Additional $16mm break-up fee in the face of defeat of transaction
Only 26% voted in favor of sale at $5.00 per share
Post-Blackstone
(Nov.
23,
2010

Dec.
15,
2010)
Poison pill to freeze top shareholders
Abandoned promise to carefully review its standalone restructuring alternatives
Icahn Enterprises Transaction (Dec. 15, 2010 @ $5.50 per share)
Rushed to sell company for low price (deferred due diligence to post-signing)
Yet another $16mm break-up fee
Gained pledge of largest holder (IEP) not to support pending consent solicitation for directors
Willing
to
spend
more
than
$100mm
(15%
of
equity
value)
to
sell
the
company
(1)
(1)
Includes (a) $16.3 mm break-up fee + $10 mm expense reimbursement per the Proposed Blackstone Merger, plus (b) $23 mm per the proposed IEP Merger, plus (d) $36 mm change of control arrangements.

A DIFFERENCE IN ALIGNMENT
DRIVES A DIFFERENCE OF OPINION
VALUE
-
Seller at $4.50/$5.00/$5.50 per share
($0.90/$1.00/$1.10 pre-reverse split)
-

Bought nearly 30% of stock in August
09 from LS Power at $9.65 per share
-
12% economic interest in Dynegy
(9.3% voting stock)
-
Only motivation is increasing
shareholder
value

fully
aligned
Dynegy
Seneca
STRATEGY
FIDUCIARY DUTY
-
Board purchased only 16,000 shares
with own money
-
$36mm change of control severance
available to management
ALIGNMENT
-
Value at $7.50 $8.50/sh today
increasing significantly in recovery
-
Supported by cost cutting study and
Ventyx power price analysis
-
Sell at $4.50/$5.00/$5.50 per share
as quickly as possible
-
Abandoned promise of careful
standalone restructuring analysis
-
DO NOT SELL $4.50/$5.00/$5.50
-
Believes in aligning directors/mgmt w/
shareholders
-
Should explore value enhancing steps
to optimize balance sheet, costs
-
Offer incremental break fees of
$32mm to IEP/Blackstone combined
-
BOD owning stock limits objectivity
-
Poison pill to freeze top holders from

adding equity at greater than $5.50
-
Reject IEP $5.50 per share tender
-
Many of existing BOD should resign
given lack of alignment
-
Waive pill to enable shareholders to
buy at greater than $5.50
7
Disclaimer: Seneca Capital s beliefs regarding current and future value are based upon assumptions, including as to the future
however, substantial risks and uncertainties exist such that actual performance may deviate materially from Seneca Capital s f

2010
Maint
Unlevered
Net
Valuation
EBITDA
(1)
Capex
(2)
FCF
MWs
$/KW
$MMs
Valuation Commentary and Assumptions
Midwest Coal
Scrubbed Coal
($45)
2,241
$700
$1,569
Based on DCF Analysis
(3)
, including NPV ~$300mm of environmental capex
Unscrubbed Coal
446
$250
$112

DCF
(3)
assumes retirement in 2015; Zero value for Trona
Mothballed Coal
(4)
($9)
457

Zero site value
Total Midwest Coal
$288
($54)
$234
3,144
$534
$1,680
Implied Unlevered Free Cash Flow Yield
13.9%
Midwest CCGT
Kendall
($11)
1,200
$500
$600
DCF is supported by Casco Bay valuation of $500/kw (NRG Deal)
Ontelaunee
($5)
580
$800
$464
Based on DCF Analysis
(3)
; MAAC cleared at $226/mwd in latest RPM auction
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
Seneca Capital estimate of capacity value
Implied Unlevered Free Cash Flow Yield
NM
West
Moss Landing / Morro / Oakland
(5)
($30)
3,344
$336
$1,125
NRG bid price plus ~$40mm incremental from increased CA power prices
Other Western Gas
($3)
352
$250
$88
Seneca Capital estimate of capacity value
Total West
$144
($33)
$111
3,696
$328
$1,213
Implied Unlevered Free Cash Flow Yield
9.1%
Northeast
Casco Bay
($5)
540
$509
$275
NRG bid price; Implies 12% UFCF
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
Implied Unlevered Free Cash Flow Yield
12.8%
Low End of Incremental Identified Cost Savings
$96
6x $16mm low end incr. potential cost savings identified by Accounting Firm
Corporate SG&A
($135)
($450)
6x $75mm of corporate SG&A netting out all announced cost cuts
Total
$617
($134)
12,081
$4,896
Net Debt
($3,307)
As of 9/30/10 and adjusted to reflect 1/5/11 cash balance
NPV of Lease
($649)
As disclosed by Dynegy
Estimated Equity Value
$940
All segments include regional overhead and tie to guidance when totaled
Shares
120.6
Estimated Equity Value / Share
~$8.00
(7)
(6)
BUILDING BLOCKS IN PLACE
FOR DYNEGY S VALUE TODAY
8
($ in millions)
Dynegy
trades at less
than 1/3rd of
replacement
cost
(1)
Dynegy public disclosure.
(2)
Assumes maintenance capex of $20/kw-year for coal plants and $9/kw-year for gas plants based on Seneca Capital estimates; t
(3)

See appendix for DCF assumptions.
(4)
Dynegy announced its intention to mothball Vermillion 1-2 on 12/29/10 and has indicated its intention to mothball Hennepin.
(5)
CA power prices increased ~$6/mwh since 10/29/10 reflecting expected future costs of carbon credits (2012+).
(6)
EBITDA adds back $50mm lease expense & $50mm non-cash amortization disclosed by Dynegy.
(7)
Valuation and capacity totals exclude Plum Point (140MW).
Disclaimer: Seneca Capital s beliefs regarding current and future value are based upon assumptions, including as to the future
exist such that actual performance may deviate materially from Seneca Capital s forecasts (see page 2 for full disclaimer). Se

FOLLOW THE CASH FLOW
ROADMAP TO EQUITY VALUE
Using **EBITDA multiples**
understates
Dynegy value
because low maintenance capex
and lack of taxes result in higher

cash flow to equity
Using **book value of debt**
doesn t capture
significant
flexibility of Dynegy debt as
reflected in market prices
Illustrative impact of EPA-driven
capacity uplift demonstrates the
power of Dynegy's operational
leverage
to the upside
9
(1)
Net debt includes cash posted for collateral in broker margin account and excludes NPV of lease. EBITDA includes $50mm o
(2)
Based on market prices of debt as of 1/14/11.
(3)
EV@Market
Price
equals market value of debt per Bloomberg plus market value of equity.
(4)
Amortization of intangible asset related to capacity agreement with ConEdison, as described in Note 11 of Dynegy 2006 10-K,
(5)
Assumes
the
$85mm
per
year
Market
Recovery
Assumption
(as
noted
in
the
Dynegy
Presentation
to
Proxy
Advisory
Firms
dated
October
27,
2010
page
19)
is
reduced
by

the
change
between (a) 2013
forecasted
EBITDA
(as
noted
in
Dynegy s
14D-9
filed
on
December
30,2010)
and (b)
the
2013
forecasted
EBITDA
in
original
Merger
Proxy
for
Proposed
Blackstone
Deal.
(6)
Based on 2,241 MW of scrubbed coal capacity and 1,200 MW of combined cycle gas capacity (Kendall). $150/MW-day is for
2011
2012
2013
Stock Price
$5.50
$5.50
$5.50
Shares
121
121
121
Equity Value
$663
$663
$663
Net Debt as of 9/30/10
(1)
$3,307
$3,307
$3,307
Enterprise Value

$3,970
$3,970
$3,970
Market Price vs. Book Value of Debt
(2)
($889)
($889)
($889)
EV @ Market Price
(3)
$3,081
$3,081
$3,081
Adj
EBITDA in Merger Proxy
$418
$308
$483
Sithe
Purchase Accounting Adjustment
(4)
$50
$50
$50
Removal of Market Recovery Assumption
(5)

($30)
Adj
Cash EBITDA Without Market Recovery
$468
$358
$503
Maintenance Capex
in proxy
($119)
($113)
($119)
Unlevered Free Cash Flow
$349
$245
$384
Benefit of $150/MWd Increase in MISO/RTO
(6)
$188
$188
$188
Cash EBITDA with Illustrative Capacity Uplift
$656

$546
$691
Unlevered Free Cash Flow with Illustrative Capacity Uplift
$537
$433
$572
Without Capacity Uplift:
Unlevered Free Cash Flow / EV @ Mkt
Price
11.3%
8.0%
12.5%
EV @ Market Price / Cash EBITDA
6.6x
8.6x
6.1x
Unlevered Free Cash Flow / Enterprise Value
8.8%
6.2%
9.7%
Enterprise Value / Cash EBITDA
8.5x
11.1x
7.9x
With Illustrative Capacity Uplift:
Unlevered Free Cash Flow / EV @ Mkt
Price
17.4%
14.1%
18.6%
EV @ Market Price / Cash EBITDA
4.7x
5.6x
4.5x
Unlevered Free Cash Flow / Enterprise Value
13.5%
10.9%
14.4%
Enterprise Value / Cash EBITDA
6.0x
7.3x
5.7x

A BIG 4
ACCOUNTING FIRM
SEES FURTHER COST CUTTING

Seneca retained a Big Four accounting / consulting firm to analyze the potential cost cutting opportunity at Dynegy (Big 4 Report)

Utilized various benchmarking techniques and publicly available information on Dynegy and industry peers in a Top Down

analysis (see appendix for fuller description of methodology)
Big
4
Report
identified
between
$82mm
and
$157mm
of
incremental
cost
cutting
potential
starting
from
9/30/10
financials (12 months ending 9/30/10)
Big
4
Report
states
that
this
implies
an
additional
$16mm

$103mm
of
cost
savings
potential
on top of the cost structure
that
Dynegy
utilized
in
their
proxy
forecast;
applying
a
6x
multiple
yields
~$1

$5/share

potential value from incremental cost cutting Although the Big 4 accounting firm consented to the inclusion of a plain paper report in this presentation (please see appendix for further information), the Big 4 firm would not consent to the use of its name in this presentation or as part of its

plain paper
report.
Investors should
consider
this when evaluating the analysis.
10
Cost Reductions Could Provide Meaningful Value to Dynegy Equity
($ in millions)
~$1-
$5 / Share
Potential Value
From Addl.
Cost Cutting
(1)
Includes O&M Expense and SG&A Expense for the 12 months ending 9/30/10.
(2)
Base
Case
uses
average
of
2013

2015
O&M
and
SG&A
costs,
Stretch
Case
uses
average
of
2012
-
2015.
Calculated
as
the
difference
between
Gross
Margin
and
Adjusted
EBITDA
in
Dynegy s
Merger
Proxy.

Disclaimer: Seneca Capital s beliefs regarding current and future value are based upon assumptions, including as to the future, that Seneca Capital believes to be reasonable, however, substantial risks and uncertainties exist such that actual performance may deviate materially from Seneca Capital s forecasts (see page 2 for full disclaimer).

Disclaimer: Big 4 Report has been provided in preliminary form, and notes further investigation, validation and diligence is rec
established by the American Institute of Certified Public Accountants and firm has not otherwise verified the information obtai

Potential Incremental Cost Savings

	Base Case	Stretch Case
Non-Fuel O&M	$48	$94
SG&A	$28	$51
Fuel Procurement	$6	$11
Total Potential Savings Identified by Big 4 Accounting Firm	$82	$157

12

Months
Ending
9/30/10
(Baseline
for
Big
4
Report)
(1)
$631
Pro Forma Cost Base According to Big 4 Report
$549
$474
Average Cost Base Assumed in Proxy
(2)
$566
$577
Savings Potential Incremental to the Current Business Forecasts in proxy
$16
$103

VENTYX ANALYSIS DEMONSTRATES
THE POWER OF PLANT RETIREMENTS
11
New
EPA
Clean
Air

Rules
Are
A
Massive
Potential
Value
Driver
for
Dynegy
Seneca retained Ventyx (Energy Velocity) to analyze the impact of the EPA s potential
HAPS/MACT
rules
on
Dynegy s
MISO/PJM
coal
and
CCGT
plants
Ventyx
used
its
Fall
2010
Reference
Case
and
dynamic
dispatch
model
(5)
Reduced natural gas prices to match market prices as of January 5, 2011
Modeled
coal
plant
retirements
based
upon
Credit
Suisse
mid-case
(4)
Ventyx
provided
plant-level
EBITDA
forecast
through
2020
(5)

Seneca
applied
long-term
DCF
analysis
to
Ventyx
plant
EBITDA
Applied company disclosed assumptions on maintenance and environmental capital expenditures to arrive at implied $/KW valuations above
(1)
Ventyx Case refers to Seneca application of long-term DCF to Ventyx plant EBITDA calculations.
(2)
See sum of the parts valuation on page 8.
(3)
Only includes Wood River 4-5 and assumes Hennepin and Vermillion 1-2 are retired.
(4)
See
Credit
Suisse
Report
Growth
From
Subtraction
dated
September
23,
2010
and
appendix
for
more
detail.
(5)
Ventyx plant-by-plant output and assumptions included in Appendix.
Disclaimer: Seneca Capital s beliefs regarding current and future value are based upon assumptions, including as to the future
substantial risks and uncertainties exist such that actual performance may deviate materially from Seneca Capital s forecasts (
Net
$/KW Valuation (DCF Based)
Uplift to Base Valuation
MWs
Ventyx
Case
(1)
Base Case
(2)
Difference
$MMs
$/Share

Scrubbed Coal
2,241
$1,320
$700
$620
$1,390
$11.52
Unscrubbed
Coal
(3)
446
$877
$250
$627
$278
$2.31
Kendall
1,200
$557
$500
$57
$68
$0.56
Ontelaunee
580
$867
$800
$67
$39
$0.32
Additional Upside Identified Above Base Case
$1,775
~$15.00
Base Case
(2)
$7.50 -
$8.50
Total
Dynegy
Value
Implied
in
Ventyx
Case
$22.50 -
$23.50
(-)
(=)
(=)
(x)

12
WITH STEPS LEADING TO
DYNEGY S VALUE IN A RECOVERY
Ventyx
MACT Analysis Exceeds Recovery Valuation Case
(1)
$22.50 -

$23.50
$20.25
$2.50
$17.75
$1.25
$3.00
$2.00
$3.50
$8.00
$ 0
$ 5
$ 10
$ 15
$ 20
$ 25
Base Valuation
CCGT Newbuild
Increased to
$1,000/kw &
Market
Recovery
Accelerated
Delivered Coal
Cost Reduced
$0.25/MMBTU
Versus Base
Case
Realization of
High End of
Accounting
Firm ID d
Cost
Savings
$500mm Asset
Sale Proceeds
Applied to Debt
Reduction at
Current Market
Prices
Recovery
Valuation
Excluding
Improvement in
Natural Gas
Price Forecast
Gas Recovery
($1/mmbtu)
Recovery
Valuation
Ventyx

Case
Valuation
$5.50/Share Tender Price
(1)
Ventyx Case refers to Seneca application of long-term DCF to Ventyx plant EBITDA calculations.
Disclaimer: Seneca Capital s beliefs regarding current and future value are based upon assumptions, including as to the future
reasonable, however, substantial risks and uncertainties exist such that actual performance may deviate materially from Seneca
full disclaimer). See also page 10 for disclaimer regarding Accounting Report.

Dynegy s capital structure provides very significant flexibility, with limited secured debt and ample liquidity options. Unsecured debt has minimal covenant protections:

No limitation on asset sales

No limitation on restricted payments

No limitation on debt or lien incurrence

No change of control provisions

Facing this flexibility and lack of protections, Dynegy s unsecured debt
trades in the market at a substantial discount to its face value:

13

($ in millions)	Amount Outstanding	Market Value	Discount
Secured Debt (funded)	$68	$68	$0
Sithe/Independence Bonds	225	225	0
Unsecured Debt	3,462	2,676	786
Subordinated Debt (SKIs)	200	97	103
Total	$3,955	$3,066	$889
Discount per DYN Share			$7.37

A FLEXIBLE DEBT STRUCTURE
MAKES ALL THE DIFFERENCE

Dynegy s Flexible Capital Structure is A Major Differentiator Versus its Peers

Note: Market value based on Bloomberg prices as of 1/14/2011.

NATURAL GAS EXPOSURE IS
SKEWED TO THE UPSIDE
14
Gas Price
Coal Price
Greater Profits
at Gas Plants

DYN Forward Gross Margins
Increased Despite Lower Gas Prices
90%
95%
100%
105%
110%
8/12
9/12
10/12
11/12
12/12
2012 CIN On-Peak is HIGHER
2012 NYMEX Gas
Forwards are Lower
2012 CAPP Coal is HIGHER
CIN On-Peak Driven Up By CAPP Coal Prices
Change in DYN Gross Margin due to Power/Gas Curve Shifts
$ in millions, 12/31/10 vs. 8/12/10
(1)
2011 - 15
Coal Plants (3,514 MW)
$14
Combined Cycle Gas Plants (4,404 MW)
109
Total
+123
vs.
Average Change in NYMEX Gas ($ / MMBtu)
(0.26)
(1)
Based on commodity curves from BofA Merrill Lynch. See Appendix for detailed plant-by-plant assumptions.
Comparative Power Plant Economics (2012)
8/12/2010
12/31/2010
Kendall /
Coal Plant
Kendall /
Coal Plant
Ontelaunee
(CAPP)
Ontelaunee
(CAPP)
Fuel price
5.57
77.28
5.38
83.70
+/-
basis/transportation

0.08
15.00
0.08
15.00
Delivered price
$/MMBtu
5.65
$/ton
92.28
$/MMBtu
5.46
$/MMBtu
98.70
$ / MMBtu
5.65
3.85
5.46
4.11
Heat rate
7,250
10,500
7,250
10,500
Cost of fuel ($/MWh)
40.96
40.37
39.56
43.18
Cost
Advantage
Kendall
/
Ontelaunee
vs.
CAPP
Coal
Plant ($ / MWh)
3.62
(0.58)

DYNEGY SHOULD BE A LEADING
BENEFICIARY OF COAL RETIREMENTS
15
% Change in Equity Value from 100 bps change in EV/Replacement Cost Valuation
% Change in Equity Value from $25/MW-Day Change in PJM RTO / MISO Surviving Capacity
(1)

5%
10%
15%
20%
25%
DYN
GEN
NRG
CPN
(1)
Equals EBITDA uplift on unregulated capacity of CCGTs, scrubbed coal, nuclear and hydro in PJM RTO and MISO capitalize
market capitalization as of 1/14/2011. Dynegy market capitalization based on $5.50 IEP offer price.

5.0%
10.0%
15.0%
20.0%
25.0%
30.0%
35.0%
40.0%
45.0%
DYN
AYE
FE
GEN
AEE
EXC
EIX

PENDING CATALYSTS TO DRIVE
MARKET SIGNALS
March 2011
HAPS/MACT RULE:
(1)
Under federal court consent decree, EPA is to issue a
proposed rule as soon as March 2011 with a final rule as soon as

November 2011
May
2011
PJM
2014/15
RPM
AUCTION
:
Could
begin
to
illustrate
the
impact
of
HAPS/MACT rules as some generators will potentially signal costs
of environmental rules
Q2
2011
MISO
Capacity:
MISO
is
likely
to
file
detailed
plans
for
a
PJM-style
capacity
auction with FERC providing an important mechanism to measure EPA rule impacts
16
Given forward dark spreads, we expect that up to 10GW of older/inefficient coal capacity should be retired before the '14/'15
without accounting for EPA-driven retirements
-
Angie Storozynski, Macquarie 1/10/11
We
continue
to
predict
roughly
25,000
MWs
in
PJM
will
have
to

choose between investing in environmental equipment or retiring

[Modeling assumptions include] Coal units under 400MWs with no scrubber installed will be retired. Also, early vintage scrubbers (built prior to 1985) will not comply with upcoming EPA regulation.

We assume coal plant retirements from upcoming EPA rules; CATR and HAPS MACT will be phased in over a 3-year time f
with a 15% effect in the May 2011 auction, a 50% effect in the May 2012 auction, and a 100% effect in the May 2013 auction.

-

Brian Chin, Citi Investment Research 1/18/11

MISO will likely file for a capacity auction at FERC in 2Q, with an auction in early 13 for the 13/ 14 delivery period At MISO, we primarily discussed the likelihood and timeframe for implementation of a formal capacity auction. While vertically integrated regulated u relatively averse to the idea, MISO s initiative to develop a capacity auction stems from recent deliverability requirements demanded by FERC. As a consequence, MISO has indicated to FERC that it intends to make a formal tariff filing for a capacity auction by 2Q11. The first auction is anticipated to take place in early 2013, for delivery in

the
2013/2014
delivery
year
(June
1st
2013

May
31st
2014).
-
Julien
Dumoulin-Smith, UBS 12/23/10 (After a December trip that included a meeting with MISO)
(1)
See Appendix for additional detail on EPA HAPS/MACT rule.

$7.00
$1.70
$0.29
$0.77
$0.31
$1.71
$2.78

$1.00
$2.00
$3.00
$4.00
$5.00
$6.00
$7.00
$8.00
$9.00
Pre-Deal Stock Price
New Cost Cut
Disclosure Presented
in Merger Proxy
Increase in Free Cash
Flow Guidance Since
Deal Announcement
Improvement in
Commodity Prices
Since Deal
Announcement
Friction Costs
Associated With
Failed Transaction
Uplift in Wall Street
View of Asset Value
from NRG Bid
Total of Quantifiable
Factors
~$8/SH if Dynegy had traded in line with merchant peers since 3/12
DEFEAT OF TENDER SHOULD
REMOVE OVERHANG
17
Several materially positive developments since the stock was trading near its all time lows on
August
12
th
-
in
addition
to
the
three
bids
for
the
company
by
two
different

parties
After
shareholders
rejected
Blackstone
bid
Dynegy
stock
has
been
resilient
despite
management s
dire
warning
that
shareholders
could
lose
significant
value
(2)
$50mm cost cuts
disclosed in
merger proxy x 6 -
$25mm costs to
achieve & 25%
discount
2010 FCF
guidance improved
$38mm from 8/6 to
11/8
NPV of change
gross margin for
the 2011-15 period
from 8/12/10
through 12/31/10
Assumes $35mm
costs related to
deal expenses,
and severance
Based on Citi
Investment
Research
valuation
(1)
Could be Substantial Shareholder Interest Once Tender is Defeated
(1)
Citi
Investment Research valuation of Dynegy dated February 25, 2010. Total plants sold to NRG valued at $1,157mm and corresp

(2)
Source: Dynegy October 2010 Investor Presentation.

Disclaimer: Seneca Capital s beliefs regarding current and future value are based upon assumptions, including as to the future, that Seneca Capital believes to be reasonable, however, substantial risks and uncertainties exist such that actual performance may deviate materially from Seneca Capital s forecasts (see page 2 for full disclaimer).

MARKET PARTICIPANTS HAVE
BEGUN TO TAKE NOTICE

If shareholders reject the BX revised offer, we believe a newly composed board and new management will likely take a rational, long-term and creative approach to breaking up the company (potentially taking several years) and realize a value closer to our $9 per share break-apart value.

-

Charles Fishman, Pritchard Capital Partners, 11/17/10

18
Icahn s recent proposal to refinance DYN s credit facilities under amended terms should assuage concerns over the liquidity impact of asset sales/maintenance covenants. Seneca also recently proposed an additional four new board members,
all
of
whom
have
highly
relevant
backgrounds,
including
a
former
senior
rail
executive
We
have
incorporated
DYN s latest disclosures into our projections, adjusting our EBITDA outlook and increasing our cash flow burn through 15 to $2.3 Bn. In contrast, DYN s sizeable operational and financial leverage could push equity value to $12/sh on a power recovery and debt restructuring to mrkt value.
-
Julien Dumoulin-Smith, UBS 11/16/10
I believe that, even at $5.00 per share, the proposed Blackstone acquisition undervalues Dynegy. Today's $.50 per share
increase,
coming
only
one
day
after
Blackstone
stated
that
the
$4.50
price
is
a
full
and
fair
valuation
reassures
my
belief that the Dynegy/Blackstone transaction leaves too much shareholder value on the table for Blackstone. I have also considered that in a November 15, 2010 report JP Morgan stated that it is introducing a December 2011 price target of $7, up from our prior December price target of $5.00.

-
Carl Icahn, 11/16/10 (In a statement filed with the SEC on a Schedule 13D/A)

REJECTING THE TENDER IS THE
ENABLING EVENT
Do not tender your shares for $5.50 / share
WRONG PRICE at the WRONG TIME for the WRONG REASONS
We
believe
Dynegy

is
worth
$7.50
-
$8.50
per
share
today
with
significant
upside
in a recovery valuation -
trading at less than 1/3 of its replacement value
Board rushed to sell the company BEFORE conducting promised careful
standalone review
$36mm management change of control severance payments and a Board that
has purchased only 16,000 shares creates misalignment with shareholders
Dynegy is the premier vehicle to participate in a power market recovery with
substantial value creation levers independent of commodity prices
Industry
leading
leverage
to
EPA-driven
retirements
(validated
by
Ventyx
model)
Positive asymmetric exposure to natural gas
Flexible debt structure reflected in ~$7/sh market value discount of debt
Accounting Firm validated cost cutting potential
19
Defeat of Tender Can Enable Investors to Participate in Dynegy Value Creation
Disclaimer: Seneca Capital s beliefs regarding current and future value are based upon assumptions, including as to the future
risks and uncertainties exist such that actual performance may deviate materially from Seneca Capital s forecasts (see page 2 f
Accounting Report.

APPENDIX
20

EPA CLEAN AIR RULES CAN
CHANGE MARKET DYNAMICS

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

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

Environmental controls can be 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)
21
(1)
Source (including for the table): Credit Suisse report, Growth From Subtraction dated September 23, 2010.
(2)
Ability of TrONA to meet compliance standards is still under discussion.
(3)
Source: Dynegy 2009 10-K and Merger Proxy for Proposed Blackstone Merger, 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: HAZARDOUS AIR
POLLUTANT HAPS/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 (HAPS/MACT) rule as soon as March 16, 2011 and to finalize it as soon as November 16, 2011

HAPS/MACT rule will apply to all existing and future coal and oil fired capacity
HAPS/MACT requires achieving emissions levels as good as the average of the top 12% of existing representative 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
22

CREDIT SUISSE MID-CASE FOR
COAL PLANT RETIRMENTS
According to Credit Suisse, 66% of the coal capacity in the US have NOT installed (or
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
GW
of
small
coal
plants
have
no
environmental controls installed
Credit Suisse base case assumes that 60GW of coal capacity will be retired including all
units below 300MW without any pollution control equipment
23
Coal Plant Capacity by Emission Control (Incl. Planned)
(1)
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%
Small (<300 MW) Coal Plant Capacity by Emission Control (Incl. Planned)
(1)
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)
Source: Credit Suisse report, Growth From Subtraction dated September 23, 2010.

24
AND DYNEGY S ASSETS ARE
PRIMED TO BENEFIT
(1)
Assumptions
used
for

cost
estimates
are
per
Credit
Suisse
report Growth
from
Subtraction
dated September 23, 2010.
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
Source:
Dynegy
Investor
Presentation,
Q2 10

ACCOUNTING FIRM COST
STUDY

An Accounting Firm study analyzed Dynegy s public data to determine a baseline level of costs, for which they utilized Dynegy s LTM financial results as of Sept. 30, 2010

O&M Costs

SG&A Costs

Cost of sales / fuel procurement

Analyzed public disclosures of selected relevant public comparable companies to determine industry benchmarks for each cost category
GenOn, NRG Energy, Calpine, Constellation, AES and Public Service Enterprise Group
Compared Dynegy results to comparable company benchmarks in order to determine where cost
savings
would
be
possible
within
Dynegy
relative
to
its
baseline
cost
level
in
a
base
case
and
in
a
stretch case
Reviewed financial forecasts from Dynegy s preliminary proxy statement (January 10, 2011) to determine cost levels assumed by management, including cost savings plans already announced and being implemented by management
Used gross margin less Adjusted EBITDA as a proxy for SG&A + O&M
costs
Compared baseline level of costs and total savings potential to 2012-2015 forecast period and 2013-2015 forecast period costs to determine incremental savings potential for Dynegy for 2011+
$16 mm of potential incremental savings in base case
$103 mm of potential incremental savings in stretch case
25
For Further information see actual report appended to this presentation
Disclaimer: Accounting Report has been provided in preliminary form, and notes further investigation, validation and diligenc
constitute an audit, examination or review in accordance with standards established by the American Institute of Certified Publ
otherwise verified the information obtained or presented in their report.

VENTYX POWER ANALYSIS
Ventyx (Energy Velocity) calculated a dynamic plant-by-plant fundamental production cost model based on their Fall Reference Case that integrates commodity price assumptions, resource additions and retirements
Load forecast based on utility filings
Build-out of all known and reasonably foreseeable transmission projects
Renewable additions to meet existing state standards

MISO and PJM capacity payments reach Cost of New Entry assumptions when reserve margins drop below 15%
Coal and transportation costs are based on Ventyx Coal Sub-Module that utilizes a least cost algorithm that includes variable cost of coal producers and different modes of transport
Natural gas prices based upon NYMEX strip as of January 5, 2011
Plant-level assumptions for heat rates, capacity factors and O&M are based on Ventyx s Energy Velocity database (based on FERC data where available)
Applied Credit Suisse Mid-Case
(1)
(60GW of retirements) MACT retirement assumptions
Retirement of coal fired units smaller than 300MW without environmental controls
Compliance with all other existing environmental legislation (CATR, RGGI, EPA Tailoring Rule, etc.)
26
(1)
Source: Credit Suisse report, Growth From Subtraction dated September 23, 2010.

VENTYX PLANT MARGIN
RESULTS
27
Year
2011
2012
2013

2014
2015
2016
2017
2018
2019
2020
Assumption Summary
NYMEX Gas
$4.57
$5.00
$5.24
$5.44
$5.64
$5.83
$6.00
$6.19
$6.37
$6.56
CIN ATC Power
$33.10
$36.09
$40.07
$42.41
$47.37
$51.77
$53.18
$55.08
$56.75
$58.38
PJM ATC Power
$33.27
$36.11
$40.04
$42.49
$47.28
$51.41
$52.92
$55.18
$56.87
$58.63
Baldwin
MWs
1,784
1,784
1,784
1,784
1,784
1,784
1,784

1,784
1,784
1,784
GWh
11,814
11,812
11,813
11,811
11,814
11,825
11,825
11,850
11,862
11,874
Energy Revenue
$383
$406
$449
$491
$553
$609
$628
$654
$675
$697
Capacity Revenue

$3
$18
$18
$200
$208
$210
$213
$213
$215
Fuel Costs
($164)
($168)
($174)
($214)
($219)
($234)
($245)
($253)
($266)
($273)
O&M Costs
($65)
($68)

($70)
($73)
($74)
($76)
($78)
($80)
($82)
($84)
EBITDA
$153
$173
$223
$222
$460
$507
$515
$533
$541
$554
Havana 6
MWs
441
441
441
441
441
441
441
441
441
441
GWh
2,872
2,839
2,825
2,858
2,869
2,878
2,878
2,884
2,887
2,890
Energy Revenue
$93
$98
$108
$119
$135
$148
$153

$159
$164
$170
Capacity Revenue

$1
$4
$4
$49
$52
$52
$53
$53
$53
Fuel Costs
($46)
($47)
($51)
($54)
($56)
($59)
($62)
($64)
($67)
($69)
O&M Costs
($17)
($19)
($18)
($18)
($19)
($19)
($20)
($20)
($21)
($21)
EBITDA
$30
$32
$43
$51
$110
$121
$123
$127
$129
$132

VENTYX PLANT MARGIN
RESULTS (CONT D)
28
Year
2011
2012
2013

2014
2015
2016
2017
2018
2019
2020
Wood River 4-5
MWs
444
444
360
360
360
360
360
360
360
360
GWh
2,904
2,871
2,353
2,377
2,377
2,380
2,380
2,384
2,387
2,389
Energy Revenue
$94
$100
$90
$99
$111
$122
$126
$132
$136
$140
Capacity Revenue

$1
$4
$4
$40
$42
$42
$43

$43
$43
Fuel Costs
($50)
($51)
($41)
($42)
($43)
($45)
($47)
($48)
($51)
($52)
O&M Costs
($17)
($19)
($16)
($17)
($17)
($18)
($18)
($19)
($19)
($20)
EBITDA
$28
$30
$36
$44
$91
$102
$104
$107
$109
$112
Kendall
MWs
1,224
1,224
1,224
1,224
1,224
1,224
1,224
1,224
1,224
1,224
GWh
670
624

903
934
1,217
1,389
1,321
1,213
1,220
1,174
Energy Revenue
$38
$40
$68
$71
$97
$122
$119
$117
$120
$119
Capacity Revenue
$78
$49
$12
$12
$61
$109
$117
$118
$116
$123
Fuel Costs
($24)
($24)
($36)
($39)
($53)
($62)
($60)
($58)
($60)
($59)
O&M Costs
($18)
($18)
($19)
($20)
($21)
($22)
($22)
($22)

($23)
($24)
EBITDA
$74
$47
$25
$24
$85
$147
$154
$155
$153
$160
Ontelaunee
MWs
574
574
574
574
574
574
574
574
574
574
GWh
2,600
2,767
2,839
2,732
2,615
2,606
2,596
2,612
2,679
2,628
Energy Revenue
$122
$147
$169
$145
$149
$159
$162
$167
$174
$175
Capacity Revenue
$37
$23

$47
$47
$51
$54
$55
$58
$61
$64
Fuel Costs
($89)
($104)
($111)
($111)
($110)
($113)
($116)
($120)
($127)
($128)
O&M Costs
($13)
($14)
($15)
($15)
($15)
($15)
($15)
($16)
($16)
($17)
EBITDA
$56
$52
$90
$67
$75
$85
$86
$89
$92
$94

VENTYX BIOGRAPHY

Ventyx is a business solutions provider offering software, data and advisory services to energy, utility, communications, and other asset-intensive commercial industries. Ventyx was formed in 2007 by the merger of MDSI and Indus International and the acquisition of Global Energy Decisions and New Energy Associates during that same year. Each of these companies traces their roots to the 1970 s and have been providing clients in the energy sector with energy planning, decision support, energy trading and operations solutions. In 2010 Ventyx was purchased by ABB, a global leader in power and automation technologies.

The Ventyx Advisory Services Practice, which performed part of the analysis in this presentation, traces its roots to the legacy Global Energy Decisions and New Energy Associates companies. The keystone product of the Ventyx Advisors Practice is the Ventyx Reference Case which is a semi-annual forecast of North American power and fuel markets. The Ventyx reference case is utilized by utilities, power generators, investment bankers and market regulators as an independent view of the current and expected state of power and fuel markets. Over the lifetime of this product offering the Ventyx reference case has become widely recognized with a large subscriber base.

29

30

KEY DCF VALUATION
ASSUMPTIONS

All DCF-based valuation metrics used in the Sum Of the Parts valuation on page 8 and elsewhere in this presentation 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
Near term MISO power prices set by natural gas approximately 15% of the time until equilibrium at which point 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 POTENTIAL EPA HAPS/MACT rules
10% WACC on unlevered cash flows
Taxes calculated on a corporate level
All relevant capital expenditures (including environmental expenditures) included in DCFs on an NPV basis
Plant by plant model is calibrated to tie to 2010 guidance and therefore incorporates all SG&A costs (including regional overhead expenses)
Disclaimer: Seneca Capital s beliefs regarding current and future value are based upon assumptions, including as to the future
however, substantial risks and uncertainties exist such that actual performance may deviate materially from Seneca Capital s f

ASSUMPTIONS FOR ESTIMATING
CHANGE IN FORWARD GROSS MARGINS
31
2011
2012
2013
2014

2015
Capacity (MW)
Midwest Coal
3,144
2,980
2,980
2,687
2,687
Danskammer
370
370
370
370
370
Ontelaunee
580
580
580
580
580
Kendall
1,200
1,200
1,200
1,200
1,200
Casco Bay
540
540
540
540
540
Independence
1,064
1,064
1,064
1,064
1,064
Moss Landing 1&2
1,020
1,020
1,020
1,020
1,020
Capacity Factor
Midwest Coal
85.0%
85.0%
85.0%
85.0%

85.0%
Danskammer
85.0%
85.0%
85.0%
85.0%
85.0%
Ontelaunee
47.6%
47.6%
47.6%
47.6%
47.6%
Kendall
47.6%
47.6%
47.6%
47.6%
47.6%
Casco Bay
47.6%
47.6%
47.6%
47.6%
47.6%
Independence
47.6%
47.6%
47.6%
47.6%
47.6%
Moss Landing 1&2
57.1%
57.1%
57.1%
57.1%
57.1%
DYN Hedge Assumption
Midwest Coal
100%
15%

Danskammer
100%
40%

Ontelaunee
100%
15%

Kendall
100%
23%
23%
23%
23%
Casco Bay
100%
40%

Independence
100%
70%
70%
64%

Moss Landing 1&2
100%
50%

ASSUMPTIONS FOR ESTIMATING
CHANGE IN FORWARD GROSS MARGINS
32
(1)
2011
2012
2013

2014
2015
Power Price / Spark Spread ($/MWh as of 8/12/2010)
Midwest Coal
$32.05
$34.21
$36.97
$40.37
$44.09
Danskammer
$48.42
$50.30
$53.16
$56.40
$58.68
Ontelaunee
$18.03
$17.47
$18.65
$20.17
$22.90
Kendall
$1.57
$0.39
$0.56
$1.65
$3.94
Casco Bay
$8.37
$8.80
$10.18
$12.28
$14.75
Independence
($0.26)
($2.02)
($1.84)
($3.25)
($1.69)
Moss Landing 1&2
$8.03
$10.01
$11.68
$15.21
$16.20
Power Price / Spark Spread ($/MWh as of 12/31/2010)
Midwest Coal
$32.39
$35.04
$37.82

$40.78
$43.29
Danskammer
$49.02
$50.53
$52.58
$54.41
$56.37
Ontelaunee
$20.58
$20.60
$21.54
$22.40
$23.97
Kendall
$3.48
$2.38
$2.91
$4.15
$5.28
Casco Bay
$10.62
$9.97
$10.54
$11.20
$11.81
Independence
$2.46
$1.99
$2.33
$2.60
$2.77
Moss Landing 1&2
$8.69
$16.33
$20.68
$21.43
$22.18
Change in Gross Margin ($ mm)
Midwest Coal

$16
$19
$8
($16)
Danskammer

$0
($2)
($5)

($6)
Ontelaunee

$6
$7
$5
$3
Kendall

$8
$9
$10
$5
Casco Bay

$2
$1
($2)
($7)
Independence

$5
$6
$9
$20
Moss Landing 1&2

$3
$8
$6
$5
(1)
Assumes that DYN captures 18% of the spark spread improvement in 2012+ due to requirement to purchase carbon credits.

ACCOUNTING COST STUDY

DRAFT
Project Delta
Comparator Analysis of Dynegy
January 2011
ADVISORY
DRAFT
1

DRAFT
Project Delta
Our findings suggest that further cost reduction and operational efficiency may be possible at Dynegy
Key findings
Supporting evidence
Observations
The current financial performance of Dynegy places it at the median of its peer group
For the 12 months ending September 2010, Dynegy has reported an EBITDA margin of 23% versus a peer group median of 23%. For the comparator group chosen, the range was between 18% and 32%
Given the limited amount of time and access to information, it is difficult to assess Dynegy s potential to achieve upper quartile

performance. Additional investigation and diligence is required
Additional cost savings
and operational
efficiencies
have
been
announced and are
expected to be delivered
between now and 2013
In August 2009, a multi-year cost reduction program was
announced that was expected to deliver cumulative
savings of $400m to $450m between 2010 and 2013
the identified savings include $70m to $85m of
operating costs including an annualized $30m to $40m
of O&M and $40m to $45m of G&A
an
additional
$25m
to
$30m
of
capex
avoidance
was
also included in the announcement
As part of the proxy filing in December 2010, an
incremental $50m of savings was identified through
operational efficiencies and G&A reduction
To reach the cumulative $400m to $450m target, most of the
projected run-rate savings would have to be in-place in 2010
There appears to be a concerted effort to reduce G&A expense as
evidenced by the 10% decline, on average, per year since 2007
Updates to investors have reinforced that the program is on-track
but have not provided additional details
It is unclear if the incremental savings in the proxy filing is based on
pushing the current initiatives further or if new ideas and initiatives
have been developed
The current savings program has not been evaluated for delivery risk
It is possible that a
further $16m to $103m of
cost
savings
and
operational
improvements could be
possible, however further
validation is required
The current cost savings do not specifically mention
opportunities in the cost of sales line, which may include
transportation and distribution opportunities

When compared to historical cost levels and comparator organizations, further upside may be possible in the O&M and G&A lines, beyond what has already been included in the business plan forecasts

Given the limited amount of time and access to information, it is difficult to ascertain how much further operational improvement may be possible in this business and further validation and diligence is required

The largest component of the incremental savings identified is in the O&M line. The savings may not be entirely possible given the plant upgrades and new emissions equipment

No consideration has been given to timing or implementation cost at this time

The asset efficiency of the organization lags the peer group and should be investigated further to understand the drivers and assess what upside may be possible

Dynegy s asset efficiency (EBITDA / Assets) is at 5% and currently 4th quartile for the peer group. For the comparator group chosen, the range was between 5% and 14%

Given the limited amount of time and access to information, it was not possible to identify the specific causes for this performance. Further investigation is required

2

3
DRAFT
Project Delta
We have identified an incremental $16m to $103m of potential savings,
above and beyond what may be included in the current forecasts
Methodology and Assumptions
The total potential for each of the P&L lines was determined using the 12 month period ending September 2010 as the baseline
Costs by type were compared with historic levels and against comparator organizations
The level of planned operating expense (O&M and G&A) going forward was estimated using the difference between gross ma
and adjusted EBITDA from the proxy filing dated 10 January 2011
(1)
The total savings potential was then compared to the published forecasts (10 January 2011 proxy filing) to understand if additi
opportunity exits, above and beyond what is included in the current business plans
Notes:
(1) Adjusted EBITDA includes interest income and other adjustments related to mark-to-market changes, and
therefore may not be an accurate representation of the planned O&M and G&A of the business going forward

Source:
Preliminary
proxy statements relating to merger or acquisition, DPREM 14A, 10 January 2011 page 59 ; Analysis
(1)
The
savings
range
has been
calculated by
taking the
difference
between the LTM
baseline ($631m)
and the estimated
operating cost
going forward
Savings potential
incremental to the
current business
forecasts
Savings potential from 12 month period ending September 2010 ($mm)
Base
Stretch
Base
Stretch
O&M
487
487
10%
19%
48
94
G&A
144
144
20%
36%
28
51
Subtotal
631
$
631
$
12%
23%
76
$
145
$

Analysis of planned operating expense going forward ($mm)
Base
Stretch
Assume that the average GM-
Adj
EBITDA for 2013 to 2015 is a good proxy for on-going O&M + G&A
566
65
-
Assume that the average GM-
Adj
EBITDA for 2012 to 2015 is a good proxy for on-going O&M + G&A
577
-
54
65
$
54
$
11
$
92
$
Cost of sales savings potential from 12 month period ending September 2010 ($mm)
Base
Stretch
Base
Stretch
Cost of Sales
1,140
114
5%
10%
6
11
16
$
103
$
Reduce Trans. & Dist.
Incremental savings potential (O&M and G&A)
Total incremental savings potential
Estimate of planned
improvements (2011 +)
P&L line
Opportunity
Cost base
(Q4'09 -
Q3'10)
Impactable

cost base
Savings assumption
Total savings potential (Q4'10
and beyond)
Improve O&M as a % of Sales
Improve G&A as a % of Sales
Possible
scenarios
Planned level of O&M + G&A
going forward
P&L line
Opportunity
Cost base
(Q4'09 -
Q3'10)
Impactable
cost base
Savings assumption
Total savings potential (Q4'10
and beyond)

4
DRAFT
Project Delta
We have developed a set of hypotheses that could be refined and tested through our structured approach
Procurement
A more strategic approach to direct and indirect procurement, including centralizing the procurement function across Dynegy, may reduce costs across the organization
H1
Maintenance
and
Operations
Improvements to the maintenance and operations strategy and practices, including
a
shift
to

more
preventative
maintenance,
and
improved
scheduling,
planning and prioritizing of work could reduce O&M costs in the organization
H2
Equipment
Effectiveness
Targeted investments and a more effective maintenance program may
improve
the
OEE
of
the
plants,
resulting
in
improved
utilization
and
availability,
leading to reduced cost and improved profit
H3
Capital
Expenditures
A more rigorous approach to capex
approval and project governance could
reduce capex
levels
H4
Inventory /
Spare Parts
A
better
controlled
procurement
process
and
a
well
defined
spare
parts
strategy could reduce operating expense and release working capital through
spare parts reduction
H5
Support
Functions

Driving efficiency across the support functions through centralization,
outsourcing
and
the
use
of
self-service
models
could
reduce
G&A
costs
in
the business
H6
Should you wish to
proceed to Phase II, we
have identified a
preliminary list of
areas that you may
want to consider for
further analysis and
investigation

5
DRAFT
Project Delta
Our analysis was based on 6 comparator organizations that we believe to be similar to Dynegy
Company/
Comparator
Business
Description
Ticker
symbol
Market
Cap
($B)
Geography
(countries)

of
plants
Total
capacity
(MW)
Employ-
ees
Generation mix
Stages of involvement
Coal
Natural
gas
Oil
Nuc-
lear
Hydro
Renewable
and others
Gene-
ration
Trans-
mission
Distri-
bution
Dynegy
Produces and sells electric
energy,
and
a
range
of
capacity
and
ancillary
services.
DYN
0.70
United States
18
12,300
1,735
GenOn
Energy
Generator of wholesale
electricity through baseload,
intermediate and peaking
units.
GEN
1.49
United States

49
24,599
3,219
NRG Energy
Engaged in the ownership,
development, and operation
of power generation
facilities.
NRG
4.99
United States
42
24,744
4,607
Calpine
Corporation
Sells wholesale power,
steam, capacity, renewable
energy
credits
and
ancillary
services.
CPN
6.54
91
27,500
2,200
Constellation
Energy Group
Develops, owns, owns
interests in, and operates
electric generation facilities.
CEG
6.50
N/A
7,118
7,200
The AES
Corporation
Owns and/or operates
power plants to generate
and sell wholesale power.
AES
10.21
United
States; 28
addt 1
countries
132

40,300
27,000
Public
Service
Enterprise
Group
Holding company which
operates through Power,
Utility and Investment
divisions.
PEG
15.85
United States
N/A
13,500
6,382
Notes:
Number of plants are defined as those that the Company owns, operates, leases or has partnership interests
Source:
Publicly available information
United
States;
Canada
United
States;
Canada

6
DRAFT
Project Delta
Summary of previously announced cost saving programs
Current cost improvement
initiatives
Additional detail
Observations
In July 2009, Dynegy reported
that a cumulative $400m to
$450m of operating
efficiencies could be achieved
between 2010 and 2013 with
annual run-rates between
$95m and $110m
(1)
Dynegy announced an extensive, multi-year program to

eliminate costs throughout the company. Cumulative
savings, relative to Dynegy s original plan, are expected
to be $400m to $450m over a four-year period beginning
in 2010
Annual savings are expected to be generated through
the following means:
reduced capital expenditures, with a targeted range of
$25m to $30m in savings per year;
reduced operational expenditures, with a targeted range
of $30m to $40m in savings per year; and
reduced general and administrative expenditures, with a
targeted range of $40m to $45m in savings per year
It does not appear that there have been additional
updates with respect to the timing, areas of focus
or progress towards targets aside from the
comments in the quarterly investor updates
indicating that the program is on-track
If the savings are based on a 2009 baseline, this
represents an EBITDA improvement of
approximately 3 points from 23% to 26% of sales
approximately 25% reduction in SG&A expense
approximately 7% reduction in O&M expense
Reduction in capex
is grouped in with the operating
cost improvements, however direct P&L impact is
not expected
As part of the proxy
statement released on
January 10, 2011 from
Dynegy to its shareholders,
an additional $50m of annual
cost savings may be possible,
beginning in 2011 and
incremental to the previously
announced targets
(2)
Implementation of a cost savings program focused on
reducing general, administrative and operational
expenses generates approximately $50m in annual cost
savings beginning in 2011.
Implementation has not yet commenced and would be
incremental to the cost savings targets included in the
Company s previously announced 2010-2013 cost
savings program
No further detail is provided as to where these cost
savings will come from or the cost and risk
associated with achieving this level of savings
Source:
(1)
Dynegy Press Release, August 10, 2009, Dynegy Reaches Transformational Agreement with LS Power; Separately Initiates C

(2) Dynegy Proxy Filing on December 23, 2010, Schedule 14a, Page 60, note 3

7
DRAFT
Methodology and Assumptions
To estimate the planned level of operating expense (O&M and G&A) going forward,

the
projected gross margin of the business was compared to the projected Adjusted EBITDA using the forecasts found in the 10 January 2011 proxy filing
it is important to note that there is a difference between the $702m of estimated operating expense found using this method for 2010E and the LTM baseline ($631m) used to calculate the potential savings of $71m (10%). This could be due to the impacts of interest income, mark-to-market changes or changes in the operating cost base of the business and should be investigated further
Once the expected level of operating expense was determined for each of the forecast periods, it was assumed that 2013 and beyond could be used to understand the planned level of operating expense once all of the current cost reduction programs were completed
this analysis will only identify the net forecast change in estimated operating expense which will include both increases due to increasing costs of goods and services and cost reduction efforts that may be planned and delivered as part of the announced programs and further efforts by management
Project Delta
Analysis of proxy filing
Notes:
(1) Adjusted EBITDA includes interest income and other adjustments related to mark-to-market changes, and therefore may not be an accurate representation of the planned O&M and G&A of the business going forward
Source:
Preliminary
proxy statements relating to merger or acquisition, DPREM 14A, 10 January 2011 page 59 ; Analysis
Recommended next steps
Validate the actual planned levels of O&M and G&A in the business plan going forward
and compare these
to the actual 2010 results to determine what level of cost reduction may be planned
Review the assumptions and operating initiatives that were used to develop the plans to understand the robustness of those plans and assumptions
Understand and model the impact of off-setting items including normalizing for changes in revenue, inflation, changes in the asset base or other known items that could impact the required level of operating expense going forward
(1)
Analysis of forward looking performance ($mm)
2010E
2011E
2012E
2013E
2014E
2015E
Gross Margin
1,209
867
920

1,057
932
1,020
Adjusted EBITDA
507
418
308
483
380
449
Operating
Cash
Flow
317
(13)
(147)
47
(93)
(28)
Estimated operating expense (GM less adjusted EBITDA)
702
449
612
574
552
571
Assume that the average GM-
Adj
EBITDA for 2013 to 2015 is a good proxy for on-going O&M + G&A
566
Assume that the average GM-
Adj
EBITDA for 2012 to 2015 is a good proxy for on-going O&M + G&A
577
Financial year ending Deember
31,
Planned level of O&M +
G&A going forward
Possible scenarios

8
DRAFT
Project Delta
Comparator organizations cost reduction initiatives
Company
Commentary
GenOn
Energy
We assume US$100m in cost savings in 2011 rising to US$200m in 2012 (more than management s guidance of US$150m)
the
companies
eliminate
some
overheads
and
optimize

coal and power hedges.

Macquarie Equities Research, Dec. 2010

We believe GEN will exceed announced annual cost savings of $150MM. We believe this estimate is conservative and will b achieved early in 2011. We expect additional annual savings of $100-$150MM.

RBC Capital Markets, Dec. 2010

Both companies also expect overhead cost savings to result from consolidations in several areas, including headquarters, IT systems and corporate functions such as accounting, human resources and finance.

ISS Proxy Advisory, Oct. 2010

Stockholders of both companies (Mirant & RRI Energy) will benefit from significant value creation driven by expected annu savings of $150 million. These costs savings will come from reductions in corporate overhead and will be realized fully starting in January 2012.

BusinessWire, Apr. 2010
NRG Energy

Longer term NRG forecasts Reliant to earn around $300m per year in run-rate EBITDA. Included in this estimate are the transaction cost savings associated with being able to cross generation and load (around $30m of margin from bypassing the bid/ask spread and from collateral savings).

Morgan Stanley Research, Oct. 2010 Calpine Corporation

Calpine s strategy of keeping its focus on natural gas-fired generation has served the company well. By doing so, Calpine ha been able to avoid the need for costly environmental upgrades.

Oppenheimer, Dec. 2010

Operating costs are expected to decline in 2012 as the major maintenance cycle is completed. Thereafter, we expect costs to b about flat as a result of the company s cost management efforts.

Wunderlich Securities, Dec. 2010 Constellation Energy Group

Constellation Energy must be nimble and agile, able and willing to change based upon market dynamics or a sweeping policy pronouncement. Over the course of the next 12 to 24 months, we intend to deploy up to $1 billion of the cash proceeds from th EDF joint venture toward asset acquisitions in areas where we supply a large volume of power.

GlobalData, July 2010 AES Corporation
AES is currently transitioning from a crisis period to disciplined growth. Key future drivers are organic growth, acquisitions, deleveraging, enhanced operational synergies and cost cutting.

RBC Capital Markets, Nov. 2010
Potential for positive earnings revisions in the future. We believe the combination of cost reductions and/or accretive acquisit could cause upward revisions to our 2011-2012 estimates. Our recent conversations with management suggest the possibility of $75-100 million ($0.06-$0.08/share,

after-tax)
of
corporate
overhead
reductions
that
are
not
currently
in
our
estimates

SunTrust
Robinson Humphrey, Oct. 2010
Source:
Analyst reports and other publically available information