Brayton Point: 
A Cautionary Tale

Coal Finance 2013

David Schlissel
March 18, 2013
• 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

![Graph showing the trend of natural gas prices from 2003 to 2012. The prices range from $0.00 to $12.00 per Mmbtu.]
And Average NE Wholesale Electric Prices Went South With Them
Annual Brayton Coal Unit Capacity Factors Crashed Too

![Graph showing the annual Brayton Coal Unit capacity factors from 2007 to 2011 and the first 11 months of 2012. The factors decrease significantly over the years.]

Percent

0 10 20 30 40 50 60 70 80 90

2007 2008 2009 2010 2011 First 11 Months of 2012

84.7 79.5 72.7 66.2 34.2 16.3
As Did the Pre-Tax Earnings from the Brayton Point Coal Units
Dominion’s Analysis of the Dark Spread

Change in Power Markets
Dark Spreads

Significant decline in ATC dark spreads since 2007

2007 2008 2009 2010 2011 2012 2013

Dominion

NI Hub Mass Hub

$45 $40 $35 $30 $25 $20 $15 $10 $5 $0 -$5

Kincaid Brayton Point

Represents generic market dark spreads. Forward dark spreads as of 8/20/12.

Please refer to page 2 for risks and uncertainties related to projections and forward looking statements.
NE Energy Futures Prices

![Graph showing NE Energy Futures Prices from 2013 to 2020 with pricing in dollars per MWh ranging from $0 to $50. The graph shows a general trend of fluctuating prices with minor dips and rises over the years.]
Projected Brayton Coal Unit EBITDA 2013-2020 – Optimistic Scenario
Projected Brayton Coal Unit EBITDA – 2013-2020 – Less Optimistic Scenario

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA (Millions of Dollars)</th>
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<tbody>
<tr>
<td>2013</td>
<td>$28.4</td>
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<tr>
<td>2014</td>
<td>$13.7</td>
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<tr>
<td>2015</td>
<td>$0.5</td>
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<tr>
<td>2016</td>
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<td>2017</td>
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<tr>
<td>2019</td>
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<td>2020</td>
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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.