

BEFORE THE ILLINOIS POLLUTION CONTROL BOARD

In the Matter of:)
)
AMENDMENTS TO) R2018-20
) (Rulemaking – Air)
35 ILL. ADM. CODE 225.233,)
MULTI-POLLUTANT STANDARDS (MPS))

NOTICE OF FILING

PLEASE TAKE NOTICE that I have filed today with the Illinois Pollution Control Board the attached **ENVIRONMENTAL GROUPS' PREFILED QUESTIONS FOR DEAN ELLIS, EXECUTIVE VICE PRESIDENT FOR REGULATORY AND GOVERNMENT AFFAIRS FOR DYNEGY INC.**, copies of which are served on you along with this notice.

Respectfully Submitted,



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Dated: January 2, 2018

BEFORE THE ILLINOIS POLLUTION CONTROL BOARD

In the Matter of:)
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AMENDMENTS TO) R2018–20
35 ILL. ADM. CODE 225.233,) (Rulemaking – Air)
MULTI-POLLUTANT STANDARDS (MPS))

**ENVIRONMENTAL GROUPS’ PREFILED QUESTIONS FOR DEAN ELLIS,
EXECUTIVE VICE PRESIDENT FOR REGULATORY AND GOVERNMENT
AFFAIRS FOR DYNEGY INC.**

1. On pages 1-2 of your testimony you state that “Overall, my testimony demonstrates that the proposal allows Dynegy to make economically rational decisions on how to run its plants while complying with the MPS, which will help to ensure the viability of the entire Illinois fleet given the uncertain economic and regulatory landscape the plants currently face.”
 - a. Is it fair to say that Dynegy’s primary purpose for seeking this revision is economics?
 - b. What do you mean by “viability of the entire Illinois fleet” here?
2. On page 5 of your testimony, you reference capital expenditures for pollution controls at the “Baldwin, Havana, Hennepin, Vermilion, and Wood River Energy Centers.”
 - a. Are some of these plants or units at these plants closed or mothballed? If so, why are expenditures at units that are closed relevant?
 - b. Have any of the capital expenditure for pollution controls you referenced been for scrubbers that will not be run if the MPS Revision is adopted?
 - c. Have any of the capital expenditure for pollution controls you referenced been for scrubbers at plants that will be run at a lower capacity if the MPS Revision filed with the Pollution Control Board by the Illinois Environmental Protection Agency on October 2, 2017 (“MPS Revision”) is adopted?
 - d. Have any of the capital expenditure for pollution controls you referenced been for scrubbers at plants that will be retired or mothballed if the MPS Revision is adopted?
3. On page 5 of your testimony, you indicate “over \$1 billion was spent on environmental improvements at the Coffeen, Duck Creek, Edwards and Newton Energy Centers.”

- a. Are some of these plants or units at these plants closed or mothballed? If so, why are expenditures at units that are closed or mothballed relevant?
 - b. Have any of the capital expenditure for pollution controls you referenced been for scrubbers that will not be run if the MPS Revision is adopted?
 - c. Have any of the capital expenditure for pollution controls you referenced been for scrubbers at plants that will be run at a lower capacity if the MPS Revision is adopted?
 - d. Have any of the capital expenditure for pollution controls you referenced been for scrubbers at plants that will be retired or mothballed if the MPS Revision is adopted?
4. On page 10 of your testimony you state “The steep decline in energy prices coupled with the rate-based emission limits under the current MPS has caused Dynegy to bid and operate some units into the energy market at prices below their costs solely to ensure that these units are selected and utilized so that the overall fleet emissions rate stays below the MPS limit.”
- a. How do you calculate the cost of a unit? What elements/expenses are used to calculate cost for each plant?
 - b. Did you factor “impairments” into the cost of the units when discussing the cost of the units in this portion of your testimony? *See e.g. Dynegy Inc. Form 10-Q for the U.S. Securities and Exchange Commission* at 19 (Nov. 1, 2017).¹ If so:
 - i. Which plants/units in the proposed MPS group have impairments?
 - ii. What are the values of those impairments for each plant/unit?
 - iii. To what do you attribute those impairments?
 - c. What was the annual cost of each unit in the proposed MPS group for the last three years?
 - d. What is the annual operating income of each unit in the proposed MPS group for the last three years?
 - e. Which units has Dynegy bid in and operated at prices below their costs?

¹ Available at <http://services.corporate-ir.net/SEC/Document.Service?id=P3VybD1hSFIwY0RvdkwyRndhUzUwWlc1cmQybDZZWEprTG1OdmJTOWtiM2R1Ykc5aFpDNXdhSEEvVWdOMGFXOXVQVkJFUmlacGNHRm5aVDB4TVRnMk5qVTFOQ1p6ZFdKemFXUTIOVGM9JnR5cGU9MiZmbj1EeW5lZ3lJbmNmMTBRXzIwMTcxMTAxLnBkZg==>

- iv. Will Dynegy run those units less if the MPS is revised? Even if Dynegy has no firm plans to do so, has Dynegy ever considered doing this?
 - v. Will Dynegy retire or mothball those units if the MPS is revised? Even if Dynegy has no firm plans to do so, has Dynegy ever considered doing this?
5. Referring to the last paragraph of Section III of your testimony on page 11, under the current MPS are the Coffeen and Duck Creek plants being dispatched at a loss?
- a. If so, when are they being dispatched at a loss?
 - b. If so, why are they being dispatched at a loss?
 - c. Do those plants emit the lowest rate (in lbs/MMBtu) of sulfur dioxide (“SO₂”) and nitrogen oxides (“NO_x”) in the Dynegy fleet subject to the MPS Revision?
 - d. Under the MPS Revision, instead of Coffeen and Duck Creek plants being dispatched at a loss, does Dynegy expect to dispatch other lower cost but higher emitting plants before Coffeen and Duck Creek? And if that is the case, will SO₂ emissions on a rate-based level (lbs/MMBtu) be higher?
 - e. Was Dynegy aware of the fact that the Coffeen and Duck Creek plants would be more expensive to run than other plants subject to the MPS Revision when it purchased these plants?
6. On page 15 of your testimony you state that “another 3,000 megawatts in the MPS is at risk of shutdown for the economic reasons I have described. If the energy and capacity market conditions continue in their present states and the MPS remains an emissions-rate based program, Dynegy will likely have to retire more plants.”
- a. What was the basis for your conclusion that another 3,000 megawatts in the MPS is at risk? If you relied upon any analysis and calculations for that conclusion, please provide those.
 - b. Are the units that Dynegy operates at prices below their costs the likeliest plants to shut down under this scenario?
7. On page 14 of your testimony you state that “If the emission caps were to be reduced when a unit retires, the ability of the existing units to replace the lost generation of the retired units would be adversely affected, thereby negatively impacting electricity reliability, as well as further reducing the economic viability of the remaining units.”
- a. Isn't this only true if a scrubbed unit retires? If no, please explain with calculations.

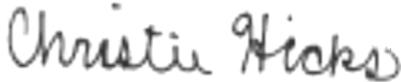
- b. Why would Dynegy shut down units if those units might be needed to generate electricity?
8. Has Dynegy operated scrubbed units in the MPS group in excess of the demand for that plant's electricity or capacity? If so, when did Dynegy do so?
9. Has Dynegy operated scrubbed units in the MPS group when the power from those units could not be and was not sold on the market? If so, when?
10. Has Dynegy ever been paid for the electricity generated in excess of demand at times when the company was operating scrubbed units in order to achieve the fleetwide average emission rate necessary for compliance with the MPS? If so, please describe the circumstance under which this occurred?
11. If all other conditions were the same, would it be less expensive to operate a unit that has a scrubber installed without running its scrubber than it is to operate that unit that has a scrubber installed, but with the scrubber running?
12. This MPS proposal is designed in part to provide Dynegy with regulatory certainty.
 - a. What regulatory uncertainty is Dynegy experiencing?
 - b. How is an unchanging fleetwide average rate-based limit of .19 or .23 lb/MMBtu SO₂ emission limit causing regulatory uncertainty?
13. Dynegy President and CEO Bob Flexon's presentation at the J.P. Morgan Energy Equity Investor Conference states that the remaining fleet in Dynegy's coal portfolio is "cash neutral to cash positive." Robert Flexon, President and CEO, Dynegy Inc. *J.P. Morgan Energy Equity Investor Conference* at 4 (June 28, 2017).² What does it mean to be "cash neutral to cash positive?"
14. This same presentation of Mr. Flexon's at the J.P. Morgan Energy Equity Investor Conference states that Dynegy's Coal Portfolio "Benefits significantly from rising gas environment." *Id.*
 - a. How does Dynegy's coal portfolio benefit from the rising gas environment?
 - b. Page 9 of your testimony states "with the advent of substantial gas production from shale deposits, and the resultant significant increases in availability and decreases in price of domestic natural gas supplies, natural gas-fired generation is beginning to displace coal-fired generation, because the decreasing fuel costs of natural gas-fired generation enable these plants to be bid into the energy markets at lower prices." Can you please reconcile this statement with Mr. Flexon's

² Available at <http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9Njc0NDc2fENoaWxkSUQ9MzgyNjcwfFR5cGU9MQ==&t=1>.

statement about Dynegy's coal portfolio benefitting from the rising gas environment?

15. If IEPA's proposed MPS revisions are implemented, might Dynegy operate any of its units that have scrubbers installed without the scrubbers running?
- a. If so, how does Dynegy justify not running scrubbers that were installed for the express purpose of reducing emissions that adversely affect public health and for which, presumably, Dynegy's shareholders have already paid?

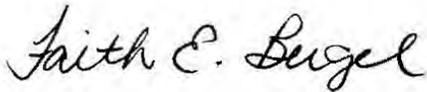
Respectfully submitted,



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Date: January 2, 2018

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CERTIFICATE OF SERVICE

The undersigned certifies that a true copy of the foregoing **NOTICE OF FILING and ENVIRONMENTAL GROUPS' PREFILED QUESTIONS FOR DEAN ELLIS, EXECUTIVE VICE PRESIDENT FOR REGULATORY AND GOVERNMENT AFFAIRS FOR DYNEGY INC.** on behalf of the Environmental Law & Policy Center in R2018-20 were served upon the attached service list by e-mail on January 2, 2018.



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