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Dynegy, LS Power Announce Transactions with Lower Colorado River Authority Relating to Sandy Creek Project

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HOUSTON--(BUSINESS WIRE)--Dynegy Inc. (NYSE:DYN) and LS Power Group today announced an agreement to sell a portion of their indirect interest in the 900-megawatt Sandy Creek Power Generation Facility to the Lower Colorado River Authority (LCRA). In addition to purchasing an approximately 11 percent non-controlling ownership stake in the project, which represents the equivalent of 100 megawatts, LCRA is also entering into a 30-year power purchase agreement for 100 megawatts of capacity commencing with commercial operations. The power purchase agreement provides for a pass-through of fixed and variable operating costs.

"We are excited to have LCRA participate in the Sandy Creek Power Generation Facility," said Bruce A. Williamson, Chairman, President and Chief Executive Officer of Dynegy Inc. "As planned, we are able to secure an attractive cash flow stream and reduce merchant risk by executing a long-term contract for Sandy Creek's output, with a pass-through of fuel, transportation and emissions expenses. This transaction demonstrates the increasing value of projects in operation or under construction as construction costs continue to escalate and the development of new projects becomes increasingly more difficult."

The proceeds from the sale will be used to repay project costs and to fund a distribution to Dynegy and LS Power. In addition, Dynegy's credit support requirements related to the Sandy Creek project will be reduced by approximately \$50 million.

Sandy Creek is expected to enter into commercial operation in 2012. The facility, which is under construction, will include a super-critical steam generator and advanced emission controls, including low-NOx burners, a selective catalytic reduction system, scrubbers and a continuous emissions monitoring system. Due to the facility's high efficiency/low heat rate design, it is expected to be well-positioned for frequent dispatch and energy sales into the Electric Reliability Council of Texas.

Through Sandy Creek Holdings, LLC, Dynegy and LS Power Group will retain an ownership interest in the Sandy Creek project of approximately 64 percent following completion of the LCRA transaction.

LS Power Group was founded in 1990 and is a fully integrated investment, development and asset management group of companies focused on the power industry.

Through its subsidiaries, Dynegy Inc. produces and sells electric energy, capacity and ancillary services in key U.S. markets. The power generation portfolio consists of more than 19,000 megawatts of baseload, intermediate and peaking power plants fueled by a mix of natural gas, coal and fuel oil. DYNC

Certain statements included in this news release are intended as "forward-looking statements." These statements include assumptions, expectations, predictions, intentions or beliefs about future events, particularly the statements related to: the motivations and or intentions of Dynegy and the anticipated results of this transaction; statements relating to the benefits of executing the long-term power purchase agreement; the refinancing of project debt; anticipated uses of the proceeds and reduction of Dynegy's credit support; when the plant will become commercially operational; and any statements related to technologies, processes that may or may not reduce emissions; Dynegy's positioning for the future; any and all trends observed and the potential opportunities discussed in relation to those; and the likelihood that a proposed transaction will be fully executed. Dynegy cautions that actual future results may vary materially from those expressed or implied in any forward-looking statements. Specifically, Dynegy cautions that the transaction may not close on schedule, if at all, and it may not prove to be financially advantageous to Dynegy as a result of unknown market conditions, output contract terms, costs of construction and future environmental regulation. More information about the risks and uncertainties relating to these forward-looking statements are found in Dynegy's SEC filings, including its Annual Report on Form 10-K for the year ended December 31, 2007 and its Form 10-Q for the quarter ended March 31, 2008, all of which are available free of charge on the SEC's web site at www.sec.gov.

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