Brayton Point:
A Cautionary Tale

Coal Finance 2013

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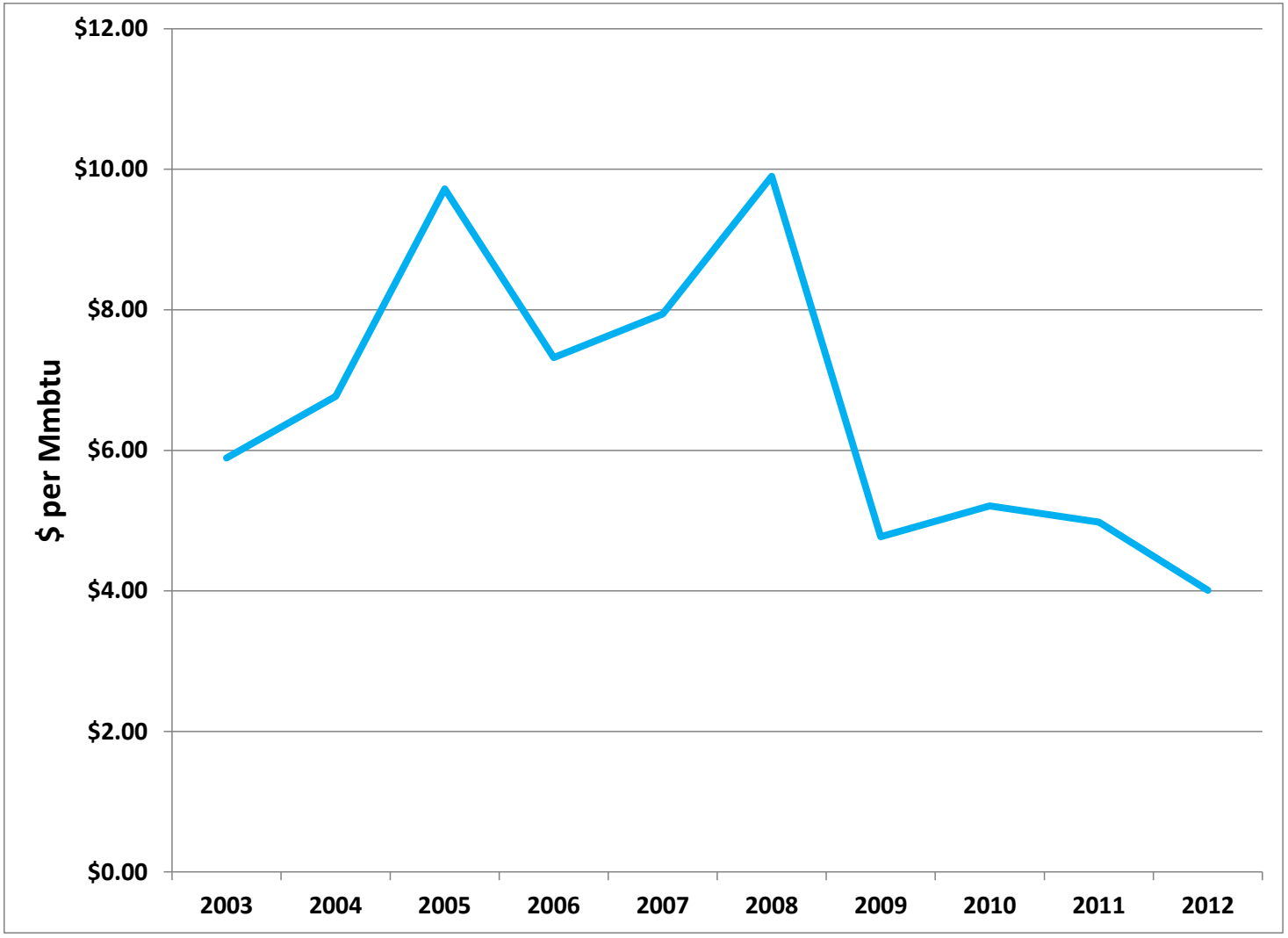
Brayton Point

- **Units 1-3 - coal-fired with some capability to burn natural gas**
  - **Total 1,134 MW**
  - **Units between 45 and 50 years old in 2013**
- **Unit 4 – oil-fired**
  - **445 MW**
  - **38 years old in 2013**

Life Was Pretty Good Until 2009

- High annual capacity factors.
- Selling output for substantially more than the cost of generation.
- Making a lot of money.
- No problem deciding to invest a billion dollars on new scrubber system and cooling towers in order to get environmentalists off back.
- But now in 2013 Dominion has written off ~ $700 million of this investment and is selling the plant as part of a package with valuable assets.

Then NE Natural Gas Prices Collapsed



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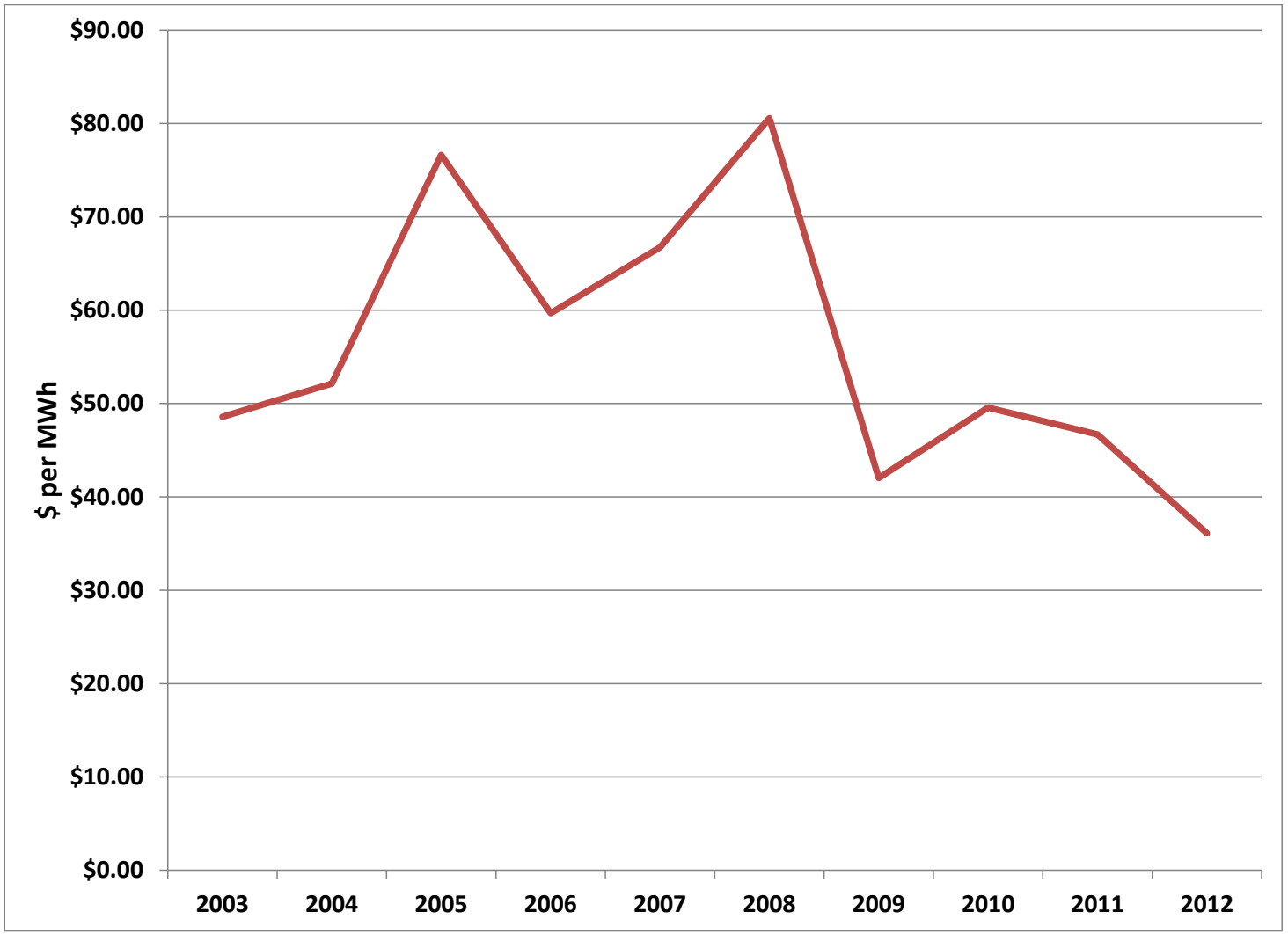
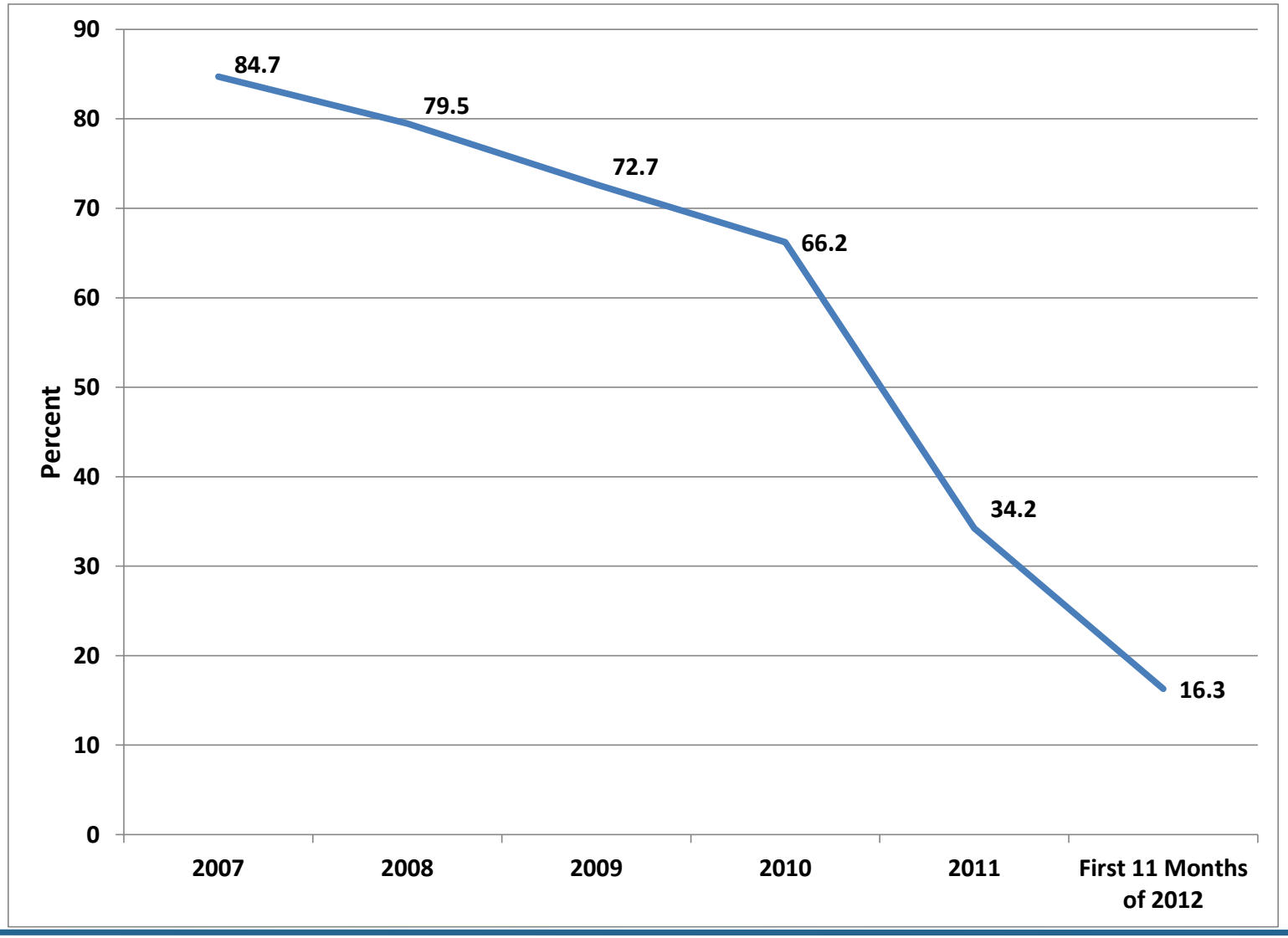
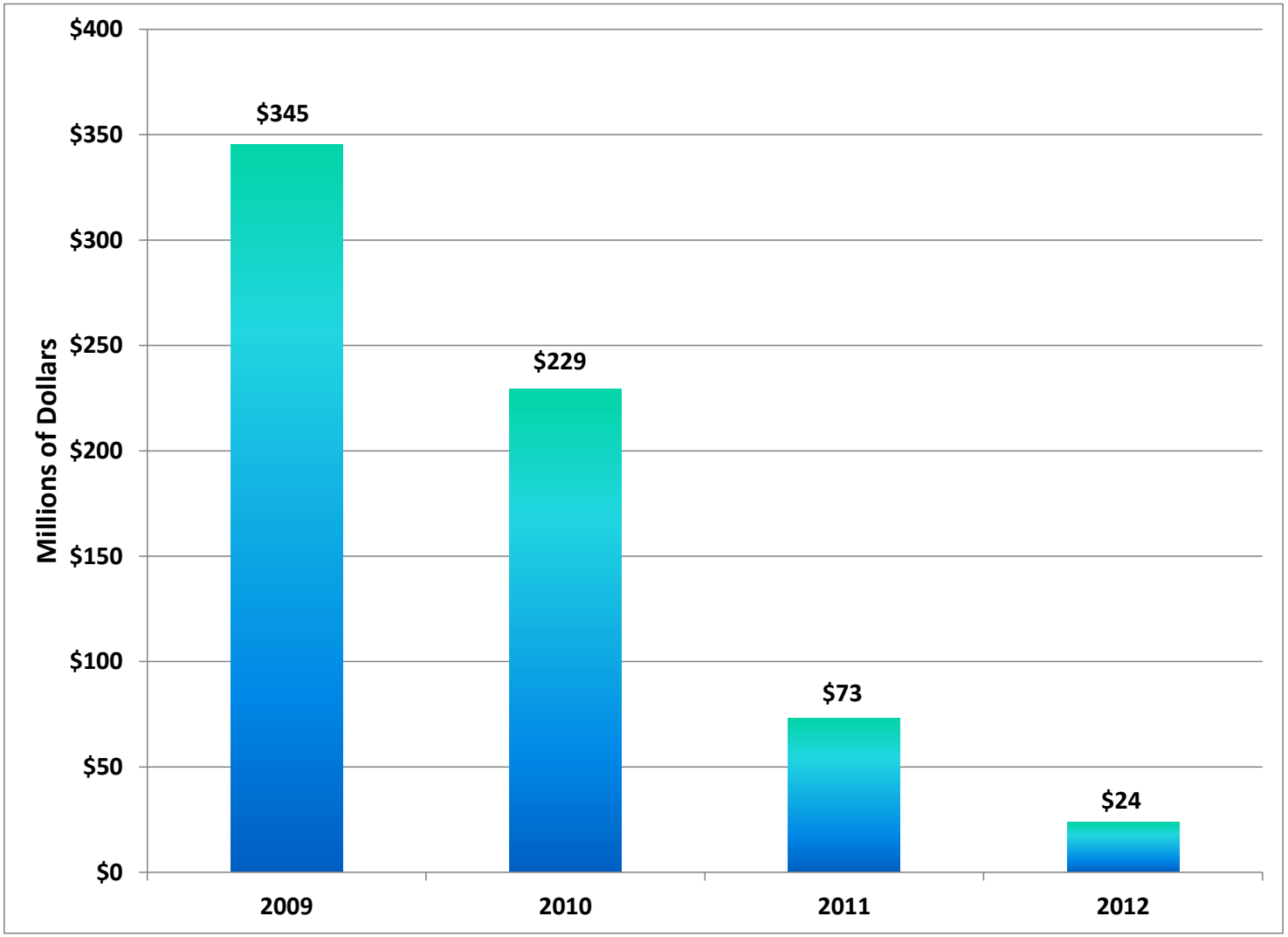
And Average NE Wholesale Electric Prices Went South With Them



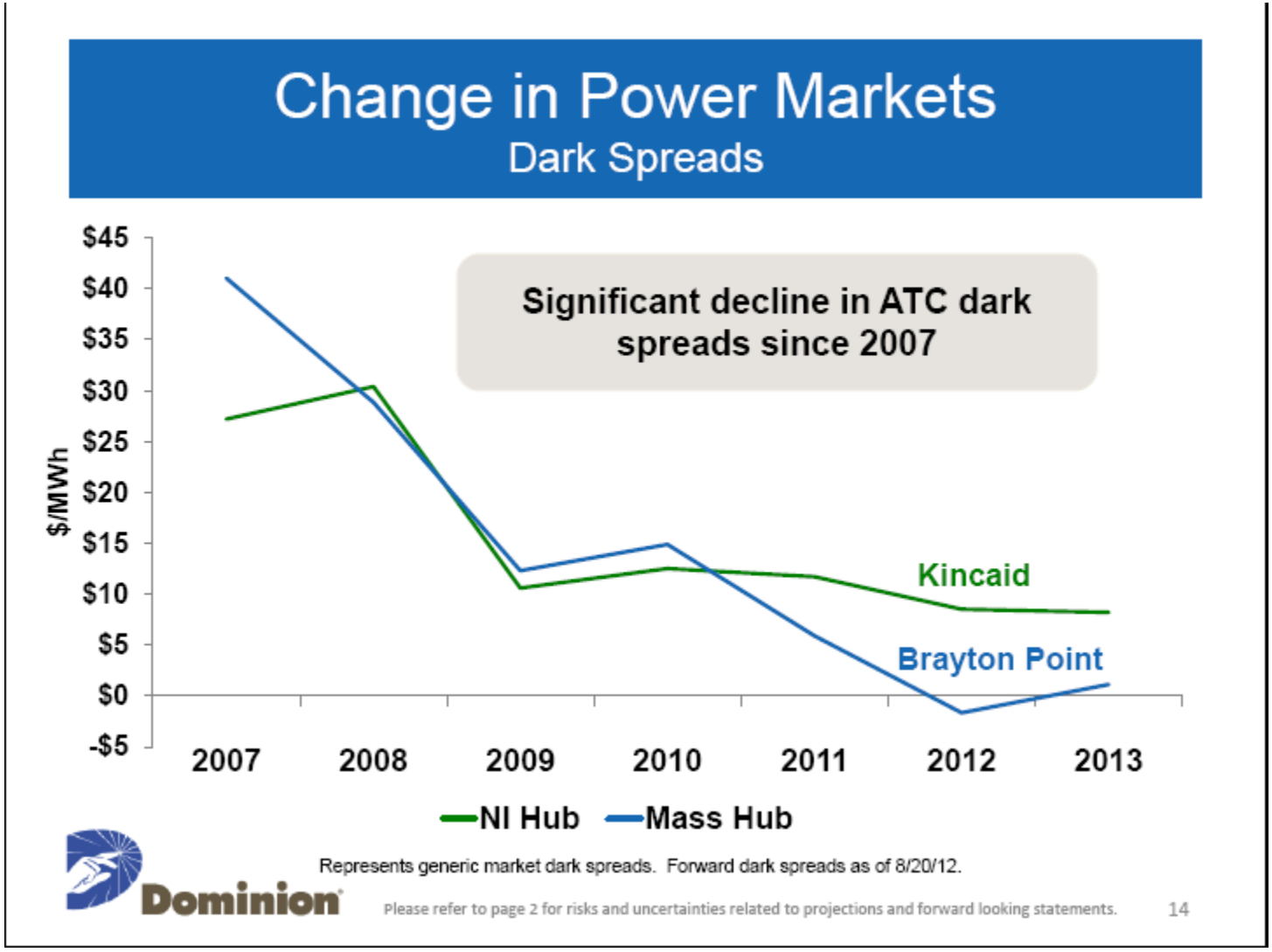
Annual Brayton Coal Unit Capacity Factors Crashed Too



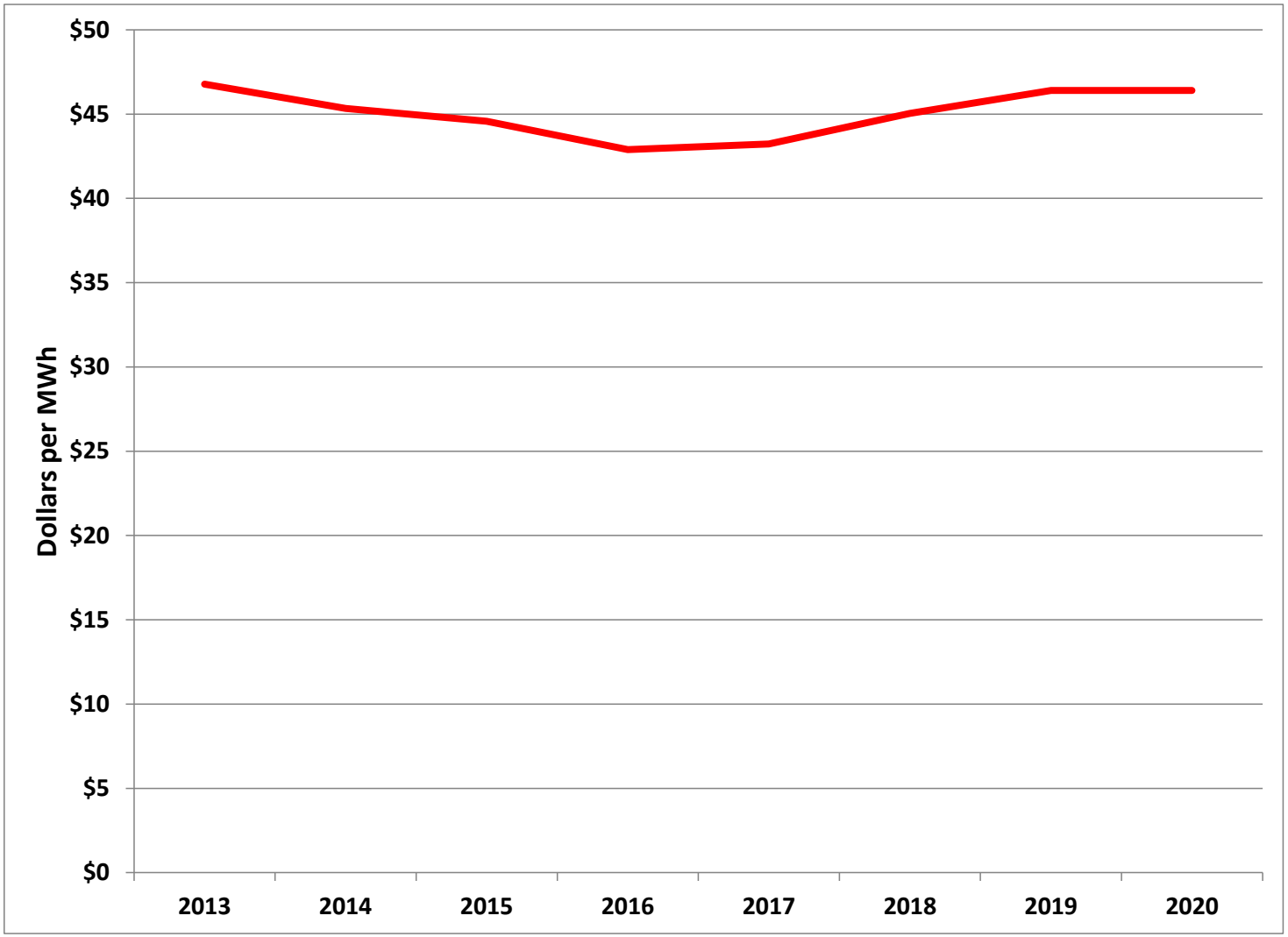
As Did the Pre-Tax Earnings from the Brayton Point Coal Units



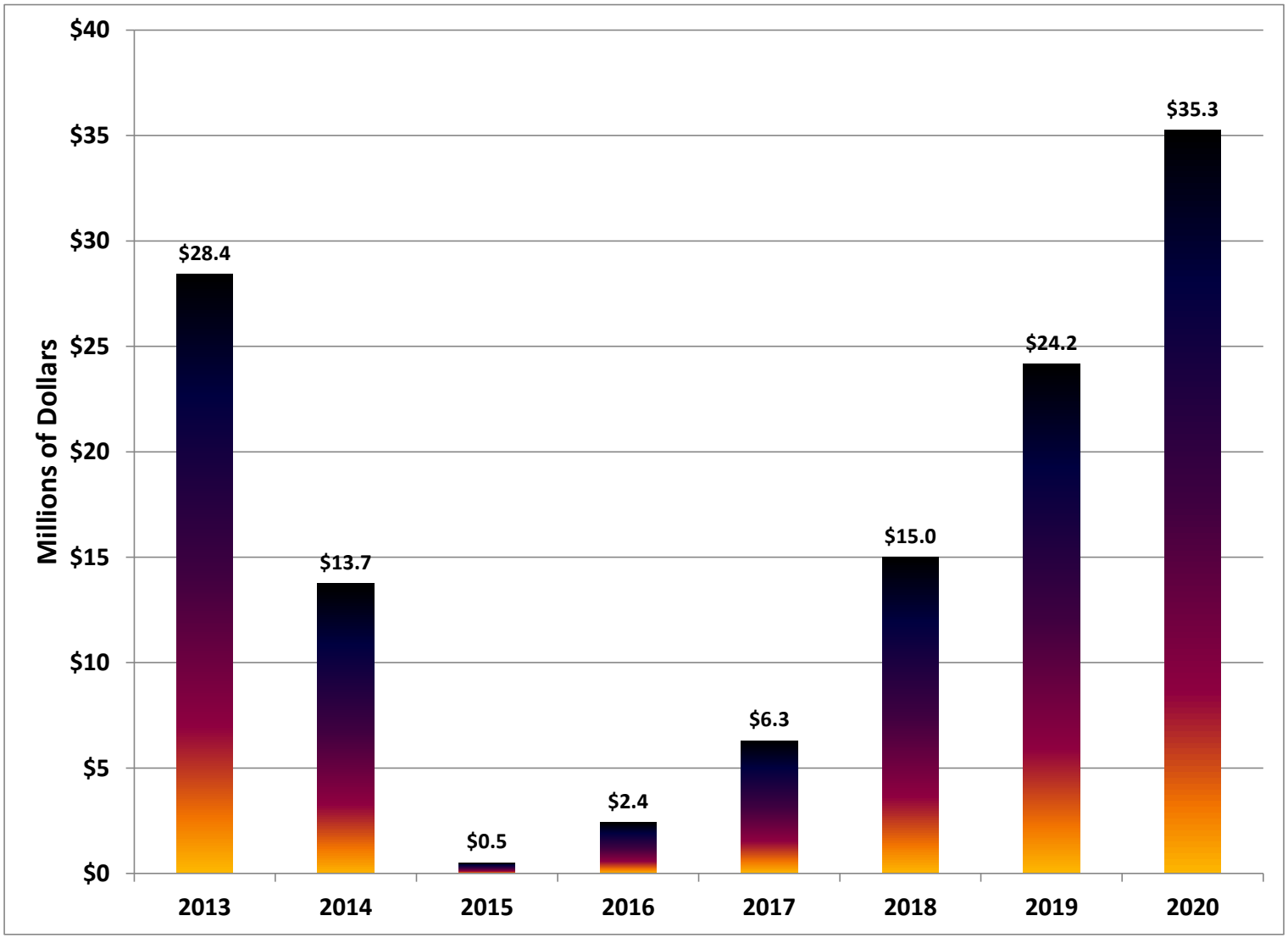
Dominion's Analysis of the Dark Spread



NE Energy Futures Prices



Projected Brayton Coal Unit EBITDA 2013-2020 – Optimistic Scenario



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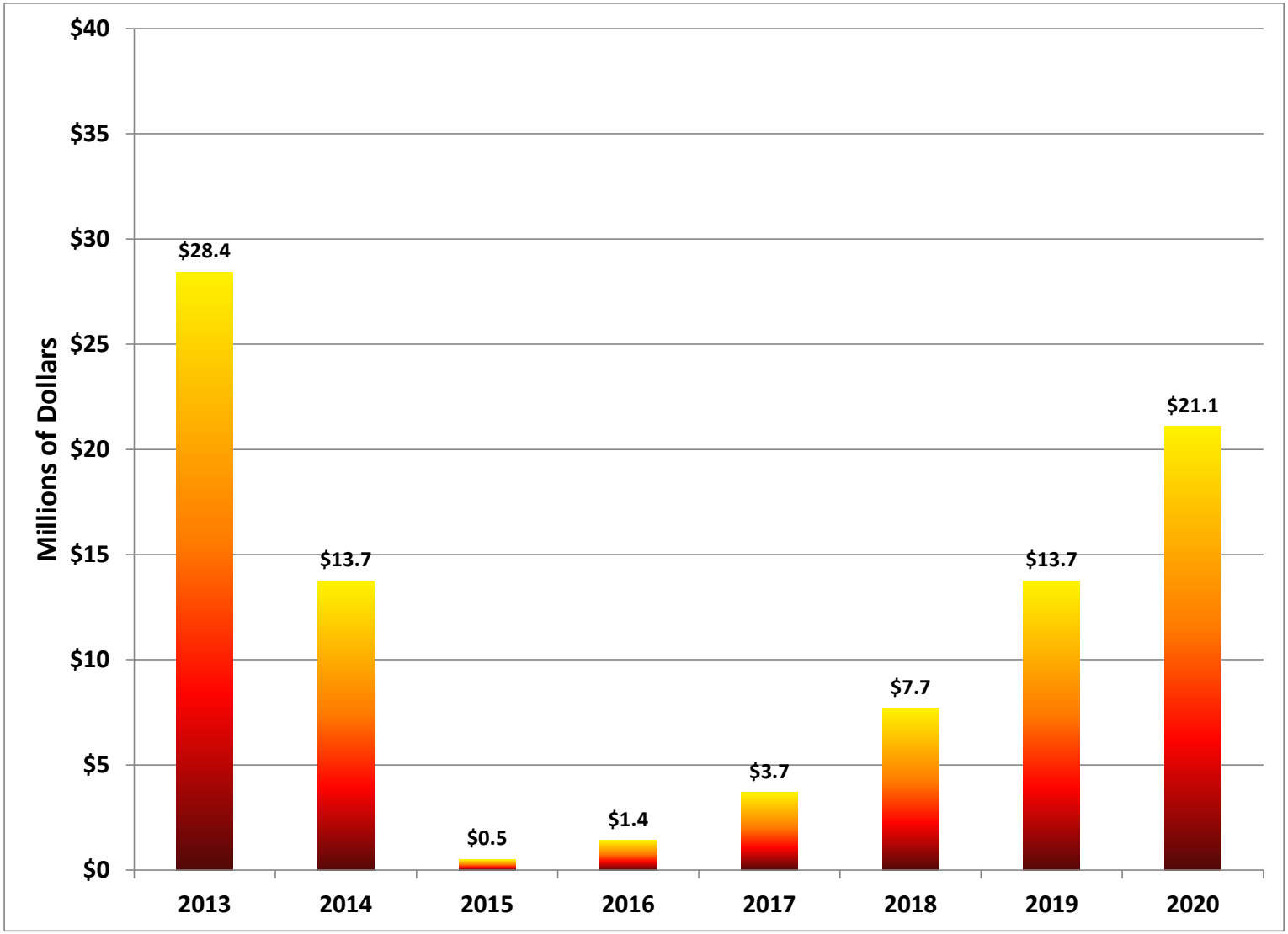
Projected Brayton Coal Unit EBITDA – 2013-2020 – Less Optimistic Scenario



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Long Term Risks

- **Wither natural gas and coal prices after 2020?**
- **Revised ISO-NE Capacity Market after 2017 will likely not favor coal.**
- **Revised regional RGGI CO_2 prices will be higher by $2-3 dollars per ton.**
- **Perhaps by early 2020s federal government will take meaningful action on regulating (pricing) greenhouse gas emissions from existing coal plants like Brayton Point.**

Brayton Point Unit 4