

DOCKETED

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November 7, 2013

Hon. Edmund G. Brown, Jr.
Governor of California
State Capitol
Sacramento, CA 94611

Dear Governor Brown:

I am writing to tell you of two developments announced by our company today that have a significant bearing on the implementation of your energy policies in California.

Dynegy Inc. owns and operates three power plant facilities in California. These are the 2,529 MW natural gas-fired Moss Landing Power Plant, located between Monterey and Santa Cruz on the coast, the 650 MW natural gas-fired Morro Bay Power Plant, located in that city, and the 165 MW Oakland Power Plant adjacent to Jack London Square. All three plants were originally constructed by Pacific Gas and Electric Company, but were sold in 1998 as part of the electric industry restructuring. Since Dynegy's ownership, the plants have reliably served the State of California and its constituents.

Today we have announced that Dynegy will close the Morro Bay Power Plant in 2014, and that we have re-contracted for the Moss Landing Power Plant, units 6&7, for the next three years. Both of these decisions recognize the changes occurring in the California energy marketplace as the State transitions to more reliance on renewables, distributed resources and flexible generation.

With respect to the Morro Bay facility, we have notified the responsible authorities today at the California Public Utilities Commission (CPUC), California Independent System Operator (CAISO) and the California Energy Commission (CEC) that the facility will close once the relevant processes are complete. We believe that the time has come to move beyond this legacy facility and have decided to terminate operations there. However, we intend to explore how new resources, such as distributed generation or storage, may be able to take advantage of the location of the existing site. I also want to assure you that Dynegy is taking every step to support and protect our valuable workforce with beneficial severance packages, and where feasible, potential employment at other Dynegy facilities.

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With respect to the Moss Landing facility, we are pleased to have reached agreement with Southern California Edison Company to provide energy and resource adequacy capacity for the next three years. While not pertinent to Edison's needs to replace San Onofre within its load center, this agreement will help Edison meet its system-wide needs pursuant to CPUC requirements. Significantly, Moss Landing is one of the most flexible power plants in California, allowing very low minimum operating loads and rapid response times. As such, it is an excellent and essential resource to assist in renewables integration – and the fulfillment of California's energy policy objectives. I would like to thank President Peevey and the staff of the CPUC for working with us to resolve prior issues and encouraging this result.

Dynegy is fully committed to the California energy marketplace. We understand and accept the changing preferences of California policy-makers and are aligning our business plans to be in harmony with your policy objectives. We look forward to working with you and your Administration to help the State implement the Administration's energy policy.

Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Flexon". The signature is fluid and cursive, with a large initial "R" and a stylized "F".

Robert C. Flexon
President and Chief Executive Officer

cc: Hon. Michael R. Peevey, President, CPUC
Hon. Robert B. Weisenmiller, Ph.D., Chairman, CEC
Mr. Steven Berberich, Chief Executive Officer, CAISO