

DYNEGY INC.
Form 10-Q
August 07, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2015

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

For the transition period from _____ to _____

Commission file number: 001-33443

DYNEGY INC.

(Exact name of registrant as specified in its charter)

State of

Incorporation

Delaware

I.R.S. Employer

Identification No.

20-5653152

601 Travis, Suite 1400

Houston, Texas

(Address of principal executive offices)

(713) 507-6400

(Registrant's telephone number, including area code)

77002

(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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Indicate the number of shares outstanding of our class of common stock, as of the latest practicable date: Common stock, \$0.01 par value per share, 128,177,031 shares outstanding as of July 21, 2015.

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DEFINITIONS

As used in this Form 10-Q, the abbreviations contained herein have the meanings set forth below.

CAISO	The California Independent System Operator
CAA	Clean Air Act
CPUC	California Public Utility Commission
CT	Combustion Turbine
CWA	Clean Water Act
EGU	Electric Generating Units
EPA	Environmental Protection Agency
FCA	Forward Capacity Auction
FERC	Federal Energy Regulatory Commission
FTR	Financial Transmission Rights
HAPs	Hazardous Air Pollutants, as defined by the Clean Air Act
IMA	In-market Asset Availability
IPCB	Illinois Pollution Control Board
IPH	IPH, LLC (formerly known as Illinois Power Holdings, LLC)
ISO	Independent System Operator
ISO-NE	Independent System Operator New England
kW	Kilowatt
LIBOR	London Interbank Offered Rate
LMP	Locational Marginal Pricing
MAAC	Mid-Atlantic Area Council
MATS	Mercury and Air Toxics Standards
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	One Million British Thermal Units
Moody's	Moody's Investors Service Inc.
MW	Megawatts
MWh	Megawatt Hour
NM	Not Meaningful
NYISO	New York Independent System Operator
PJM	PJM Interconnection, LLC
PRIDE	Producing Results through Innovation by Dynegy Employees
RFO	Request for Offers
RMR	Reliability Must Run
RPM	Reliability Pricing Model
RTO	Regional Transmission Organization
S&P	Standard & Poor's Ratings Services
SEC	U.S. Securities and Exchange Commission
SEMA/RI	Southeastern Massachusetts and Rhode Island
VaR	Value at Risk

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PART I. FINANCIAL INFORMATION

Item 1—FINANCIAL STATEMENTS

DYNEGY INC.

CONSOLIDATED BALANCE SHEETS

(unaudited) (in millions, except share data)

	June 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$711	\$1,870
Restricted cash	—	113
Accounts receivable, net of allowance for doubtful accounts of \$2 and \$2, respectively	439	270
Inventory	523	208
Assets from risk management activities	78	78
Intangible assets	124	27
Prepayments and other current assets	222	108
Total Current Assets	2,097	2,674
Property, Plant and Equipment	9,309	3,685
Accumulated depreciation	(643	) (430
Property, Plant and Equipment, Net	8,666	3,255
Other Assets		
Investment in unconsolidated affiliate	199	—
Restricted cash	—	5,100
Assets from risk management activities	22	2
Goodwill	837	—
Intangible assets	104	38
Deferred income taxes	22	20
Other long-term assets	202	143
Total Assets	\$12,149	\$11,232

See the notes to consolidated financial statements.

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DYNEGY INC.
 CONSOLIDATED BALANCE SHEETS
 (unaudited) (in millions, except share data)

	June 30, 2015	December 31, 2014
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$351	\$216
Accrued interest	74	80
Deferred income taxes	58	20
Intangible liabilities	113	45
Accrued liabilities and other current liabilities	179	157
Liabilities from risk management activities	119	132
Debt, current portion	52	31
Total Current Liabilities	946	681
Debt, long-term portion		
	7,079	7,075
Other Liabilities		
Liabilities from risk management activities	137	31
Asset retirement obligations	324	205
Intangible liabilities	93	36
Other long-term liabilities	251	181
Total Liabilities	8,830	8,209
Commitments and Contingencies (Note 14)		
Stockholders' Equity		
Preferred stock, \$0.01 par value, 20,000,000 shares authorized at June 30, 2015 and December 31, 2014:		
Series A 5.375% mandatory convertible preferred stock, \$0.01 par value; 4,000,000 shares issued and outstanding at June 30, 2015 and December 31, 2014	400	400
Common stock, \$0.01 par value, 420,000,000 shares authorized at June 30, 2015 and December 31, 2014; 128,177,031 shares and 124,436,941 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	1	1
Additional paid-in capital	3,435	3,338
Accumulated other comprehensive income, net of tax	14	20
Accumulated deficit	(528)	(736)
Total Dynegy Stockholders' Equity	3,322	3,023
Noncontrolling interest	(3)	—
Total Equity	3,319	3,023
Total Liabilities and Equity	\$12,149	\$11,232

See the notes to consolidated financial statements.

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DYNEGY INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited) (in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues	\$990	\$521	\$1,622	\$1,283
Cost of sales, excluding depreciation expense	(496	) (365	) (873	) (917
Gross margin	494	156	749	366
Operating and maintenance expense	(250	) (136	) (361	) (246
Depreciation expense	(175	) (57	) (239	) (124
Gain (loss) on sale of assets, net	(1	) 14	(1	) 14
General and administrative expense	(35	) (29	) (65	) (55
Acquisition and integration costs	(23	) (2	) (113	) (8
Operating income (loss)	10	(54	) (30	) (53
Earnings from unconsolidated investments	3	10	3	10
Interest expense	(132	) (42	) (268	) (72
Other income and expense, net	4	(39	) (1	) (45
Loss before income taxes	(115	) (125	) (296	) (160
Income tax benefit (Note 15)	501	3	501	1
Net income (loss)	386	(122	) 205	(159
Less: Net income (loss) attributable to noncontrolling interest	(2	) 1	(3	) 5
Net income (loss) attributable to Dynegy Inc.	388	(123	) 208	(164
Less: Dividends on preferred stock	6	—	11	—
Net income (loss) attributable to Dynegy Inc. common stockholders	\$382	\$(123	) \$197	\$(164
Earnings (Loss) Per Share (Note 17):				
Basic earnings (loss) per share attributable to Dynegy Inc. common stockholders	\$2.98	\$(1.23	) \$1.56	\$(1.64
Diluted earnings (loss) per share attributable to Dynegy Inc. common stockholders	\$2.73	\$(1.23	) \$1.49	\$(1.64
Basic shares outstanding	128	100	126	100
Diluted shares outstanding	142	100	140	100

See the notes to consolidated financial statements.

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DYNEGY INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited) (in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income (loss)	\$386	\$(122)	) \$205	\$(159)
Other comprehensive loss before reclassifications:				
Actuarial loss (net of tax of zero, zero, zero and zero, respectively)	(5	) —	(5	) (3)
Amounts reclassified from accumulated other comprehensive income:				
Amortization of unrecognized prior service credit and actuarial gain (net of tax of zero, zero, zero and zero, respectively)	(1	) (1	) (2	) (2)
Other comprehensive loss, net of tax	(6	) (1	) (7	) (5)
Comprehensive income (loss)	380	(123	) 198	(164)
Less: Comprehensive income (loss) attributable to noncontrolling interest	(2	) 1	(3	) 4
Total comprehensive income (loss) attributable to Dynegy Inc.	\$382	\$(124) \$201	\$(168)

See the notes to consolidated financial statements.

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DYNEGY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited) (in millions)

	Six Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$205	\$(159)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation expense	239	124
Non-cash interest expense	15	10
Amortization of intangibles	(9)	) 35
Risk management activities	(66)	) 71
(Gain) loss on sale of assets, net	1	(14)
Earnings from unconsolidated investments	(3)) —
Deferred income taxes	(501)	) (1)
Change in value of common stock warrants	2	49
Other	23	19
Changes in working capital:		
Accounts receivable, net	(17)	) 63
Inventory	(42)	) (18)
Prepayments and other current assets	49	14
Accounts payable and accrued liabilities	76	(28)
Changes in non-current assets	(12)	) (6)
Changes in non-current liabilities	19	4
Net cash provided by (used in) operating activities	(21)	) 163
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(102)	) (69)
Proceeds from asset sales, net	—	14
Acquisitions, net of cash acquired	(6,092)) —
Decrease in restricted cash	5,148	—
Other investing	(10)) —
Net cash used in investing activities	(1,056)	) (55)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	6	12
Repayments of borrowings	(27)	) (4)
Financing costs from debt issuance	(31)	) (1)
Financing costs from equity issuance	(6)) —
Dividends paid	(12)) —
Interest rate swap settlement payments	(8)	) (9)
Other financing	(4)	) (1)
Net cash used in financing activities	(82)	) (3)
Net increase (decrease) in cash and cash equivalents	(1,159)	) 105
Cash and cash equivalents, beginning of period	1,870	843
Cash and cash equivalents, end of period	\$711	\$948

Other non-cash investing activity:

Non-cash capital expenditures	\$ (32	)	\$ (3)
Non-cash consideration transferred for Acquisitions	\$ (105)	\$ —)

See the notes to consolidated financial statements.

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DYNEGY INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
For the Interim Periods Ended June 30, 2015 and 2014

Note 1—Basis of Presentation and Organization

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to interim financial reporting as prescribed by the SEC. The year-end consolidated balance sheet data was derived from audited consolidated financial statements, but does not include all disclosures required by the Generally Accepted Accounting Principles of the United States of America (“GAAP”). The unaudited consolidated financial statements contained in this report include all material adjustments of a normal recurring nature that, in the opinion of management, are necessary for a fair presentation of the results for the interim periods. These interim financial statements should be read together with the consolidated financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2014, filed with the SEC on February 25, 2015, which we refer to as our “Form 10-K.” Unless the context indicates otherwise, throughout this report, the terms “Dynegy,” “the Company,” “we,” “us,” “our,” and “ours” are used to refer to Dynegy Inc. and its direct and indirect subsidiaries.

Our current business operations are focused primarily on the unregulated power generation sector of the energy industry. We report the results of our power generation business as three segments in our unaudited consolidated financial statements: (i) the Coal segment (“Coal”), (ii) the IPH segment (“IPH”) and (iii) the Gas segment (“Gas”). Our consolidated financial results also reflect corporate-level expenses such as general and administrative expense, interest expense and income tax benefit (expense). All significant intercompany transactions have been eliminated. Please read Note 19—Segment Information for further discussion.

IPH and its direct and indirect subsidiaries are organized into ring-fenced groups in order to maintain corporate separateness from Dynegy and its other subsidiaries. Certain of the entities in the IPH segment, including Illinois Power Generating Company (“Genco”), have an independent director whose consent is required for certain corporate actions, including material transactions with affiliates. Further, entities within the IPH segment present themselves to the public as separate entities. They maintain separate books, records and bank accounts and separately appoint officers. Furthermore, they pay liabilities from their own funds, conduct business in their own names and have restrictions on pledging their assets for the benefit of certain other persons. These provisions restrict our ability to move cash out of these entities without meeting certain requirements as set forth in the governing documents.

Note 2—Accounting Policies

Use of Estimates. The preparation of unaudited consolidated financial statements in conformity with GAAP requires management to make informed estimates and judgments that affect our reported financial position and results of operations based on currently available information. Actual results could differ materially from our estimates. The results of operations for the interim periods presented in this Form 10-Q are not necessarily indicative of the results to be expected for the full year or any other interim period due to seasonal fluctuations in demand for our energy products and services, changes in commodity prices, timing of maintenance and other expenditures and other factors. The accounting policies followed by the Company are set forth in Note 2—Summary of Significant Accounting Policies in our Form 10-K. The accompanying unaudited consolidated financial statements include our accounts and the accounts of our majority-owned or controlled subsidiaries. Accounting policies for all of our operations are in accordance with accounting principles generally accepted in the United States of America. There have been no significant changes to our accounting policies during the six months ended June 30, 2015. Due to our recent Acquisitions in April 2015, we have added the following significant policies:

Undivided Interest Accounting. We account for our undivided interests in certain of our coal-fired power generation facilities whereby our proportionate share of each facility’s assets, liabilities, revenues, and expenses are included in the appropriate classifications in the accompanying unaudited consolidated financial statements.

Goodwill. Goodwill represents, at the time of an acquisition, the excess of purchase price over fair value of net assets acquired. The carrying amount of our goodwill will be periodically reviewed, at least annually, for impairment and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In accordance with Accounting Standards Codification (“ASC”) 350, Intangibles-Goodwill and Other, we can opt to perform a

qualitative assessment to test goodwill for impairment or we can directly perform a two-step impairment test. Based on our qualitative assessment, if we determine that the fair value of a reporting unit is more likely than not (i.e., a likelihood of more than 50 percent) to be less than its carrying amount, the two-step impairment test will be performed.

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DYNEGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the Interim Periods Ended June 30, 2015 and 2014

In the absence of sufficient qualitative factors, goodwill impairment is determined using a two-step process:

Step one—Identify potential impairment by comparing the fair value of a reporting unit to the book value, including goodwill. If the fair value exceeds book value, the goodwill of the reporting unit is not considered impaired. If the book value exceeds fair value, proceed to step two.

Step two—Compare the implied fair value of the reporting unit's goodwill to the book value of the reporting unit's goodwill. If the book value of goodwill exceeds the implied fair value, an impairment charge is recognized for the excess.

Accounting Standards Adopted During the Current Period

Reporting Discontinued Operations and Asset Disposals. In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08-Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity. The amendments in this ASU change the requirements for reporting discontinued operations in Subtopic 205-20. An entity is required to report within discontinued operations on the statement of operations the results of a component or group of components of an entity if the disposal represents a strategic shift that has, or will have, a major effect on an entity's operations and financial results. Additionally, the associated assets and liabilities are required to be presented separately from other assets and liabilities on the balance sheet for all comparative periods. The ASU includes updated guidance regarding what meets the definition of a component of an entity. The new financial statement presentation provisions relating to this ASU are prospective and effective for interim and annual periods beginning after December 15, 2014, with early adoption permitted. The adoption of this ASU did not have a material impact on our unaudited consolidated financial statements or disclosures.

Accounting Standards Not Yet Adopted

Inventory. In July 2015, the FASB issued ASU 2015-011-Inventory (Topic 330). The amendments in this ASU require that inventory is measured at the lower of cost and net realizable value ("NRV"), with the latter defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This ASU eliminates the need to determine market or replacement cost and evaluate whether it is above the ceiling at NRV or below the floor (NRV less a normal profit margin). The guidance in this ASU is effective prospectively for interim and annual periods beginning after December 15, 2016, with early adoption permitted. We do not anticipate the adoption of this ASU will have a material impact on our unaudited consolidated financial statements.

Debt Issuance Costs. In April 2015, the FASB issued ASU 2015-03-Interest-Imputation of Interest (Subtopic 835-30). The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The guidance in this ASU is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted. The adoption of this ASU should be applied on a retrospective basis, affecting all balance sheet periods presented. We do not anticipate the adoption of this ASU will have a material impact on our unaudited consolidated balance sheets.

Consolidation. In February 2015, the FASB issued ASU 2015-02-Consolidation (Topic 810). The amendments in this ASU respond to concerns about the current accounting for consolidation of certain legal entities, in particular: (i) consolidation of limited partnerships and similar legal entities, (ii) evaluating fees paid to a decision maker or a service provider as a variable interest, (iii) the effect of fee arrangements on the primary beneficiary determination, (iv) the effect of related parties on the primary beneficiary determination and (v) consolidation of certain investment funds. The guidance in this ASU is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted in an interim period. We do not anticipate the adoption of this ASU will have a material impact on our unaudited consolidated financial statements.

Extraordinary and Unusual Items. In January 2015, the FASB issued ASU 2015-01-Income Statement-Extraordinary and Unusual Items (Subtopic 225-20). The amendments in this ASU eliminate from GAAP the concept of extraordinary items and will no longer require separate classification of these items within the statement of operations. Presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring. The guidance in this ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Reporting entities may elect to apply the amendments prospectively only, or retrospectively for all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. We do not anticipate the adoption of this ASU will have a material impact on our unaudited consolidated financial statements.

DYNEGY INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
For the Interim Periods Ended June 30, 2015 and 2014

Revenue from Contracts with Customers. In May 2014, the FASB and International Accounting Standards Board (“IASB”) jointly issued ASU 2014-09-Revenue from Contracts with Customers (Topic 606). The amendments in this ASU develop a common revenue standard for GAAP and International Financial Reporting Standards (“IFRS”) by removing inconsistencies and weaknesses in revenue requirements, providing a more robust framework for addressing revenue issues, improving comparability of revenue recognition practices, providing more useful information to users of financial statements and simplifying the preparation of financial statements. The guidance in this ASU is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted for interim and annual periods beginning after December 15, 2016. We are currently assessing this ASU; however, we do not anticipate the adoption of this ASU will have a material impact on our unaudited consolidated financial statements.

Note 3—Acquisitions

Acquisitions

ECP Purchase Agreements. On April 1, 2015 (the “EquiPower Closing Date”), pursuant to the terms of the stock purchase agreement dated August 21, 2014, as amended (the “ERC Purchase Agreement”), our wholly-owned subsidiary, Dynegy Resource II, LLC (the “ERC Purchaser”) purchased 100 percent of the equity interests in EquiPower Resources Corp. (“ERC”) from certain affiliates of Energy Capital Partners (collectively, the “ERC Sellers”) thereby acquiring (i) five combined cycle natural gas-fired facilities in Connecticut, Massachusetts and Pennsylvania, (ii) a partial interest in one natural gas-fired peaking facility in Illinois, (iii) two gas and oil-fired peaking facilities in Ohio and (iv) one coal-fired facility in Illinois (the “ERC Acquisition”).

On the EquiPower Closing Date, in a related transaction, pursuant to a stock purchase agreement and plan of merger dated August 21, 2014, as amended (the “Brayton Purchase Agreement” and together with the ERC Purchase Agreement, the “ECP Purchase Agreements”), our wholly-owned subsidiary Dynegy Resource III, LLC (the “Brayton Purchaser” and together with the ERC Purchaser, the “ECP Purchasers”) purchased 100 percent of the equity interests in Brayton Point Holdings, LLC (“Brayton”) from certain affiliates of Energy Capital Partners (collectively, the “Brayton Sellers” and together with the ERC Sellers, the “ECP Sellers”), thereby acquiring a coal-fired facility in Massachusetts (the “Brayton Acquisition”).

The ERC Acquisition and the Brayton Acquisition (collectively, the “EquiPower Acquisition”) added approximately 6,300 MW of generation in Connecticut, Illinois, Massachusetts, Ohio and Pennsylvania for an aggregate base purchase price of approximately \$3.35 billion in cash plus approximately \$105 million in common stock of Dynegy, subject to certain adjustments. In aggregate, the resulting operations from the two coal-fired facilities acquired from the ECP Sellers are reported within our Coal segment, while related operations from the six natural gas-fired and two gas and oil-fired facilities are reported within our Gas segment.

Under the ECP Purchase Agreements, the ECP Purchasers and ECP Sellers have agreed to indemnify the other applicable parties for breaches of representations and warranties, breaches of covenants and certain other matters, subject to certain exceptions and limitations. Neither the ECP Purchasers nor the ECP Sellers, in the aggregate, are entitled to indemnification in excess of \$276 million, and \$104 million of the purchase price will be held in escrow for one year after closing to support the post-closing adjustment and the indemnification obligations of the ECP Sellers.

Duke Midwest Purchase Agreement. On April 2, 2015 (the “Duke Midwest Closing Date”), pursuant to the terms of the purchase and sale agreement dated August 21, 2014, as amended (the “Duke Midwest Purchase Agreement”), our wholly-owned subsidiary Dynegy Resource I, LLC (“DRI”) purchased 100 percent of the membership interests in Duke Energy Commercial Asset Management, LLC and Duke Energy Retail Sales, LLC, from two affiliates of Duke Energy Corporation (collectively, “Duke Energy”), thereby acquiring approximately 6,200 MW of generation in (i) three combined cycle natural gas-fired facilities located in Ohio and Pennsylvania, (ii) two natural gas-fired peaking facilities located in Ohio and Illinois, (iii) one oil-fired peaking facility located in Ohio, (iv) partial interests in five coal-fired facilities located in Ohio and (v) a retail energy business for a base purchase price of approximately \$2.80 billion in cash (the “Duke Midwest Acquisition”), subject to certain adjustments. We operate two of the five coal-fired facilities, the Miami Fort and Zimmer facilities, with other owners operating the three remaining facilities. The

operations from the retail energy business, the five coal-fired and the one oil-fired facilities acquired from Duke Energy are reported within our Coal segment, while related operations from the five natural gas-fired facilities are reported within our Gas segment.

Under the Duke Midwest Purchase Agreement, DRI and Duke Energy have agreed to indemnify the other applicable parties for breaches of representations and warranties, breaches of covenants and certain other matters, subject to certain exceptions and limitations. Dynegy has guaranteed, up to a maximum liability of \$2.80 billion, the obligations of DRI under the Duke Midwest Purchase Agreement and related Transition Services Agreement (“TSA”). DRI shall, in the aggregate, not be entitled to

DYNEGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the Interim Periods Ended June 30, 2015 and 2014

indemnification in excess of \$280 million for most matters and \$2.80 billion for certain fundamental representations, tax matters and fraud.

Business Combination Accounting. The EquiPower Acquisition and the Duke Midwest Acquisition (collectively, the “Acquisitions”) have been accounted for in accordance with ASC 805, Business Combinations, with identifiable assets acquired and liabilities assumed recorded at their estimated fair values on the acquisition dates, April 1, 2015 and April 2, 2015, respectively. The initial accounting for the Acquisitions is not complete because certain information and analysis that may impact our initial valuations are still being obtained or reviewed as a result of the short time period since the closing of the Acquisitions. The significant assets and liabilities for which provisional amounts are recognized at the respective acquisition dates are property, plant and equipment, intangible assets and liabilities, goodwill, investment in unconsolidated affiliate, working capital adjustments, deferred income taxes, taxes other than deferred income taxes and asset retirement obligations. The provisional amounts recognized are subject to revision until our valuations are completed, not to exceed one year, and any material adjustments identified that existed as of the acquisition date will be retroactively adjusted.

To fair value the acquired property, plant and equipment, we used a Discounted Cash Flow (“DCF”) analysis, classified as Level 3 within the fair value hierarchy levels and based upon a debt-free, free cash flow model. This DCF model was created for each power generation facility based on its remaining useful life. The DCF model included gross margin forecasts for each power generation facility determined using forward commodity market prices obtained from third party quotations for the years 2015 through 2016. For the years 2017 through 2024, we used commodity and capacity price curves developed internally utilizing forward NYMEX natural gas prices and supply and demand factors. For periods beyond 2024, we assumed a 2.5 percent growth rate. We also used management’s forecasts of operations and maintenance expense, general and administrative expense and capital expenditures for the years 2015 through 2019 and assumed a 2.5 percent growth rate, thereafter. The resulting cash flows were then discounted using plant specific discount rates of approximately 8 to 10 percent for gas-fired generation facilities and approximately 9 to 13 percent for coal-fired generation facilities, based upon the asset’s age, efficiency, region and years until retirement. Contracts with terms that were not at current market value were also valued using a DCF analysis. The cash flows generated by the contracts were compared with their cash flows based on current market prices with the resulting difference recorded as either an intangible asset or liability. The 3,460,053 shares of common stock of Dynegy issued as part of the consideration for the EquiPower Acquisition were valued at approximately \$105 million based on the closing price of Dynegy’s common stock on the EquiPower Closing Date.

DYNEGY INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
For the Interim Periods Ended June 30, 2015 and 2014

The following table summarizes the consideration paid and the preliminary fair value amounts recognized for the assets acquired and liabilities assumed related to the EquiPower Acquisition and Duke Midwest Acquisition, as of the respective acquisition dates, April 1, 2015 and April 2, 2015:

(amounts in millions)	EquiPower Acquisition	Duke Midwest Acquisition	Total
Cash	\$3,350	\$2,800	\$6,150
Equity instruments (3,460,053 common shares of Dynegy)	105	—	105
Net working capital adjustment	206	(9)	197
Fair value of total consideration transferred	\$3,661	\$2,791	\$6,452
Cash	\$267	\$—	\$267
Accounts receivable	50	124	174
Inventory	166	106	272
Assets from risk management activities (including current portion of \$4 million and \$30 million, respectively)	4	33	37
Prepayments and other current assets	32	69	101
Property, plant and equipment	2,776	2,741	5,517
Investment in unconsolidated affiliate	196	—	196
Intangible assets (including current portion of \$67 million and \$36 million, respectively)	111	84	195
Other long-term assets	28	34	62
Total assets acquired	3,630	3,191	6,821
Accounts payable	27	92	119
Accrued liabilities and other current liabilities	20	10	30
Debt, current portion	39	—	39
Liabilities from risk management activities (including current portion of \$41 million and zero, respectively)	57	107	164
Asset retirement obligations	53	56	109
Intangible liabilities (including current portion of \$24 million and \$58 million, respectively)	73	93	166
Deferred income taxes, net	537	—	537
Other long-term liabilities	—	42	42
Total liabilities assumed	806	400	1,206
Identifiable net assets acquired	2,824	2,791	5,615
Goodwill	837	—	837
Net assets acquired	\$3,661	\$2,791	\$6,452

As a result of recording the stepped up fair market basis for GAAP purposes, but receiving primarily carryover basis for tax purposes in the EquiPower Acquisition, we recorded a net deferred tax liability of \$537 million. As we have previously recorded a valuation allowance against our historical deferred tax assets, we have released approximately \$480 million of our valuation allowance as a result of these increased net deferred tax liabilities.

The goodwill of \$837 million resulting from the EquiPower Acquisition reflects the excess of our purchase price over the fair value of the net assets acquired. We allocated 88 percent of the goodwill to our Gas reporting unit, and 12 percent to our Coal reporting unit, or \$732 million and \$105 million, respectively, based upon the fair value of the plant assets associated with each reporting unit. None of the goodwill recognized is deductible for income tax

purposes, and as such, no deferred taxes have been recorded related to goodwill. No goodwill was recognized as a result of the Duke Midwest Acquisition.

We incurred acquisition costs of \$2 million and \$85 million for the three and six months ended June 30, 2015, respectively, related to the Acquisitions, which are included in Acquisition and integration costs in our unaudited consolidated statement of

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operations. Revenues of \$585 million and operating income of \$148 million attributable to the Acquisitions are included in our unaudited consolidated statement of operations for the three and six months ended June 30, 2015. Pro Forma Results. The unaudited pro forma financial results for the six months ended June 30, 2015 and 2014 assume the EquiPower Acquisition and the Duke Midwest Acquisition occurred on January 1, 2014. The unaudited pro forma financial results may not be indicative of the results that would have occurred had the acquisition been completed as of January 1, 2014, nor are they indicative of future results of operations.

(amounts in millions)	Six Months Ended June 30,	
	2015	2014
Revenues	\$2,612	\$2,696
Net income (loss)	\$466	\$(528)
Net income (loss) attributable to noncontrolling interests	\$(3)	) \$5
Net income (loss) attributable to Dynegy Inc.	\$469	\$(533)

Note 4—Unconsolidated Investments

Equity Method Investments

Elwood. In connection with the EquiPower Acquisition, we acquired a 50 percent interest in Elwood Energy LLC, a limited liability company (“Elwood Energy”) and Elwood Expansion LLC, a limited liability company (“Elwood Expansion” and, together with Elwood Energy, “Elwood”). Elwood Energy owns a 1,566 MW natural gas-fired facility located in Elwood, Illinois. As of June 30, 2015, our equity method investment included in our unaudited consolidated balance sheet was \$199 million. Upon the acquisition of our Elwood investment, we recognized basis differences in the net assets of approximately \$84 million related to property plant and equipment, debt and intangibles. These basis differences are being amortized over their respective useful lives. Our risk of loss related to our equity method investment is limited to our investment balance. Holders of the debt of our unconsolidated investment do not have recourse to us and our other subsidiaries; therefore, the debt of our unconsolidated investment is not reflected in our unaudited consolidated balance sheet. As of June 30, 2015, Elwood debt was approximately \$160 million, and based on our pro rata share of the investment, our share of such debt would be approximately \$80 million.

We recorded \$3 million in equity earnings related to our investment in Elwood, which is reflected in Earnings from unconsolidated investments in our unaudited consolidated statement of operations for the three and six months ended June 30, 2015. There were no distributions for the three and six months ended June 30, 2015. In July 2015, we received a distribution of \$11 million. As of June 30, 2015, we have approximately \$2 million in accounts receivable due from Elwood, which is included in Accounts receivable in our unaudited consolidated balance sheet.

Black Mountain. On June 27, 2014, we completed the sale of our 50 percent partnership interest in Nevada Cogeneration Associates #2, a partnership that owns Black Mountain, an 85 MW (43 net MW) natural gas-fired combined cycle gas turbine facility in Nevada. We received \$14 million in cash proceeds upon the close of the transaction, which is reflected in Gain on sale of assets, net in our unaudited consolidated statements of operations for the three and six months ended June 30, 2014. In connection with the sale, our guarantee was terminated.

Additionally, we received \$10 million in cash distributions from Black Mountain, which is recorded as Earnings from unconsolidated investments in our unaudited consolidated statements of operations for the three and six months ended June 30, 2014.

Note 5—Risk Management Activities, Derivatives and Financial Instruments

The nature of our business necessarily involves commodity market and financial risks. Specifically, we are exposed to commodity price variability related to our power generation business. Our commercial team manages these commodity price risks with financially and physically settled contracts consistent with our commodity risk management policy. Our treasury team manages our interest rate risk.

Our commodity risk management policy gives us the flexibility to sell energy and capacity and purchase fuel through a combination of spot market sales and near-term contractual arrangements (generally over a rolling one- to three-year time frame). Our commodity risk management goal is to protect cash flow in the near-term while keeping the ability

to capture value longer-term.

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Many of our contractual arrangements are derivative instruments and are accounted for at fair value as part of Revenues in our unaudited consolidated statements of operations. We have other contractual arrangements such as capacity forward sales arrangements, tolling arrangements, fixed price coal purchases and retail power sales which do not receive recurring fair value accounting treatment because these arrangements do not meet the definition of a derivative or are designated as “normal purchase, normal sale,” in accordance with ASC 815. As a result, the gains and losses with respect to these arrangements are not reflected in the unaudited consolidated statements of operations until the delivery occurs.

Quantitative Disclosures Related to Financial Instruments and Derivatives

As of June 30, 2015, we had net purchases and sales of derivative contracts outstanding in the following quantities:

Contract Type (dollars and quantities in millions)	Quantity Purchases (Sales)	Unit of Measure	Fair Value (1) Asset (Liability)
Commodity contracts:			
Electricity derivatives (2)	(42	) MWh	\$(69)
Electricity basis derivatives (3)	(51	) MWh	\$60)
Natural gas derivatives (2)	260	MMBtu	\$(131)
Natural gas basis derivatives	62	MMBtu	\$(29)
Diesel fuel derivatives	5	Gallon	\$(4)
Coal derivatives	—	Metric Ton	\$(39)
Heat rate derivatives	4	MWh/MMBtu	\$(7)
Emissions derivatives	6	Metric Ton	\$2)
Interest rate swaps	781	U.S. Dollar	\$(44)
Common stock warrants (4)	16	Warrant	\$(63)

(1) Includes both asset and liability risk management positions, but excludes margin and collateral netting of \$105 million.

(2) Mainly comprised of swaps, options and physical forwards.

(3) Comprised of FTRs and swaps.

(4) Each warrant is convertible into one share of Dynegy common stock.

Derivatives on the Balance Sheet. The following tables present the fair value and balance sheet classification of derivatives in the unaudited consolidated balance sheets as of June 30, 2015 and December 31, 2014. As of June 30, 2015 and December 31, 2014, there were no gross amounts available to be offset that were not offset in our unaudited consolidated balance sheets.

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Contract Type	Balance Sheet Location	June 30, 2015			
		Gross Fair Value	Contract Netting	Gross amounts offset in the balance sheet Collateral or Margin Received or Paid	Net Fair Value
(amounts in millions)					
Derivative assets:					
Commodity contracts	Assets from risk management activities	\$445	\$(345)	\$—	\$100
Total derivative assets		\$445	\$(345)	\$—	\$100
Derivative liabilities:					
Commodity contracts	Liabilities from risk management activities	\$(662)	\$345	\$105	\$(212)
Interest rate contracts	Liabilities from risk management activities	(44)	—	—	(44)
Common stock warrants	Other long-term liabilities	(63)	—	—	(63)
Total derivative liabilities		\$(769)	\$345	\$105	\$(319)
Total derivatives		\$(324)	\$—	\$105	\$(219)
December 31, 2014					
Contract Type	Balance Sheet Location	Gross amounts offset in the balance sheet Collateral or Margin Received or Paid			
		Gross Fair Value	Contract Netting		Net Fair Value
(amounts in millions)					
Derivative assets:					
Commodity contracts	Assets from risk management activities	\$115	\$(35)	\$—	\$80
Total derivative assets		\$115	\$(35)	\$—	\$80
Derivative liabilities:					
Commodity contracts	Liabilities from risk management activities	\$(163)	\$35	\$9	\$(119)
Interest rate contracts	Liabilities from risk management activities	(44)	—	—	(44)
Common stock warrants	Other long-term liabilities	(61)	—	—	(61)
Total derivative liabilities		\$(268)	\$35	\$9	\$(224)
Total derivatives		\$(153)	\$—	\$9	\$(144)

Certain of our derivative instruments have credit limits that require us to post collateral. The amount of collateral required to be posted is a function of the net liability position of the derivative as well as our established credit limit with the respective counterparty. If our credit rating were to change, the counterparties could require us to post additional collateral. The amount of additional collateral that would be required to be posted would vary depending on the extent of change in our credit rating as well as the requirements of the individual counterparty. The aggregate fair value of all commodity derivative instruments with credit-risk-related contingent features that are in a liability position that are not fully collateralized (excluding transactions with our clearing brokers that are fully collateralized) at June 30, 2015 was \$81 million, for which we have posted \$7 million collateral. Our remaining derivative instruments do not have credit-related collateral contingencies as they are included within our first-lien collateral program.

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The following table summarizes our total cash collateral posted as of June 30, 2015 and December 31, 2014, along with the location on the balance sheet and the amount applied against our short-term risk management liabilities.

Location on balance sheet (amounts in millions)	June 30, 2015	December 31, 2014
Gross collateral posted with counterparties	\$166	\$49
Less: Collateral netted against risk management liabilities	105	9
Net collateral within Prepayments and other current assets	\$61	\$40

Impact of Derivatives on the Unaudited Consolidated Statements of Operations

The following discussion and tables present the location and amount of gains and losses on derivative instruments in our unaudited consolidated statements of operations.

Financial Instruments Not Designated as Hedges. We elect not to designate derivatives related to our power generation business and interest rate instruments as cash flow or fair value hedges. Thus, we account for changes in the fair value of these derivatives within our unaudited consolidated statements of operations.

Our unaudited consolidated statements of operations for the three and six months ended June 30, 2015 and 2014 include the impact of derivative financial instruments as presented below.

Derivatives Not Designated as Hedges	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months Ended June 30,		Six Months Ended June 30,	
		2015	2014	2015	2014
(amounts in millions)					
Commodity contracts	Revenues	\$53	\$(36)	\$72	\$(209)
Interest rate contracts	Interest expense	\$1	\$(10)	\$(8)	\$(7)
Common stock warrants	Other income (expense), net	\$3	\$(43)	\$(2)	\$(49)

Note 6—Fair Value Measurements

We apply the market approach for recurring fair value measurements, employing valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. We have consistently used the same valuation techniques for all periods presented. Please read Note 2—Summary of Significant Accounting Policies—Fair Value Measurements in our Form 10-K for further discussion.

The following tables set forth, by level within the fair value hierarchy, are financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2015 and December 31, 2014 and are presented on a gross basis before consideration of amounts netted under master netting agreements and the application of collateral and margin paid.

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(amounts in millions)	Fair Value as of June 30, 2015			Total
	Level 1	Level 2	Level 3	
Assets:				
Assets from commodity risk management activities:				
Electricity derivatives	\$—	\$310	\$84	\$394
Natural gas derivatives	—	39	5	44
Emissions derivatives	—	2	—	2
Coal derivatives	—	1	4	5
Total assets from commodity risk management activities	\$—	\$352	\$93	\$445
Liabilities:				
Liabilities from commodity risk management activities:				
Electricity derivatives	\$—	\$(265)	\$(138)	\$(403)
Natural gas derivatives	—	(188)	(16)	(204)
Heat rate derivatives	—	—	(7)	(7)
Diesel fuel derivatives	—	(4)	—	(4)
Coal derivatives	—	(44)	—	(44)
Total liabilities from commodity risk management activities	—	(501)	(161)	(662)
Liabilities from interest rate contracts	—	(44)	—	(44)
Liabilities from outstanding common stock warrants	(63)	—	—	(63)
Total liabilities	\$(63)	\$(545)	\$(161)	\$(769)

(amounts in millions)	Fair Value as of December 31, 2014			Total
	Level 1	Level 2	Level 3	
Assets:				
Assets from commodity risk management activities:				
Electricity derivatives	\$—	\$88	\$22	\$110
Natural gas derivatives	—	3	—	3
Emissions derivatives	—	2	—	2
Total assets from commodity risk management activities	\$—	\$93	\$22	\$115
Liabilities:				
Liabilities from commodity risk management activities:				
Electricity derivatives	\$—	\$(27)	\$(26)	\$(53)
Natural gas derivatives	—	(100)	—	(100)
Diesel derivatives	—	(6)	—	(6)
Crude oil derivatives	—	(3)	—	(3)
Coal derivatives	—	(1)	—	(1)
	—	(137)	(26)	(163)

Total liabilities from commodity risk
management activities

Liabilities from interest rate contracts	—	(44	) —	(44)
Liabilities from outstanding common stock warrants	(61) —	—	(61)
Total liabilities	\$(61) \$(181) \$(26) \$(268)

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Level 3 Valuation Methods. The electricity derivatives classified within Level 3 include financial swaps executed in illiquid trading locations or on long dated contracts, capacity contracts, heat rate derivatives and FTRs. The curves used to generate the fair value of the financial swaps are based on basis adjustments applied to forward curves for liquid trading points, while the curves for the capacity deals are based upon auction results in the marketplace, which are infrequently executed. The forward market price of FTRs is derived using historical congestion patterns within the marketplace and heat rate derivative valuations are derived using a Black-Scholes spread model, which uses forward natural gas and power prices, market implied volatilities and modeled correlation values. The natural gas derivatives classified within Level 3 include financial swaps, basis swaps and physical purchases executed in illiquid trading locations or on long dated contracts. The coal derivatives classified within Level 3 include financial swaps executed in illiquid trading locations.

Sensitivity to Changes in Significant Unobservable Inputs for Level 3 Valuations. The significant unobservable inputs used in the fair value measurement of our commodity instruments categorized within Level 3 of the fair value hierarchy include estimates of forward congestion, power price spreads, natural gas and coal pricing and the difference between our plant locational prices to liquid hub prices. Power price spreads, natural gas and coal pricing and the difference between our plant locational prices to liquid hub prices are generally based on observable markets where available, or derived from historical prices and forward market prices from similar observable markets when not available. Increases in the price of the spread on a buy or sell position in isolation would result in a higher/lower fair value measurement. The significant unobservable inputs used in the valuation of Dynegy's contracts classified as Level 3 as of June 30, 2015 are as follows:

Transaction Type	Quantity	Unit of Measure	Net Fair Value	Valuation Technique	Significant Unobservable Input	Significant Unobservable Inputs Range
(dollars in millions)						
Electricity derivatives:						
Forward contracts—power (1)	(2)	Million MWh	\$(43)	Basis spread + liquid location	Basis spread	\$5.00 - \$7.00
FTRs	45	Million MWh	\$(11)	Historical congestion	Forward price	\$0.00 - \$4.00
Heat rate derivatives:						
	(1)	Million MWh	\$5	Option model	Gas/power price correlation	24% - 44%
	5	Million MMBtu	\$(12)	Option model	Power price volatility	70% - 100%
Natural gas derivatives (1)	33	Million MMBtu	\$(11)	Illiquid location fixed price	Forward price	\$1.80 - \$2.20
Coal derivatives (1)	(110)	Thousand Tons	\$4	Illiquid location fixed price	Forward price	\$6.80 - \$8.30

(1) Represents forward financial and physical transactions at illiquid pricing locations.

The following tables set forth a reconciliation of changes in the fair value of financial instruments classified as Level 3 in the fair value hierarchy:

(amounts in millions)	Three Months Ended June 30, 2015				
	Electricity Derivatives	Natural Gas Derivatives	Heat Rate Derivatives	Coal Derivatives	Total
Balance at March 31, 2015	\$4	\$—	\$—	\$—	\$4
Acquisitions	(54)	(14)	(9)	5	(72)

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Total gains included in earnings	(2) 3	—	—	1
Settlements (1)	(2) —	2	(1) (1
Balance at June 30, 2015	\$(54) \$(11) \$(7) \$4	\$(68
Unrealized gains relating to instruments held as of June 30, 2015	\$(2) \$3	\$—	\$—	\$1

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(amounts in millions)	Six Months Ended June 30, 2015				
	Electricity Derivatives	Natural Gas Derivatives	Heat Rate Derivatives	Coal Derivatives	Total
Balance at December 31, 2014	\$ (4)	\$ —	\$ —	\$ —	\$ (4)
Acquisitions	(54)	(14)	(9)	5	(72)
Total losses included in earnings	1	3	—	—	4
Settlements (1)	3	—	2	(1)	4
Balance at June 30, 2015	\$ (54)	\$ (11)	\$ (7)	\$ 4	\$ (68)
Unrealized losses relating to instruments held as of June 30, 2015	\$ 1	\$ 3	\$ —	\$ —	\$ 4

(amounts in millions)	Three Months Ended June 30, 2014		
	Electricity Derivatives	Heat Rate Derivatives	Total
Balance at March 31, 2014	\$ (10)	\$ (1)	\$ (11)
Total gains included in earnings	(3)	—	(3)
Settlements (1)	(1)	—	(1)
Balance at June 30, 2014	\$ (14)	\$ (1)	\$ (15)
Unrealized gains relating to instruments held as of June 30, 2014	\$ (3)	\$ —	\$ (3)

(amounts in millions)	Six Months Ended June 30, 2014		
	Electricity Derivatives	Heat Rate Derivatives	Total
Balance at December 31, 2013	\$ 11	\$ (1)	\$ 10
Total losses included in earnings	(22)	—	(22)
Settlements (1)	(3)	—	(3)
Balance at June 30, 2014	\$ (14)	\$ (1)	\$ (15)
Unrealized losses relating to instruments held as of June 30, 2014	\$ (22)	\$ —	\$ (22)

(1) For purposes of these tables, we define settlements as the beginning of period fair value of contracts that settled during the period.

Gains and losses recognized for Level 3 recurring items are included in Revenues in our unaudited consolidated statements of operations for commodity derivatives. We believe an analysis of commodity instruments classified as Level 3 should be undertaken with the understanding that these items generally serve as economic hedges of our power generation portfolio. We did not have any transfers between Level 1, Level 2 and Level 3 for the three and six months ended June 30, 2015 and 2014.

Nonfinancial Assets and Liabilities. Nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

We did not have any material nonfinancial assets or liabilities measured at fair value on a non-recurring basis during the three and six months ended June 30, 2015 and 2014, other than the preliminary purchase price allocation discussed in Note 3—Acquisitions.

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Fair Value of Financial Instruments. The following table discloses the fair value of financial instruments recognized on our unaudited consolidated balance sheets. Unless otherwise noted, the fair value of debt as reflected in the table has been calculated based on the average of certain available broker quotes as of June 30, 2015 and December 31, 2014, respectively.

(amounts in millions)	June 30, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Dynegy Inc.:				
6.75% Senior Notes, due 2019 (2)(6)	\$(2,100)	\$(2,184)	\$(2,100)	\$(2,132)
Tranche B-2 Term Loan, due 2020 (1)(2)	\$(781)	\$(786)	\$(785)	\$(775)
7.375% Senior Notes, due 2022 (2)(6)	\$(1,750)	\$(1,833)	\$(1,750)	\$(1,777)
5.875% Senior Notes, due 2023 (2)	\$(500)	\$(486)	\$(500)	\$(475)
7.625% Senior Notes, due 2024 (2)(6)	\$(1,250)	\$(1,319)	\$(1,250)	\$(1,272)
Inventory financing agreements (2)	\$(45)	\$(45)	\$(23)	\$(23)
Interest rate derivatives (2)	\$(44)	\$(44)	\$(44)	\$(44)
Commodity-based derivative contracts (3)	\$(217)	\$(217)	\$(48)	\$(48)
Common stock warrants (4)	\$(63)	\$(63)	\$(61)	\$(61)
Genco:				
7.00% Senior Notes Series H, due 2018 (2)(5)	\$(272)	\$(290)	\$(268)	\$(264)
6.30% Senior Notes Series I, due 2020 (2)(5)	\$(209)	\$(229)	\$(206)	\$(208)
7.95% Senior Notes Series F, due 2032 (2)(5)	\$(224)	\$(257)	\$(224)	\$(241)

- (1) Carrying amount includes an unamortized discount of \$3 million as of June 30, 2015 and December 31, 2014. Please read Note 13—Debt for further discussion.
- (2) The fair values of these financial instruments are classified as Level 2 within the fair value hierarchy levels.
- (3) Carrying amount of commodity-based derivative contracts excludes \$105 million and \$9 million of cash posted as collateral, as of June 30, 2015 and December 31, 2014, respectively.
- (4) The fair value of the common stock warrants is classified as Level 1 within the fair value hierarchy levels.
- (5) Combined carrying amounts as of June 30, 2015 and December 31, 2014 include unamortized discounts of \$120 million and \$127 million, respectively. Please read Note 13—Debt for further discussion.
- At December 31, 2014, these debt agreements were held by Dynegy Finance I and Dynegy Finance II. Upon the closing of the Acquisitions, the Dynegy Finance I and Dynegy Finance II notes were exchanged for an equal aggregate principal amount of notes with the same terms issued by Dynegy (the “Notes”).

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Note 7—Accumulated Other Comprehensive Income

Changes in accumulated other comprehensive income, net of tax, by component is as follows:

(amounts in millions)	Six Months Ended June 30,	
	2015	2014
Beginning of period	\$20	\$58
Other comprehensive loss before reclassifications:		
Actuarial loss (net of tax of zero and zero, respectively)	(5	) (2
Amounts reclassified from accumulated other comprehensive income:		
Amortization of unrecognized prior service credit and actuarial gain (net of tax of zero and zero, respectively) (1)	(1	) (2
Net current period other comprehensive loss, net of tax	(6	) (4
End of period	\$14	\$54

Amounts are associated with our defined benefit pension and other post-employment benefit plans and are included (1) in the computation of net periodic pension cost (gain). Please read Note 16—Pension and Other Post-Employment Benefit Plans for further discussion.

Note 8—Inventory

A summary of our inventories is as follows:

(amounts in millions)	June 30, 2015	December 31, 2014
Materials and supplies	\$176	\$83
Coal (1)	266	119
Fuel oil (1)	8	3
Emissions allowances	72	2
Other	1	1
Total	\$523	\$208

As of June 30, 2015, approximately \$33 million and \$7 million of the coal and fuel oil inventory, respectively, are (1) part of an inventory financing arrangement. Please read Note 13—Debt—Brayton Point Inventory Financing Facility for further discussion.

Note 9—Property, Plant and Equipment

A summary of our property, plant and equipment is as follows:

(amounts in millions)	June 30, 2015	December 31, 2014
Power generation	\$6,657	\$2,248
Environmental upgrades	1,656	926
Buildings and improvements	898	457
Office and other equipment	98	54
Property, plant and equipment	9,309	3,685
Accumulated depreciation	(643	) (430
Property, plant and equipment, net	\$8,666	\$3,255

Note 10—Joint Ownership of Generating Facilities

We hold ownership interests in certain jointly owned generating facilities. We are entitled to the proportional share of the generating capacity and the output of each unit equal to our ownership interests. We pay our share of capital expenditures,

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fuel inventory purchases and operating expenses, except in certain instances where agreements have been executed to limit certain joint owners' maximum exposure to the additional costs. Our share of revenues and operating costs of the jointly owned generating facilities are included within the corresponding financial statement line items in our unaudited consolidated statement of operations.

The following table presents the ownership interests of the jointly owned facilities included in the unaudited consolidated balance sheet.

(dollars in millions)	June 30, 2015				
	Ownership Interest	Property, Plant and Equipment	Accumulated Depreciation	Construction Work in Progress	Total
Miami Fort (Units 7 and 8) (1)	64.0	% \$251	\$ (6)	\$6	\$251
J.M. Stuart (2)(3)	39.0	% \$27	\$ (1)	\$9	\$35
Conesville (Unit 4) (2)(3)	40.0	% \$41	\$ —	\$2	\$43
W.H. Zimmer (2)	46.5	% \$156	\$ (4)	\$8	\$160
Killen Station (1)(3)	33.0	% \$1	\$ —	\$1	\$2

(1)Co-owned with The Dayton Power and Light Company.

(2)Co-owned with The Dayton Power and Light Company and AEP Generation Resources Inc.

(3)Facilities not operated by Dynegy.

Note 11—Intangible Assets and Liabilities

The following table summarizes the components of our intangible assets and liabilities as of June 30, 2015 and December 31, 2014:

(amounts in millions)	June 30, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible Assets:						
Electricity contracts	\$262	\$ (76)	\$186	\$111	\$ (46)	\$65
Coal contracts	—	—	—	—	—	—
Gas transport contracts	44	(2)	42	—	—	—
Total intangible assets	\$306	\$ (78)	\$228	\$111	\$ (46)	\$65
Intangible Liabilities:						
Electricity contracts	\$(30)	\$12	\$(18)	\$(20)	\$14	\$(6)
Coal contracts	(134)	45	(89)	(41)	22	(19)
Coal transport contracts	(104)	47	(57)	(81)	32	(49)
Gas transport contracts	(64)	22	(42)	(24)	17	(7)
Total intangible liabilities	\$(332)	\$126	\$(206)	\$(166)	\$85	\$(81)
Intangible assets and liabilities, net	\$(26)	\$48	\$22	\$(55)	\$39	\$(16)

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The following table presents our amortization expense (revenue) of intangible assets and liabilities for the three and six months ended June 30, 2015 and 2014:

(amounts in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Electricity contracts, net (1)	\$25	\$32	\$32	\$61
Coal contracts, net (2)	(20	) (4	) (23	) (8
Coal transport contracts, net (2)	(9	) (7	) (15	) (14
Gas transport contracts, net (2)	(1	) (2	) (3	) (4
Total	\$(5	) \$19	\$(9	) \$35

(1) The amortization of these contracts is recognized in Revenues in our unaudited consolidated statements of operations.

(2) The amortization of these contracts is recognized in Cost of sales in our unaudited consolidated statements of operations.

The following table summarizes the components of our contract based intangible assets and liabilities recorded in connection with the Acquisitions in April 2015:

(amounts in millions/months)	EquiPower Acquisition		Duke Midwest Acquisition	
	Gross Carrying Amount	Weighted-Average Amortization Period	Gross Carrying Amount	Weighted-Average Amortization Period
Intangible Assets:				
Electricity contracts	\$71	32	\$80	38
Coal contracts	—	0	—	9
Gas transport contracts	40	24	4	19
Total intangible assets	\$111	29	\$84	37
Intangible Liabilities:				
Electricity contracts	\$—	0	\$(10	) 23
Coal contracts	(10	) 21	(83	) 27
Coal transport contracts	(23	) 22	—	0
Gas contracts	—	1	—	0
Gas transport contracts	(40	) 128	—	0
Total intangible liabilities	\$(73	) 81	\$(93	) 27
Total intangible assets and liabilities, net	\$38		\$(9)

Amortization expense (revenue), net related to intangible assets and liabilities recorded in connection with the Acquisitions for the next five years as of June 30, 2015 is as follows: 2015—\$7 million, 2016—\$26 million, 2017—\$19 million, 2018—\$1 million and 2019—\$(3) million.

Note 12—Asset Retirement Obligation

We record the present value of our legal obligations to retire tangible, long-lived assets on our balance sheets as liabilities when the liability is incurred. A summary of changes in our asset retirement obligations is as follows:

(amounts in millions)	June 30, 2015
Balance, December 31, 2014	\$224
Accretion expense	9
Liabilities settled in the current period	(4
Acquisitions	109
Balance, June 30, 2015	\$338

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Note 13—Debt

A summary of our long-term debt is as follows:

(amounts in millions)	June 30, 2015	December 31, 2014
Dynegy Inc.:		
6.75% Senior Notes, due 2019 (1)	\$2,100	\$2,100
Tranche B-2 Term Loan, due 2020	784	788
7.375% Senior Notes, due 2022 (1)	1,750	1,750
5.875% Senior Notes, due 2023	500	500
7.625% Senior Notes, due 2024 (1)	1,250	1,250
Revolving Facility	—	—
Inventory Financing Agreements	45	23
Genco:		
7.00% Senior Notes Series H, due 2018	300	300
6.30% Senior Notes Series I, due 2020	250	250
7.95% Senior Notes Series F, due 2032	275	275
	7,254	7,236
Unamortized discounts on debt, net	(123	) (130
	7,131	7,106
Less: Current maturities, including unamortized discounts, net	52	31
Total Long-term debt	\$7,079	\$7,075

At December 31, 2014, these debt agreements were held by Dynegy Finance I and Dynegy Finance II. Upon the (1)closing of the Acquisitions, the Dynegy Finance I and Dynegy Finance II notes were exchanged for an equal aggregate principal amount of notes with the same terms issued by Dynegy (the “Notes”).

Debt Issuance

On October 27, 2014, Dynegy Finance II, Inc. (the “EquiPower Escrow Issuer”), a wholly-owned subsidiary of Dynegy, issued \$3.06 billion in aggregate principal amount of senior notes, the proceeds of which were placed into escrow until the closing of the EquiPower Acquisition. On the EquiPower Closing Date, the proceeds from the issuance were released from escrow and used to pay a portion of the EquiPower Acquisition consideration and to pay fees and expenses. On the EquiPower Closing Date, Dynegy, as successor in interest to the EquiPower Escrow Issuer, executed supplemental indentures evidencing its accession to the 6.75 percent senior notes due 2019 (the “2019 Finance II Notes”), the 7.375 percent senior notes due 2022 (the “2022 Finance II Notes”), and the 7.625 percent senior notes due 2024 (the “2024 Finance II Notes” and, together with the 2019 Finance II Notes and the 2022 Finance II Notes, the “Finance II Notes”).

Further, on October 27, 2014, Dynegy Finance I, Inc. (the “Duke Escrow Issuer”), a wholly-owned subsidiary of Dynegy, issued \$2.04 billion in aggregate principal amount of senior notes, the proceeds of which were placed into escrow until the closing of the Duke Midwest Acquisition. On the Duke Midwest Closing Date, the proceeds from the issuance were released from escrow and used to pay a portion of the Duke Midwest Acquisition consideration and to pay fees and expenses. On the Duke Midwest Closing Date, Dynegy, as successor in interest to the Duke Escrow Issuer, executed supplemental indentures evidencing its accession to the 6.75 percent senior notes due 2019 (the “2019 Finance I Notes”), the 7.375 percent senior notes due 2022 (the “2022 Finance I Notes”), and the 7.625 percent senior notes due 2024 (the “2024 Finance I Notes” and, together with the 2019 Finance I Notes and the 2022 Finance I Notes, the “Finance I Notes”). Concurrently with Dynegy’s accession to the Finance I Notes, as successor in interest to the Duke Escrow Issuer, each series of Finance I Notes was automatically exchanged for an equal aggregate principal amount of Finance II Notes with the same terms, as applicable, issued by Dynegy. The additional Finance II Notes issued pursuant to such automatic exchanges were treated as a single class for all purposes and are fully fungible with the

Finance II Notes with the same terms previously issued under the Finance II indentures.

On the EquiPower Closing Date, generally, each of Dynegy's current wholly-owned domestic subsidiaries that is a borrower or guarantor under Dynegy's existing credit facilities (the "Dynegy Guarantors"), and the entities acquired in the

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EquiPower Acquisition (the “EquiPower Guarantors”) executed supplemental indentures evidencing their accession to the Finance II Notes as guarantors. Similarly, on the Duke Midwest Closing Date, each of Dynegy’s current wholly-owned domestic subsidiaries that is a borrower or guarantor under Dynegy’s existing credit facilities and the entities acquired in the Duke Midwest Acquisition (the “Duke Guarantors” and, together with the Dynegy Guarantors and the EquiPower Guarantors, the “Guarantors”) executed supplemental indentures evidencing their accession to the Finance I Notes and the Finance II Notes as guarantors.

On the EquiPower Closing Date, the Dynegy Guarantors and the EquiPower Guarantors executed a joinder to the registration rights agreement, dated October 27, 2014, among the EquiPower Escrow Issuer, the Duke Escrow Issuer, and Morgan Stanley & Co. LLC, Barclays Capital Inc., Credit Suisse Securities (USA) LLC, RBC Capital Markets, LLC and UBS Securities LLC as representatives of the initial purchasers identified therein (the “Registration Rights Agreement”). Additionally, on the Duke Midwest Closing Date, the Duke Guarantors executed a joinder to the Registration Rights Agreement.

As required by the Registration Rights Agreement, on July 17, 2015 Dynegy commenced registered exchange offers for the Notes which close at 5:00 p.m., New York City time, on August 17, 2015, unless extended by Dynegy. The exchange offers are being made only pursuant to the prospectus dated July 17, 2015 and the accompanying letter of transmittal and only to such persons and in such jurisdictions as is permitted under applicable law.

Credit Agreement

As of June 30, 2015, we had a \$2.225 billion credit agreement that consisted of (i) an \$800 million seven-year senior secured term loan B facility (the “Tranche B-2 Term Loan”) and (ii) a \$1.425 billion five-year senior secured revolving credit facility (the “Revolving Facility,” and collectively with the Tranche B-2 Term Loan, the “Credit Agreement”). Dynegy and its Subsidiary Guarantors (as defined in the Credit Agreement) also entered into an indenture pursuant to which Dynegy issued \$500 million in aggregate principal amount of unsecured senior notes (the “Senior Notes”) at par. Following the closings of the Acquisitions in April 2015, the acquired entities were added as additional subsidiary guarantors.

At June 30, 2015, there were no amounts drawn on the Revolving Facility; however, we had outstanding letters of credit of approximately \$470 million, which reduce the amount available under the Revolving Facility.

The Credit Agreement contains customary events of default and affirmative and negative covenants, subject to certain specified exceptions, including a Senior Secured Leverage Ratio (as defined in the Credit Agreement) calculated on a rolling four quarters basis. Based on the calculation outlined in the Credit Agreement, we were in compliance at June 30, 2015.

Credit Agreement Amendments. On the EquiPower Closing Date, Dynegy entered into a First Amendment to the Credit Agreement (the “First Amendment”) among Dynegy, certain subsidiaries of Dynegy, the lenders party thereto, Credit Suisse AG, Cayman Islands Branch (“Credit Suisse”), as administrative agent, and the other parties thereto. The First Amendment provides for a new \$350 million five-year senior secured incremental tranche of revolving commitments (the “Incremental Tranche A Revolving Loan Commitments”), which have terms substantially the same as the terms of the outstanding tranche of revolving loans under the Credit Agreement and will mature on April 1, 2020. Amounts available under the Incremental Tranche A Revolving Loan Commitments are available on a revolving basis, and such amounts that are repaid or prepaid may be re-borrowed. The loans issued pursuant to the Incremental Tranche A Revolving Loan Commitments bear interest, initially, at either (i) 2.75 percent per annum plus LIBOR with respect to any LIBOR Loan or (ii) 1.75 percent per annum plus the Base Rate with respect to any Base Rate Loan, with steps down based on a Senior Secured Leverage Ratio (as such terms are defined in the Credit Agreement).

Further on the Duke Midwest Closing Date, Dynegy entered into a Second Amendment to the Credit Agreement (the “Second Amendment”) among the Company, certain subsidiaries of Dynegy, the lenders party thereto, Credit Suisse, as administrative agent, and the other parties thereto. The Second Amendment provides for a new \$600 million five-year senior secured incremental tranche of revolving commitments (the “Incremental Tranche B Revolving Loan Commitments”), which have terms substantially the same as the terms of the outstanding tranche of revolving loans

under the Credit Agreement and will mature on April 2, 2020. Amounts available under the Incremental Tranche B Revolving Loan Commitments are available on a revolving basis, and such amounts that are repaid or prepaid may be re-borrowed. The loans issued pursuant to the Incremental Tranche B Revolving Loan Commitments bear interest, initially, at either (i) 2.75 percent per annum plus LIBOR with respect to any LIBOR Loan or (ii) 1.75 percent per annum plus the Base Rate with respect to any Base Rate Loan, with steps down based on a Senior Secured Leverage Ratio (as such terms are defined in the Credit Agreement).

Subsequent to the First Amendment and Second Amendment, we have three tranches of revolvers: (i) \$475 million tranche which will mature on April 23, 2018, (ii) \$350 million tranche which will mature April 1, 2020 and (iii) \$600 million tranche which will mature on April 2, 2020.

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Genco Senior Notes

On December 2, 2013, in connection with the acquisition of New Ameren Energy Resources, LLC (“AER”), Genco’s approximately \$825 million in aggregate principal amount of unsecured senior notes (the “Genco Senior Notes”) remained outstanding as an obligation of Genco, a subsidiary of IPH.

Genco’s indenture includes provisions that require Genco to maintain certain interest coverage and debt-to-capital ratios in order for Genco to pay dividends, to make principal or interest payments on subordinated borrowings, to make loans to or investments in affiliates, or to incur additional external, third-party indebtedness.

The following table summarizes these required ratios:

	Required Ratio
Restricted payment interest coverage ratio (1)	≥1.75
Additional indebtedness interest coverage ratio (2)	≥2.50
Additional indebtedness debt-to-capital ratio (2)	≤60%

As of the date of a restricted payment, as defined, the minimum ratio must have been achieved for the most (1)recently ended four fiscal quarters and projected by management to be achieved for each of the subsequent four six-month periods.

Ratios must be computed on a pro forma basis considering the additional indebtedness to be incurred and the (2)related interest expense. Other borrowings from third-party external sources are included in the definition of indebtedness and are subject to these incurrence tests.

Genco’s debt incurrence-related ratio restrictions under the indenture may be disregarded if both Moody’s and S&P reaffirm the ratings in place at the time of the debt incurrence after considering the additional indebtedness.

Based on June 30, 2015 calculations, Genco’s interest coverage ratios are less than the minimum ratios required for Genco to pay dividends and borrow additional funds from external, third-party sources.

Inventory Financing Agreements

Brayton Point Inventory Financing. In connection with the EquiPower Acquisition, we assumed an inventory financing arrangement (the “Inventory Financing Arrangement”) for coal and fuel oil inventories at our Brayton Point facility, consisting of a debt obligation for existing and subsequent inventories, as well as a \$15 million line of credit. Balances on the line of credit in excess of the \$15 million line of credit are cash collateralized. This Inventory Financing Arrangement terminates, and our obligation becomes due and payable, on May 31, 2017, and is secured by a guaranty from Dynegy. As of June 30, 2015, our line of credit balance was \$20.8 million, of which approximately \$5.8 million was collateralized by cash and included in Prepayments and other current assets on our unaudited consolidated balance sheets.

As the materials are purchased and delivered to our facilities, our debt obligation and line of credit increase based on the then market rate of the materials, transportation cost, and other expenses. The debt obligation increases for 85 percent of the total price of the coal and 90 percent for the total price of fuel oil. The line of credit increases for the remaining 15 percent and 10 percent for coal and oil, respectively. Upon consuming the materials, we repay the debt obligation and line of credit at the then market price, as defined within the Inventory Financing Agreement for the amount of the materials consumed on a weekly basis.

The line of credit bears interest at an annual interest rate of the 3-month LIBOR plus 8 percent. An availability fee is calculated on a per annum rate of 0.75 percent. As of June 30, 2015, the line of credit bears interest at 8.27 percent.

Emissions Repurchase Agreements. In 2013, we entered into two repurchase transactions with a third party in which we sold \$6 million in California Carbon Allowance (“CCA”) credits and \$11 million of Regional Greenhouse Gas Initiative (“RGGI”) inventory and received cash. In the first quarter 2014, we entered into an additional repurchase agreement with a third party in which we sold \$12 million of RGGI inventory and received cash. In October 2014, we repurchased all \$6 million of the previously sold CCA credits and in February 2015, we repurchased all \$23 million of the previously sold RGGI inventory.

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Letter of Credit Facilities

On January 29, 2014, Illinois Power Marketing Company (“IPM”) entered into a fully cash collateralized Letter of Credit and Reimbursement Agreement with an issuing bank, as amended on May 16, 2014 (“LC Agreement”), pursuant to which the issuing bank agreed to issue from time to time, one or more standby letters of credit in an aggregate stated amount not to exceed \$25 million at any one time to support performance obligations and other general corporate activities of IPM, provided that IPM deposits in an account controlled by the issuing bank an amount of cash sufficient to cover the face value of such requested letter of credit plus an additional percentage thereon. As of June 30, 2015, IPM had \$10.5 million deposited with the issuing bank and approximately \$2 million in letters of credit outstanding.

On September 18, 2014, Dynegy entered into a Letter of Credit Reimbursement Agreement with an issuing bank, and its affiliate (the “Lender”), for a letter of credit in an amount not to exceed \$55 million. The facility has a one-year tenor and may be extended at the Lender’s option up to one additional year. At June 30, 2015, there was \$55 million outstanding under this letter of credit.

On March 27, 2015, IPM entered into a letter of credit facility with the Lender for up to \$25 million. The facility, which is collateralized by receivables, has a two-year tenor and may be extended if agreed to by both parties for one additional year. Interest on the facility is LIBOR plus 500 basis points on issued letters of credit. At June 30, 2015, there was \$20 million outstanding under this letter of credit facility.

Interest Rate Swaps

Subsequent to executing the Credit Agreement and issuing the Senior Notes, we amended our interest rate swaps to more closely match the terms of our Tranche B-2 Term Loan. The swaps have an aggregate notional value of approximately \$781 million at an average fixed rate of 3.19 percent with a floor of one percent and expire during the second quarter 2020. In lieu of paying the breakage fees related to terminating the old swaps and issuing the new swaps, the costs were incorporated into the terms of the new swaps. As a result, any cash flows related to the settlement of the new swaps are reflected as a financing activity in our unaudited consolidated statement of cash flows.

Note 14—Commitments and Contingencies

Legal Proceedings

Set forth below is a summary of our material ongoing legal proceedings. We record accruals for estimated losses from contingencies when available information indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. In addition, we disclose matters for which management believes a material loss is reasonably possible. In all instances, management has assessed the matters below based on current information and made judgments concerning their potential outcome, giving consideration to the nature of the claim, the amount, if any, and nature of damages sought and the probability of success. Management regularly reviews all new information with respect to such contingency and adjusts its assessment and estimates of such contingencies accordingly. Because litigation is subject to inherent uncertainties including unfavorable rulings or developments, it is possible that the ultimate resolution of our legal proceedings could involve amounts that are different from our currently recorded accruals and that such differences could be material.

In addition to the matters discussed below, we are party to other routine proceedings arising in the ordinary course of business or related to discontinued business operations. Any accruals or estimated losses related to these matters are not material. In management’s judgment, the ultimate resolution of these matters will not have a material effect on our financial condition, results of operations or cash flows.

Stockholder Litigation Relating to the 2011 Prepetition Restructuring. In connection with the prepetition restructuring and corporate reorganization of the Dynegy Holdings, LLC Debtor Entities and their non-debtor affiliates in 2011 (the “2011 Prepetition Restructuring”), and specifically the transfer of Dynegy Midwest Generation, LLC (“DMG”), a putative class action stockholder lawsuit captioned *Charles Silsby v. Carl C. Icahn, et al.*, Case No. 12CIV2307 (the “Securities Litigation”), was filed in the U.S. District Court for the Southern District of New York. The lawsuit challenged certain

disclosures made in connection with the transfer of DMG. As a result of the filing of the voluntary petition for bankruptcy by Dynegy Inc., this lawsuit was stayed as against Dynegy Inc. and, as a result of the confirmation of the Joint Chapter 11 Plan (the "Plan"), the claims against Dynegy Inc. in the Securities Litigation are permanently enjoined. On August 24, 2012, the lead plaintiff in the Securities Litigation filed an objection to the confirmation of the Plan asserting, among other things, that lead plaintiff should be permitted to opt-out of the non-debtor releases and injunctions (the

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“Non-Debtor Releases”) in the Plan on behalf of all putative class members. We opposed that relief. On October 1, 2012, the Bankruptcy Court ruled that lead plaintiff did not have standing to object to the Plan and did not have authority to opt-out of the Non-Debtor Releases on behalf of any other party-in-interest. Accordingly, the Securities Litigation may only proceed against the non-debtor defendants with respect to members of the putative class who individually opted out of the Non-Debtor Releases. The lead plaintiff filed a notice of appeal on October 10, 2012. On June 4, 2013, the District Court dismissed the appeal. On October 31, 2014, the Second Circuit affirmed the District Court’s dismissal based upon the lead plaintiff’s lack of standing. The lead plaintiff did not appeal to the U.S. Supreme Court.

Additionally, on July 19, 2013, the defendants filed a substantive motion to dismiss the plaintiff’s remaining claims by any opt-out plaintiffs against the non-debtor defendants. On April 30, 2014, the District Court granted the defendants’ motion and dismissed the action. On June 25, 2015, the Second Circuit Court affirmed the District Court’s dismissal. Gas Index Pricing Litigation. We, several of our affiliates, our former joint venture affiliate and other energy companies were named as defendants in numerous lawsuits in state and federal court claiming damages resulting from alleged price manipulation and false reporting of natural gas prices to various index publications in the 2000-2002 time frame. Many of the cases have been resolved. All of the remaining cases contain similar claims that we individually, and in conjunction with other energy companies, engaged in an illegal scheme to inflate natural gas prices in four states by providing false information to natural gas index publications. In July 2011, the court granted defendants’ motions for summary judgment, thereby dismissing all of plaintiffs’ claims. Plaintiffs appealed the decision to the U.S. Court of Appeals for the Ninth Circuit which reversed the summary judgment on April 10, 2013. On August 26, 2013, we and the other defendants filed a request for review with the U.S. Supreme Court. On April 21, 2015, the Supreme Court issued its opinion affirming the Ninth Circuit’s decision and remanding the matter to the Nevada District Court for further proceedings.

Illinova Generating Company Arbitration. In May 2007, our subsidiary Illinova Generating Company (“IGC”) received an adverse award in an arbitration brought by Ponderosa Pine Energy, LLC (“PPE”). The award required IGC to pay PPE \$17 million, which IGC paid in June 2007 under protest while simultaneously seeking to vacate the award in the District Court of Dallas County, Texas. In March 2010, the Dallas District Court vacated the award, finding that one of the arbitrators had exhibited evident partiality. PPE appealed that decision to the Fifth District Court of Appeals in Dallas, Texas. Coincident with the appeal, IGC filed a claim against PPE seeking recovery of the \$17 million plus interest. In September 2010, the Dallas District Court ordered PPE to deposit the \$17 million principal in an interest-bearing escrow account jointly owned by IGC and PPE. On August 20, 2012, the Dallas Court of Appeals reversed the Dallas District Court and reinstated the award. IGC and the other respondents filed a petition for review with the Texas Supreme Court on December 5, 2012. On May 23, 2014, the Texas Supreme Court reversed the Dallas Court of Appeals and reinstated the trial court’s judgment vacating the arbitration award. The Texas Supreme Court denied rehearing on August 22, 2014. On November 20, 2014, PPE initiated a new arbitration against IGC and its co-respondents, but the Dallas District Court enjoined the arbitration from proceeding against IGC while any dispute over the escrow account remains pending. On December 16, 2014, the Dallas District Court entered a judgment requiring a full distribution of the escrow account to IGC and an additional \$2.5 million in interest. PPE paid the \$17 million principal to IGC from the escrow account, but filed a notice of appeal regarding the \$17 million and \$2.5 million interest judgment in March 2015.

Other Contingencies

MISO 2015-2016 Planning Resource Auction Complaints. In May of 2015, three complaints were filed at FERC regarding the Zone 4 results for the 2015-2016 Planning Resource Auction (“PRA”) conducted by MISO. Dynegy is a named party in one of the complaints. The complainants, Public Citizen, Inc., the Illinois Attorney General, and Southwestern Electric Cooperative, Inc., have challenged the results of the PRA as unjust and unreasonable, requested rate relief/refunds and requested changes to the MISO PRA structure going forward. Complainants have also alleged that Dynegy may have engaged in economic or physical withholding in Zone 4 constituting market manipulation in

the 2015-2016 PRA. The Independent Market Monitor for MISO (“MISO IMM”), which was responsible for monitoring the MISO 2015-2016 PRA, determined that all offers were competitive and that no physical or economic withholding occurred. The MISO IMM also stated, in a filing responding to the complaints, that there is no basis for the proposed remedies. Dynegy complied fully with the terms of the MISO Tariff in connection with the 2015-2016 PRA, disputes the allegations and will defend its actions vigorously. Dynegy filed an Answer to these complaints. In addition, the Illinois Industrial Energy Consumers filed a complaint at FERC against MISO on June 30, 2015 requesting prospective changes to the MISO tariff. Dynegy also responded to this complaint.

Dam Safety Assessment Reports. In response to the failure at the Tennessee Valley Authority’s Kingston plant, the EPA initiated a nationwide investigation of the structural integrity of coal combustion residual (“CCR”) surface impoundments. The EPA assessments found all of our surface impoundments to be in satisfactory or fair condition, with the exception of the surface impoundments at the Baldwin and Hennepin facilities.

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In response to the Hennepin report, we notified the EPA in July 2013 of our intent to close the Hennepin west CCR surface impoundment and make certain capital improvements to the east CCR surface impoundment. The preliminary estimated cost for closure of the west CCR surface impoundment, including post-closure monitoring, is approximately \$5 million. As a result of these changes, we increased our asset retirement obligation (“ARO”) by approximately \$2 million during the second quarter 2013. We performed further studies needed to support closure of the west CCR surface impoundment and submitted them to the Illinois EPA in August 2014. The capital improvements to the Hennepin east CCR surface impoundment berms were completed in 2014 at a cost of approximately \$3 million. In response to the Baldwin report, we notified the EPA in April 2013 of our action plan, which included implementation of recommended operating practices and certain recommended studies. In 2014, we updated the EPA on the status of our Baldwin action plan, including the completion of certain studies and implementation of remedial measures and our ongoing evaluation of potential long-term measures in the context of our concurrent ongoing evaluation at Baldwin of groundwater corrective actions. In the first quarter 2015, we submitted to the EPA engineering design information concerning repairs of the affected south berm at the Baldwin CCR surface impoundment and a deformation analysis of the Baldwin CCR surface impoundment’s north berm. The nature and scope of repairs that ultimately may be needed at the Baldwin CCR surface impoundment to address the EPA’s dam safety assessment is dependent, in part, on the Illinois EPA’s response to our groundwater corrective action evaluation recommendations. Please read “Vermilion and Baldwin Groundwater” below for further discussion. At this time, if the Illinois EPA approves our proposed approach to address groundwater at Baldwin and the EPA concurs, we estimate the cost to repair the affected berm at the Baldwin CCR surface impoundment would be approximately \$3 million. If such approach is not approved by the Illinois EPA we are unable, at this time, to estimate a reasonably possible cost, or range of costs, of repairs at the Baldwin CCR surface impoundment.

New Source Review and Clean Air Litigation. Since 1999, the EPA has been engaged in a nationwide enforcement initiative to determine whether coal-fired power plants failed to comply with the requirements of the New Source Review and New Source Performance Standard provisions under the CAA when the plants implemented modifications. The EPA’s initiative focuses on whether projects performed at power plants triggered various permitting requirements, including the need to install pollution control equipment.

IPH Segment CAA Section 114 Information Requests. Commencing in 2005, the IPH facilities received a series of information requests from the EPA pursuant to Section 114(a) of the CAA. The requests sought detailed operating and maintenance history data with respect to the Coffeen, Newton, Edwards, Duck Creek and Joppa facilities. In August 2012, the EPA issued a Notice of Violation (“NOV”) alleging that projects performed in 1997, 2006 and 2007 at the Newton facility violated Prevention of Significant Deterioration, Title V permitting and other requirements. We believe our defenses to the allegations described in the NOV are meritorious. A decision by the U.S. Court of Appeals for the Seventh Circuit in 2013 held that similar claims older than five years were barred by the statute of limitations. This decision may provide an additional defense to the allegations in the Newton facility NOV.

Wood River CAA Section 114 Information Request. In May 2014, we received an information request from the EPA concerning our Coal segment’s Wood River facility’s compliance with the Illinois State Implementation Plan (“SIP”) and associated permits. We responded to the EPA’s request and believe that there are no issues with Wood River’s compliance, but we are unable to predict the EPA’s response, if any.

CAA Notices of Violation. In December 2014, the EPA issued a NOV alleging violation of opacity standards at the Zimmer facility, which we co-own and operate for the owners. The EPA previously had issued NOVs to Zimmer in 2008 and 2010 alleging violations of the CAA, the Ohio SIP and the station’s air permits involving standards applicable to opacity, SO₂, sulfuric acid mist and heat input. The NOVs remain unresolved. In December 2014, the EPA also issued NOVs alleging violations of opacity standards at the co-owned Stuart and Killen facilities, which are operated by The Dayton Power and Light Company. At this time we are unable to make a reasonable estimate of the possible costs, or range of costs, that might be incurred to resolve the NOV matters at the Zimmer, Stuart and Killen facilities.

Edwards CAA Litigation. In April 2013, environmental groups filed a CAA citizen suit in the U.S. District Court for the Central District of Illinois alleging violations of opacity and particulate matter limits at our IPH segment's Edwards facility. The District Court has scheduled the trial date for May 2016. IPH disputes the allegations and will defend the case vigorously. At this time we are unable to make a reasonable estimate of the possible costs, or range of costs, that might be incurred to resolve this matter.

Ultimate resolution of these CAA matters could have a material adverse impact on our future financial condition, results of operations and cash flows. A resolution could result in increased capital expenditures for the installation of pollution control

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equipment, increased operations and maintenance expenses, and penalties. At this time we are unable to make a reasonable estimate of the possible costs, or range of costs, that might be incurred to resolve these matters.

Stuart NPDES Permit Appeal. In January 2013, the Ohio EPA issued a final National Pollutant Discharge Elimination System (“NPDES”) renewal permit for the co-owned Stuart facility. The operator of Stuart, The Dayton Power and Light Company, appealed various aspects of the final permit, including provisions regarding thermal discharge limitations, to the Ohio Environmental Review Appeals Commission. A hearing before the Commission is scheduled for August 2015. Depending on the outcome of the appeal, the effects on Stuart’s operations could be material. At this time we are unable to make a reasonable estimate of the possible costs, or range of costs, that might be incurred to resolve this matter.

Vermilion and Baldwin Groundwater. In response to requests by the Illinois EPA, we have implemented hydrogeologic investigations for the CCR surface impoundment at our Baldwin facility and for two CCR surface impoundments at our Vermilion facility.

Groundwater monitoring results indicate that the CCR surface impoundment at Baldwin impacts onsite groundwater. Also, at the request of the Illinois EPA, in late 2011 we initiated an investigation at Baldwin to determine if the facility’s CCR surface impoundment impacts offsite groundwater. Results of the offsite groundwater quality investigation at Baldwin, as submitted to the Illinois EPA on April 24, 2012, indicate two localized areas where Class I groundwater standards were exceeded. The cause of the exceedances is uncertain. If offsite groundwater impacts are ultimately attributed to the Baldwin CCR surface impoundment and remediation measures are necessary in the future, we may incur significant costs that could have a material adverse effect on our financial condition, results of operations and cash flows. At this time we cannot reasonably estimate the costs, or range of costs, of corrective action that ultimately may be required at Baldwin.

In April 2012, we submitted to the Illinois EPA proposed corrective action plans for two of the CCR surface impoundments at the Vermilion facility (i.e., the old east CCR surface impoundment and the north CCR surface impoundment). The proposed corrective action plans reflect the results of a hydrogeologic investigation, which indicate that the facility’s old east and north CCR surface impoundments impact groundwater quality onsite and that such groundwater migrates offsite to the north of the property and to the adjacent Middle Fork of the Vermilion River. The proposed corrective action plans include groundwater monitoring and recommend closure of both CCR surface impoundments, including installation of a geosynthetic cover. In addition, we submitted an application to the Illinois EPA to establish a groundwater management zone while impacts from the facility are mitigated. In March 2014, we submitted a revised corrective action plan for the old east CCR surface impoundment at Vermilion. Our estimated cost of the recommended closure alternative for both the Vermilion old east and north CCR surface impoundments, including post-closure care, is approximately \$10 million. The Vermilion facility also has a third CCR surface impoundment, the new east CCR surface impoundment that is lined and is not known to impact groundwater. Although not part of the proposed corrective action plans, if we decide to close the new east CCR surface impoundment by removing its CCR contents concurrent with the recommended closure alternative for the old east and north CCR surface impoundments, the associated estimated closure cost would add an additional \$2 million to the above estimate.

In July 2012, the Illinois EPA issued violation notices alleging violations of groundwater standards onsite at the Baldwin and Vermilion facilities. In December 2012, the Illinois EPA provided written notice that it may pursue legal action with respect to each matter through referral to the Illinois Office of the Attorney General. In accordance with work plans approved by the Illinois EPA, in 2013 we performed a geotechnical study at Vermilion and began a 12-month geotechnical/hydraulic/hydrogeologic study needed to analyze corrective action alternatives at Baldwin. The geotechnical study at Vermilion confirmed that the cap closure option proposed in our corrective action plans for the north and old east CCR surface impoundments is technically feasible. In September 2014, the Illinois EPA requested additional analyses concerning the closure plans for the Vermilion old east and north CCR surface impoundments. In June 2015, we advised the Illinois EPA that the additional analyses would be performed after

receipt of a riverbank stabilization permit from the U.S. Army Corps of Engineers. In June 2014, we submitted the results of our evaluation at Baldwin to the Illinois EPA. Based on the results of that evaluation, we recommended to the Illinois EPA that the closure process for the Baldwin out-of-service east CCR surface impoundment begin and that a geotechnical investigation of the existing soil cap on the Baldwin out-of-service old east CCR surface impoundment be undertaken. In October 2014, we submitted a supplemental groundwater modeling report to the Illinois EPA that indicates no known offsite water supply wells will be impacted under the various Baldwin CCR surface impoundment closure scenarios modeled. At this time we cannot reasonably estimate the costs of resolving these groundwater issues, but resolution of these matters may cause us to incur significant costs that could have a material adverse effect on our financial condition, results of operations and cash flows.

IPH Segment Groundwater. Hydrogeologic investigations of the CCR surface impoundments have been performed at the IPH segment facilities. Groundwater monitoring results indicate that the CCR surface impoundments at each of the IPH segment facilities potentially impact onsite groundwater.

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In 2012, the Illinois EPA issued violation notices with respect to groundwater conditions at the Newton and Coffeen facilities' CCR surface impoundments. In February 2013, the Illinois EPA provided written notice that it may pursue legal action with respect to each of these matters through referral to the Illinois Office of the Attorney General. In addition, in April 2015, we submitted an assessment monitoring report to the Illinois EPA concerning previously reported groundwater quality standard exceedances at the Newton facility's active CCR landfill. The report identifies the Newton facility's inactive unlined landfill as the likely source of the contamination and recommends various measures to minimize the effects of that source on the groundwater monitoring results of the active landfill. The Illinois EPA also has required assessment monitoring at the Duck Creek facility's active CCR landfill, with the findings of that assessment, including proposed remedial action, if any, due in September 2015.

In April 2013, Ameren Energy Resources Company filed a proposed site-specific rulemaking with the IPCB which, if approved, would provide for the systematic and eventual closure of its CCR surface impoundments that impact groundwater in exceedance of applicable groundwater standards. In October 2013, the Illinois EPA filed a proposed rulemaking with the IPCB that would establish processes governing monitoring, corrective action and closure of CCR surface impoundments at all power generating facilities in Illinois. The site-specific rulemaking proposal, which now covers IPH CCR surface impoundments, has been stayed to allow the Illinois EPA proposed rulemaking to proceed. At this time, we cannot reasonably estimate the costs or range of costs of resolving the IPH groundwater matters, but resolution of these matters may cause IPH to incur significant costs that could have a material adverse effect on its financial condition, results of operations and cash flows.

Other Commitments

In conducting our operations, we have routinely entered into long-term commodity purchase and sale commitments, as well as agreements that commit future cash flow to the lease or acquisition of assets used in our businesses. These commitments have been typically associated with commodity supply arrangements, capital projects, reservation charges associated with firm transmission, transportation, storage and leases for office space, equipment, design and construction, plant sites, power generation assets and liquefied petroleum gas vessel charters. The following describes the more significant commitments outstanding at June 30, 2015.

Contractual Service Agreements. Contractual service agreements represent obligations with respect to long-term plant maintenance agreements. Recently we have undertaken several measures to restructure our existing maintenance agreements as well as negotiate new long-term maintenance service agreements with proven turbine service providers. The term of these agreements will be determined by the maintenance cycles of the respective facility. We currently estimate these agreements will be in effect for a period of 15 or more years. Either party can terminate the agreements based on certain events as specified in the contracts. As of June 30, 2015, our minimum obligation with respect to these agreements is limited to the termination payments, which are approximately \$359 million and \$434 million in the event all contracts are terminated by us or the counterparty, respectively.

Coal Commitments. During the six months ended June 30, 2015, we entered into or assumed through our Acquisitions new long term contracts to purchase coal for our generation facilities with aggregate minimum commitments of \$482 million. To the extent forecasted volumes have not been priced but are subject to a price collar structure, the obligations have been calculated using the minimum purchase price of the collar.

Coal Transportation. During the six months ended June 30, 2015, we executed or assumed through our Acquisitions new long term coal transportation contracts for our generation facilities with aggregate minimum commitments of \$366 million.

Gas Transportation. During the six months ended June 30, 2015, we assumed through our Acquisitions firm capacity payment obligations related to transportation of natural gas. Such arrangements are routinely used in the physical movement and storage of energy. The total of such obligations was \$153 million.

Charter Agreements. In addition, we are party to two charter agreements related to very large gas carriers ("VLGCs") previously utilized in our former global liquids business. The primary term of one charter expired at the end of September 2013 but has been extended annually, through September 2016, at the option of the counterparty. The

primary term of the second charter was through September 2014 but has been extended through September 2016 at the option of the counterparty. The first charter will terminate at the end of September 2016, and the second charter has one optional one-year extension remaining. Both of these VLGCs have been sub-chartered to a wholly-owned subsidiary of Transammonia Inc. on terms that are identical to the terms of the original charter agreements. The aggregate minimum base commitments of the charter party agreements are approximately \$7 million and \$11 million for the years ended December 31, 2015 and 2016, respectively. To date, the subsidiary of Transammonia Inc. has complied with the terms of the sub-charter agreement and has not exercised the remaining optional extension.

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Indemnifications and Guarantees

In the ordinary course of business, we routinely enter into contractual agreements that contain various representations, warranties, indemnifications and guarantees. Examples of such agreements include, but are not limited to, service agreements, equipment purchase agreements, engineering and technical service agreements, asset sales agreements, and procurement and construction contracts. Some agreements contain indemnities that cover the other party's negligence or limit the other party's liability with respect to third party claims, in which event we will effectively be indemnifying the other party. Virtually all such agreements contain representations or warranties that are covered by indemnifications against the losses incurred by the other parties in the event such representations and warranties are false. While there is always the possibility of a loss related to such representations, warranties, indemnifications and guarantees in our contractual agreements, and such loss could be significant, in most cases management considers the probability of loss to be remote.

LS Power Indemnities. In connection with the 2009 transaction with LS Power, we agreed to indemnify LS Power against claims regarding any breaches in our representations and warranties and certain other potential liabilities. Even though Dynegy was discharged from any claims pursuant to the order confirming the Plan (the "Confirmation Order"), Dynegy Power Generation Inc., Dynegy Power, LLC ("DPC"), DMG and Dynegy Power Marketing, LLC remain jointly and severally liable for any indemnification claims. Although certain of the indemnification obligations are indefinite, some have exceeded the survival period in the relevant transaction agreements or have exceeded the applicable statute of limitations. In addition, some of these indemnification obligations are subject to individual thresholds and/or maximum aggregate limits depending on the terms of the transaction agreement. We have accrued no amounts with respect to the indemnifications as of June 30, 2015 because none were probable of occurring, nor could they be reasonably estimated.

EquiPower Acquisition. In connection with the ECP Purchase Agreements, the ECP Purchasers agreed to indemnify the ECP Sellers against claims regarding breaches in the covenants and representations and warranties of the ECP Purchasers and certain other potential liabilities. The indemnification obligations of the ECP Purchasers shall survive for one year for most covenants and representations and warranties of the ECP Purchasers, two years for fundamental representations, and indefinitely for certain other matters. The ECP Sellers shall, in the aggregate, not be entitled to indemnification in excess of \$276 million. We have accrued no amounts with respect to this indemnification as of June 30, 2015 because none were probable of occurring, nor could they be reasonably estimated. Please read Note 3—Acquisitions for further discussion.

Duke Midwest Acquisition. In connection with the Duke Midwest Purchase Agreement, Dynegy Resource I, LLC ("DRI") agreed to indemnify Duke Energy against claims regarding breaches in the covenants and representations and warranties of DRI and certain other potential liabilities. The indemnification obligations of DRI shall survive for one year for most covenants and representations and warranties of DRI, three years for fundamental representations, 30 days after the applicable statute of limitations for certain tax matters, and indefinitely for certain other matters. We have accrued no amounts with respect to this indemnification as of June 30, 2015 because none were probable of occurring, nor could they be reasonably estimated. Dynegy has guaranteed, up to maximum liability of \$2.80 billion, the obligations of DRI under the Duke Midwest Purchase Agreement and related TSA. Please read Note 3—Acquisitions for further discussion.

Limited Guaranty. In connection with the acquisition of AER, Dynegy has provided a Limited Guaranty of certain obligations of IPH up to \$25 million. Concurrently with the execution of the AER transaction agreement, Dynegy entered into the Limited Guaranty, capped at \$25 million in favor of Ameren Corporation ("Ameren"), for a period of two years after the closing (subject to certain exceptions) with respect to IPH's indemnification obligations and certain reimbursement obligations under the AER transaction agreement. We have accrued no amounts with respect to the guaranty as of June 30, 2015 because none were probable of occurring, nor could they be reasonably estimated.

Note 15—Income Taxes

We compute our quarterly taxes under the effective tax rate method based on applying an anticipated annual effective rate to our year-to-date income or loss, except for significant unusual or extraordinary transactions. Income taxes for significant unusual or extraordinary transactions are computed and recorded in the period that the specific transaction occurs.

As of June 30, 2015, we continued to maintain a valuation allowance against our net deferred tax assets in each jurisdiction as they arise as there was not sufficient evidence to overcome our historical cumulative losses to conclude that it is more-likely-than-not our net deferred tax assets can be realized in the future. We released \$480 million of our valuation allowance as a result of increased net deferred tax liabilities related to the EquiPower Acquisition. In addition we recorded a tax benefit of \$21 million for discreet items, including a state law change in Connecticut and the application of our effective state tax rates for jurisdictions

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for which we do not record a valuation allowance. Please read Note 3—Acquisitions for further discussion of the release of the valuation allowance.

Note 16—Pension and Other Post-Employment Benefit Plans

We sponsor and administer defined benefit plans and defined contribution plans for the benefit of our employees and also provide other post-employment benefits to retirees who meet age and service requirements, which are more fully described in Note 17—Employee Compensation, Savings, Pension and Other Post-Employment Benefit Plans in our Form 10-K.

Upon the close of the Duke Midwest Acquisition on April 2, 2015, we assumed certain benefit plan obligations and the associated plan assets were transferred to us. As a result, we increased our net liability by approximately \$13 million. These benefit plan obligations and related plan assets were merged into our pension and other post-employment benefit plans. The Duke employees began participating in our plans upon acquisition, which as a result triggered a re-measurement of our plans. As a result of the re-measurements, we recorded a loss through accumulated other comprehensive income and increased our net liability by approximately \$5 million during the second quarter of 2015.

No benefit plan obligations associated with the EquiPower employees were assumed upon the EquiPower Acquisition on April 1, 2015. The EquiPower employees will become eligible to participate in our plans effective January 1, 2016.

Components of Net Periodic Benefit Cost. The components of net periodic benefit cost (gain) were as follows:

(amounts in millions)	Pension Benefits		Other Benefits	
	Three Months Ended June 30,			
	2015	2014	2015	2014
Service cost benefits earned during period	\$4	\$3	\$—	\$—
Interest cost on projected benefit obligation	5	5	1	1
Expected return on plan assets	(6	) (6	) (1	) (1
Amortization of prior service credit	(1	) (1) —	—
Net periodic benefit cost	\$2	\$1	\$—	\$—

(amounts in millions)	Pension Benefits		Other Benefits	
	Six Months Ended June 30,			
	2015	2014	2015	2014
Service cost benefits earned during period	\$7	\$6	\$—	\$—
Interest cost on projected benefit obligation	9	9	2	2
Expected return on plan assets	(11	) (11	) (2	) (2
Amortization of prior service credit	(1) (1) (1) (1
Net periodic benefit cost (gain)	\$4	\$3	\$(1) \$(1

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Note 17—Earnings (Loss) Per Share

The reconciliation of basic earnings (loss) per share to diluted earnings (loss) per share from continuing operations attributable to our common stockholders during the three and six months ended June 30, 2015 and 2014 is shown in the following table. Please read Note 16—Capital Stock in our Form 10-K for further discussion.

(in millions, except per share amounts)	Three Months Ended		Six Months Ended June	
	June 30, 2015	2014	30, 2015	2014
Income (loss) from continuing operations	\$386	\$(122)	\$205	\$(159)
Less: Net income (loss) attributable to noncontrolling interest	(2)	1	(3)	5
Income (loss) from continuing operations attributable to Dynegy Inc.	388	(123)	208	(164)
Less: Dividends on preferred stock	6	—	11	—
Income (loss) from continuing operations attributable to Dynegy Inc. common stockholders for basic earnings (loss) per share	382	(123)	197	(164)
Add: Dividends on preferred stock	6	—	11	—
Adjusted income (loss) from continuing operations attributable to Dynegy Inc. common stockholders for diluted earnings (loss) per share	\$388	\$(123)	\$208	\$(164)
Basic weighted-average shares	128	100	126	100
Effect of dilutive securities (1)	14	—	14	—
Diluted weighted-average shares	142	100	140	100
Earnings (loss) per share from continuing operations attributable to Dynegy Inc. common stockholders:				
Basic	\$2.98	\$(1.23)	\$1.56	\$(1.64)
Diluted (1)	\$2.73	\$(1.23)	\$1.49	\$(1.64)

Entities with a net loss from continuing operations are prohibited from including potential common shares in the (1) computation of diluted per share amounts. Accordingly, we have utilized the basic shares outstanding amount to calculate both basic and diluted loss per share for the three and six months ended June 30, 2014.

For the three and six months ended June 30, 2015 and 2014, the following potentially dilutive securities were not included in the computation of diluted per share amounts because the effect would be anti-dilutive:

(in millions of shares)	2015	2014
Stock options	—	1.4
Restricted stock units	—	1.1
Performance stock units	—	0.3
Warrants	15.6	15.6
Total	15.6	18.4

Note 18—Condensed Consolidating Financial Information

On May 20, 2013, Dynegy issued the Senior Notes, as further described in Note 13—Debt. On October 27, 2014, the Escrow Issuers, wholly-owned subsidiaries of Dynegy, issued the Notes as further described in Note 13—Debt. On the respective closing dates, Dynegy executed a second and third supplemental indenture adding the EquiPower Guarantors and the Duke Guarantors as guarantors of the \$500 million in aggregate principal amount of the Senior Notes. The 100 percent owned subsidiary guarantors, jointly, severally, fully and unconditionally, guarantee the payment obligations under the Senior Notes and Notes. Not all of Dynegy's subsidiaries guarantee the Senior Notes

and Notes including Dynegy's indirect, wholly-owned subsidiary, IPH, which acquired AER and its subsidiaries on December 2, 2013.

The following condensed consolidating financial statements present the financial information of (i) Dynegy (Parent), which is the parent and issuer of the Senior Notes and Notes, on a stand-alone, unconsolidated basis, (ii) the guarantor subsidiaries

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of Dynegy, (iii) the non-guarantor subsidiaries of Dynegy and (iv) the eliminations necessary to arrive at the information for Dynegy on a consolidated basis.

These statements should be read in conjunction with the unaudited consolidated financial statements and notes thereto of Dynegy. The supplemental condensed consolidating financial information has been prepared pursuant to the rules and regulations for condensed financial information and does not include all disclosures included in annual financial statements.

For purposes of the condensed consolidating financial information, a portion of our intercompany receivable, which we do not consider to be likely of settlement, has been classified as equity as of June 30, 2015 and December 31, 2014.

Condensed Consolidating Balance Sheet as of June 30, 2015
(amounts in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current Assets					
Cash and cash equivalents	\$296	\$237	\$178	\$—	\$711
Accounts receivable, net	581	931	182	(1,255)	439
Inventory	—	312	211	—	523
Other current assets	27	332	76	(11)	424
Total Current Assets	904	1,812	647	(1,266)	2,097
Property, Plant and Equipment, Net	—	7,922	744	—	8,666
Other Assets					
Investment in affiliates	12,978	199	—	(12,978)	199
Goodwill	—	837	—	—	837
Other assets	111	192	53	(6)	350
Intercompany note receivable	7	—	—	(7)	—
Total Assets	\$14,000	\$10,962	\$1,444	\$(14,257)	\$12,149
Current Liabilities					
Accounts payable	\$909	\$233	\$464	\$(1,255)	\$351
Other current liabilities	144	296	166	(11)	595
Total Current Liabilities	1,053	529	630	(1,266)	946
Debt, long-term portion	6,374	—	705	—	7,079
Intercompany note payable	3,042	—	7	(3,049)	—
Other liabilities	209	387	215	(6)	805
Total Liabilities	10,678	916	1,557	(4,321)	8,830
Stockholders' Equity					
Dynegy Stockholders' Equity	3,322	13,088	(110)	(12,978)	3,322
Intercompany note receivable	—	(3,042)	—	3,042	—
Total Dynegy Stockholders' Equity	3,322	10,046	(110)	(9,936)	3,322
Noncontrolling interest	—	—	(3)	—	(3)
Total Equity	3,322	10,046	(113)	(9,936)	3,319
Total Liabilities and Equity	\$14,000	\$10,962	\$1,444	\$(14,257)	\$12,149

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Condensed Consolidating Balance Sheet as of December 31, 2014
(amounts in millions)

	Parent	Escrow Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current Assets						
Cash and cash equivalents	\$1,642	\$—	\$ 54	\$ 174	\$—	\$ 1,870
Restricted cash	—	113	—	—	—	113
Accounts receivable, net	14	—	732	176	(652)	270
Inventory	—	—	82	126	—	208
Other current assets	9	6	125	73	—	213
Total Current Assets	1,665	119	993	549	(652)	2,674
Property, Plant and Equipment, Net	—	—	2,675	580	—	3,255
Other Assets						
Investment in affiliates	6,133	—	—	—	(6,133)	—
Restricted cash	—	5,100	—	—	—	5,100
Other assets	46	47	43	67	—	203
Intercompany note receivable	17	—	—	—	(17)	—
Total Assets	\$7,861	\$5,266	\$ 3,711	\$ 1,196	\$(6,802)	\$ 11,232
Current Liabilities						
Accounts payable	\$310	\$166	\$ 111	\$ 281	\$(652)	\$ 216
Other current liabilities	51	67	246	101	—	465
Total Current Liabilities	361	233	357	382	(652)	681
Debt, long-term portion	1,277	5,100	—	698	—	7,075
Intercompany note payable	3,042	—	—	17	(3,059)	—
Other liabilities	158	—	103	192	—	453
Total Liabilities	4,838	5,333	460	1,289	(3,711)	8,209
Stockholders' Equity						
Dynegy Stockholders' Equity	3,023	(67)	6,293	(93)	(6,133)	3,023
Intercompany note receivable	—	—	(3,042)	—	3,042	—
Total Dynegy Stockholders' Equity	3,023	(67)	3,251	(93)	(3,091)	3,023
Noncontrolling interest	—	—	—	—	—	—
Total Equity	3,023	(67)	3,251	(93)	(3,091)	3,023
Total Liabilities and Equity	\$7,861	\$5,266	\$ 3,711	\$ 1,196	\$(6,802)	\$ 11,232

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Condensed Consolidating Statements of Operations for the Three Months Ended June 30, 2015
(amounts in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$—	\$841	\$ 258	\$(109)	\$990
Cost of sales, excluding depreciation expense	—	(438)	(167)	109	(496)
Gross margin	—	403	91	—	494
Operating and maintenance expense	—	(165)	(85)	—	(250)
Depreciation expense	—	(144)	(31)	—	(175)
Loss on sale of assets, net	—	(1)	—	—	(1)
General and administrative expense	(2)	(26)	(7)	—	(35)
Acquisition and integration costs	—	(23)	—	—	(23)
Operating income (loss)	(2)	44	(32)	—	10
Equity in losses from investments in affiliates	501	—	—	(501)	—
Earnings from unconsolidated investments	—	3	—	—	3
Interest expense	(114)	—	(18)	—	(132)
Other income and expense, net	3	1	—	—	4
Income (loss) before income taxes	388	48	(50)	(501)	(115)
Income tax benefit (expense)	—	518	(17)	—	501
Net income (loss)	388	566	(67)	(501)	386
Less: Net loss attributable to noncontrolling interest	—	—	(2)	—	(2)
Net income (loss) attributable to Dynegy Inc.	\$388	\$566	\$(65)	\$(501)	\$388

Condensed Consolidating Statements of Operations for the Six Months Ended June 30, 2015
(amounts in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$—	\$1,144	\$ 587	\$(109)	\$1,622
Cost of sales, excluding depreciation expense	—	(609)	(373)	109	(873)
Gross margin	—	535	214	—	749
Operating and maintenance expense	—	(221)	(140)	—	(361)
Depreciation expense	—	(196)	(43)	—	(239)
Loss on sale of assets	—	(1)	—	—	(1)
General and administrative expense	(3)	(43)	(19)	—	(65)
Acquisition and integration costs	—	(113)	—	—	(113)
Operating income (loss)	(3)	(39)	12	—	(30)
Equity in losses from investments in affiliates	447	—	—	(447)	—

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Earnings from unconsolidated investments	—	3	—	—	3
Interest expense	(234) —	(34) —	(268)
Other income and expense, net	(2	) 1	—	—	(1)
Income (loss) before income taxes	208	(35	) (22	) (447	) (296)
Income tax benefit (expense)	—	518	(17	) —	501
Net income (loss)	208	483	(39	) (447	) 205
Less: Net loss attributable to noncontrolling interest	—	—	(3) —	(3)
Net income (loss) attributable to Dynegy Inc.	\$208	\$483	\$(36) \$(447) \$208

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Condensed Consolidating Statements of Operations for the Three Months Ended June 30, 2014
(amounts in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$—	\$260	\$ 261	\$—	\$521
Cost of sales, excluding depreciation expense	—	(169)	(196)	—	(365)
Gross margin	—	91	65	—	156
Operating and maintenance expense	—	(74)	(62)	—	(136)
Depreciation expense	—	(44)	(13)	—	(57)
Gain on sale of assets, net	—	14	—	—	14
General and administrative expense	(2)	(15)	(12)	—	(29)
Acquisition and integration costs	—	—	(2)	—	(2)
Operating loss	(2)	(28)	(24)	—	(54)
Equity in losses from investments in affiliates	(38)	—	—	38	—
Earnings from unconsolidated investments	—	10	—	—	10
Interest expense	(28)	—	(14)	—	(42)
Other income and expense, net	(39)	—	—	—	(39)
Income (loss) before income taxes	(107)	(18)	(38)	38	(125)
Income tax benefit (expense)	(16)	—	19	—	3
Net income (loss)	(123)	(18)	(19)	38	(122)
Less: Net income attributable to noncontrolling interest	—	—	1	—	1
Net income (loss) attributable to Dynegy Inc.	\$(123)	\$(18)	\$(20)	\$38	\$(123)

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Condensed Consolidating Statements of Operations for the Six Months Ended June 30, 2014
(amounts in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$—	\$595	\$ 688	\$—	\$1,283
Cost of sales, excluding depreciation expense	—	(393)	(524)	—	(917)
Gross margin	—	202	164	—	366
Operating and maintenance expense	—	(133)	(113)	—	(246)
Depreciation expense	—	(98)	(26)	—	(124)
Gain on sale of assets, net	—	14	—	—	14
General and administrative expense	(4)	(29)	(22)	—	(55)
Acquisition and integration costs	—	—	(8)	—	(8)
Operating loss	(4)	(44)	(5)	—	(53)
Equity in losses from investments in affiliates	(77)	—	—	77	—
Earnings from unconsolidated investments	—	10	—	—	10
Interest expense	(44)	—	(28)	—	(72)
Other income and expense, net	(45)	—	—	—	(45)
Income (loss) before income taxes	(170)	(34)	(33)	77	(160)
Income tax benefit (expense)	6	—	(5)	—	1
Net income (loss)	(164)	(34)	(38)	77	(159)
Less: Net income attributable to noncontrolling interest	—	—	5	—	5
Net income (loss) attributable to Dynegy Inc.	\$(164)	\$(34)	\$(43)	\$77	\$(164)

DYNEGY INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)
 For the Interim Periods Ended June 30, 2015 and 2014

Condensed Consolidating Statements of Comprehensive Income (Loss) for the Three Months Ended June 30, 2015

(amounts in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$388	\$566	\$ (67)	\$ (501)	\$ 386
Other comprehensive loss before reclassifications:					
Actuarial loss, net of tax of zero	(5)	—	—	—	(5)
Amounts reclassified from accumulated other comprehensive income:					
Amortization of unrecognized prior service credit, net of tax of zero	(1)	—	—	—	(1)
Other comprehensive loss, net of tax	(6)	—	—	—	(6)
Comprehensive income (loss)	382	566	(67)	(501)	380
Less: Comprehensive loss attributable to noncontrolling interest	—	—	(2)	—	(2)
Total comprehensive income (loss) attributable to Dynegy Inc.	\$382	\$566	\$ (65)	\$ (501)	\$ 382

Condensed Consolidating Statements of Comprehensive Income (Loss) for the Six Months Ended June 30, 2015

(amounts in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$208	\$483	\$ (39)	\$ (447)	\$ 205
Other comprehensive loss before reclassifications:					
Actuarial loss, net of tax of zero	(5)	—	—	—	(5)
Amounts reclassified from accumulated other comprehensive income:					
Amortization of unrecognized prior service credit and actuarial gain, net of tax of zero	(2)	—	—	—	(2)
Other comprehensive loss, net of tax	(7)	—	—	—	(7)
Comprehensive income (loss)	201	483	(39)	(447)	198
Less: Comprehensive loss attributable to noncontrolling interest	—	—	(3)	—	(3)
Total comprehensive income (loss) attributable to Dynegy Inc.	\$201	\$483	\$ (36)	\$ (447)	\$ 201

DYNEGY INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
For the Interim Periods Ended June 30, 2015 and 2014

Condensed Consolidating Statements of Comprehensive Income (Loss) for the Three Months Ended June 30, 2014
(amounts in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$(123)	\$(18)	\$(19)	\$38	\$(122)
Other comprehensive income (loss) before reclassifications:					
Actuarial loss, net of tax of zero	—	—	—	—	—
Amounts reclassified from accumulated other comprehensive income:					
Amortization of unrecognized prior service credit and actuarial gain, net of tax of zero	(1)	—	—	—	(1)
Other comprehensive income (loss) from investment in affiliates	—	—	—	—	—
Other comprehensive income (loss), net of tax	(1)	—	—	—	(1)
Comprehensive income (loss)	(124)	(18)	(19)	38	(123)
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	1	—	1
Total comprehensive income (loss) attributable to Dynegy Inc.	\$(124)	\$(18)	\$(20)	\$38	\$(124)

Condensed Consolidating Statements of Comprehensive Income (Loss) for the Six Months Ended June 30, 2014

(amounts in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$(164)	\$(34)	\$(38)	\$77	\$(159)
Other comprehensive income (loss) before reclassifications:					
Actuarial loss, net of tax of zero	—	—	(3)	—	(3)
Amounts reclassified from accumulated other comprehensive income:					
Amortization of unrecognized prior service credit and actuarial gain, net of tax of zero	(2)	—	—	—	(2)
Other comprehensive income (loss) from investment in affiliates	(3)	—	—	3	—
Other comprehensive income (loss), net of tax	(5)	—	(3)	3	(5)
Comprehensive income (loss)	(169)	(34)	(41)	80	(164)
Less: Comprehensive income (loss) attributable to noncontrolling interest	(1)	—	4	1	4
Total comprehensive income (loss) attributable to Dynegy Inc.	\$(168)	\$(34)	\$(45)	\$79	\$(168)

DYNEGY INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
For the Interim Periods Ended June 30, 2015 and 2014

Condensed Consolidating Statements of Cash Flow for the Six Months Ended June 30, 2015
(amounts in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by (used in) operating activities	\$(140)	\$ 355	\$ (236)	\$—	\$ (21)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	—	(73)	(29)	—	(102)
Acquisitions, net of cash acquired	(6,221)	15	114	—	(6,092)
Decrease in restricted cash	5,148	—	—	—	5,148
Net intercompany transfers	(68)	—	—	68	—
Other investing	—	(10)	—	—	(10)
Net cash provided by (used in) investing activities	(1,141)	(68)	85	68	(1,056)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from long-term borrowings	—	—	6	—	6
Repayments of borrowings	(4)	(23)	—	—	(27)
Financing costs from debt issuance	(31)	—	—	—	(31)
Financing costs from equity issuance	(6)	—	—	—	(6)
Dividends paid	(12)	—	—	—	(12)
Net intercompany transfers	—	(81)	149	(68)	—
Interest rate swap settlement payments	(8)	—	—	—	(8)
Other financing	(4)	—	—	—	(4)
Net cash provided by (used in) financing activities	(65)	(104)	155	(68)	(82)
Net increase (decrease) in cash and cash equivalents	(1,346)	183	4	—	(1,159)
Cash and cash equivalents, beginning of period	1,642	54	174	—	1,870
Cash and cash equivalents, end of period	\$296	\$ 237	\$ 178	\$—	\$ 711

Condensed Consolidating Statements of Cash Flow for the Six Months Ended June 30, 2014
(amounts in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by (used in) operating activities	\$(30)	\$ 181	\$ 12	\$—	\$ 163
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	—	(38)	(31)	—	(69)
Proceeds from asset sales, net	—	14	—	—	14
Net intercompany transfers	158	—	—	(158)	—
Net cash provided by (used in) investing activities	158	(24)	(31)	(158)	(55)
CASH FLOWS FROM FINANCING ACTIVITIES:					

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Proceeds from long-term borrowings	—	12	—	—	12
Repayments of borrowings	(4)	—	—	(4
Financing costs from debt issuance	(1)	—	—	(1
Net intercompany transfers	—	(178	)	20	158
Interest rate swap settlement payments	(9	)	—	—	(9
Other financing	(1)			