
Brayton Point: A Cautionary Tale

Coal Finance 2013

David Schlissel

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**THE INSTITUTE FOR
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& FINANCIAL ANALYSIS**

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**

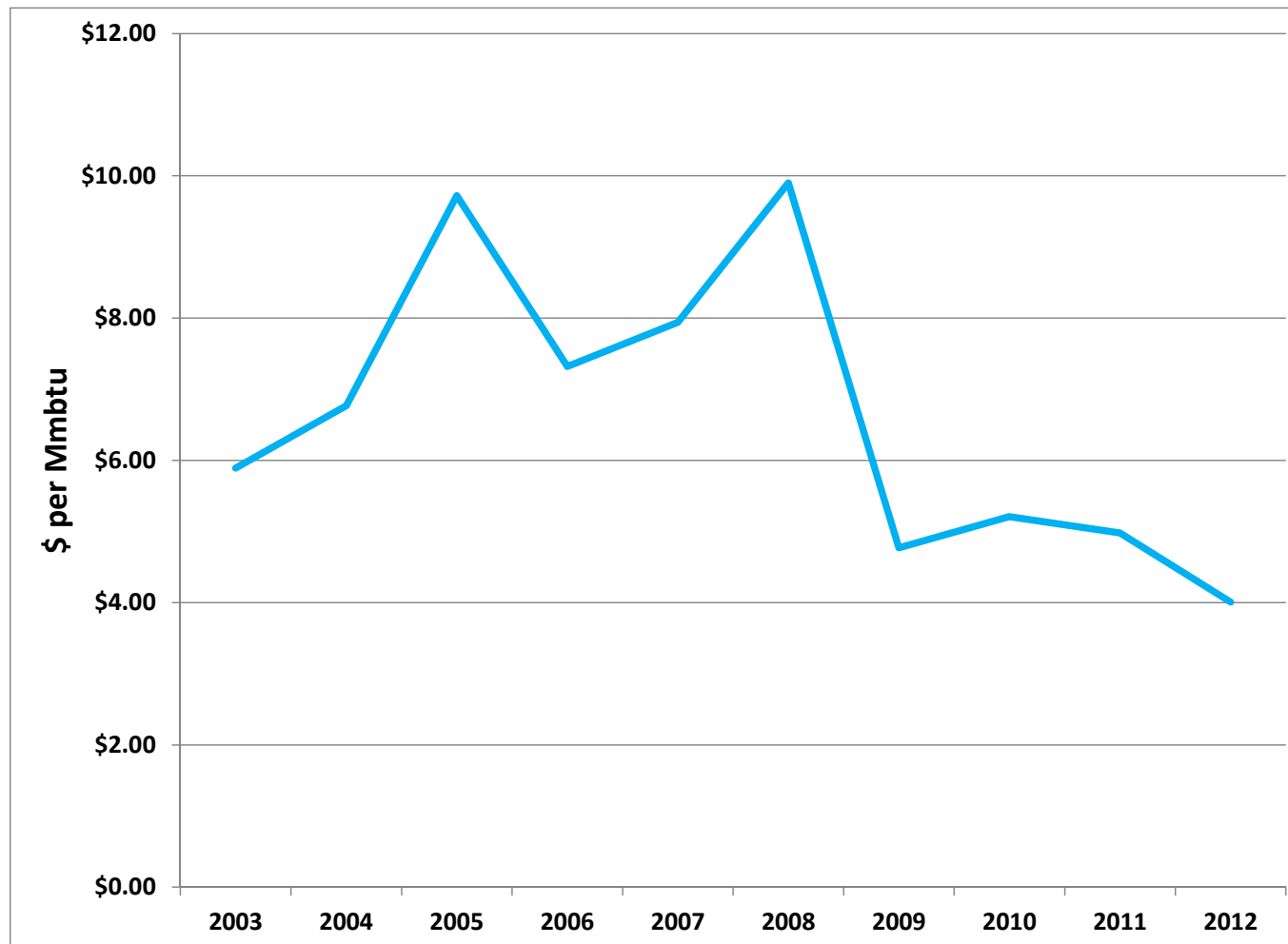


Life Was Pretty Good Until 2009

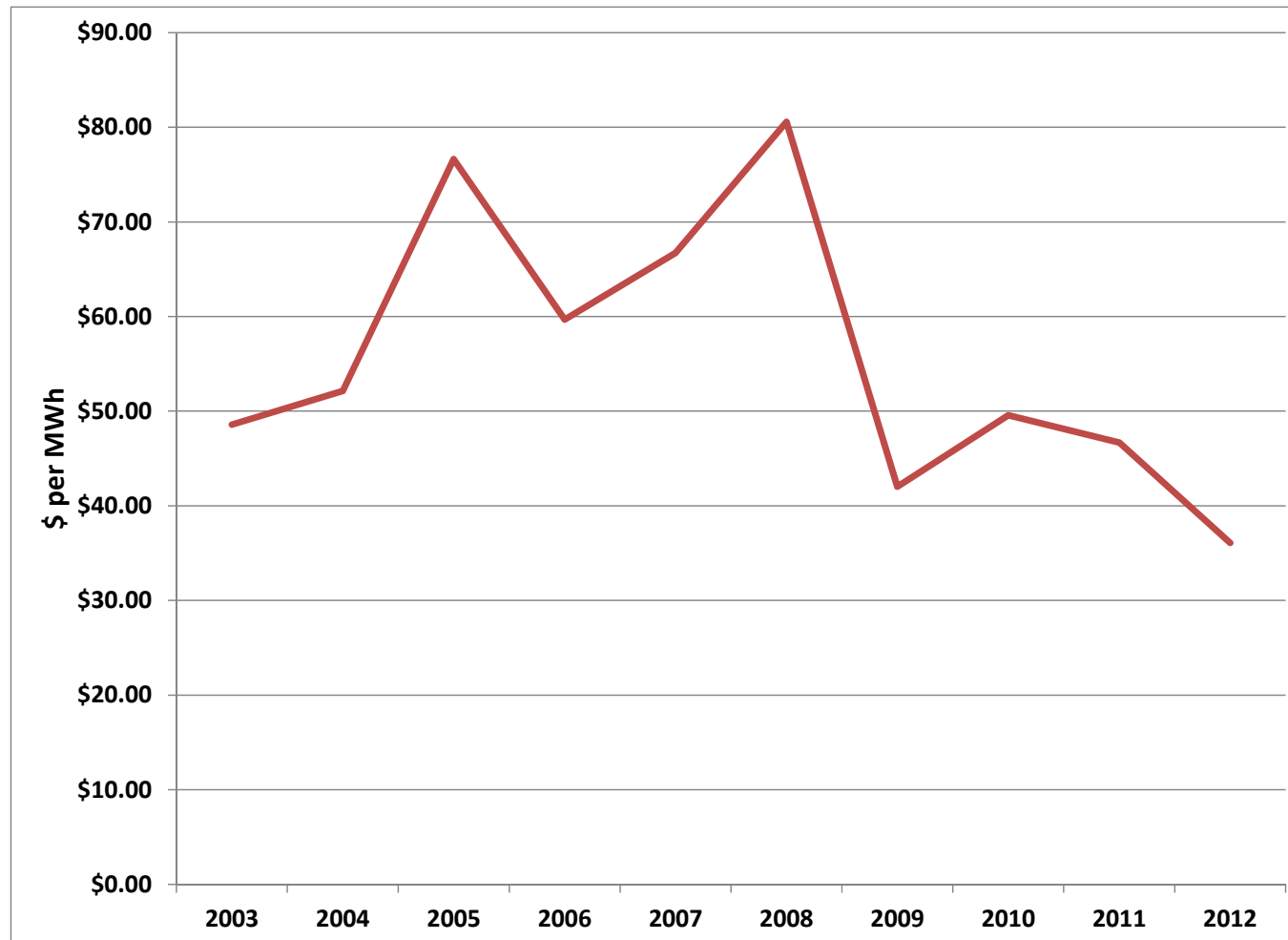
- **High annual capacity factors.**
- **Selling output for substantially more than the cost of generation.**
- **Making a lot of money.**
- **No problem deciding to invest a billion dollars on new scrubber system and cooling towers in order to get environmentalists off back.**
- **But now in 2013 Dominion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



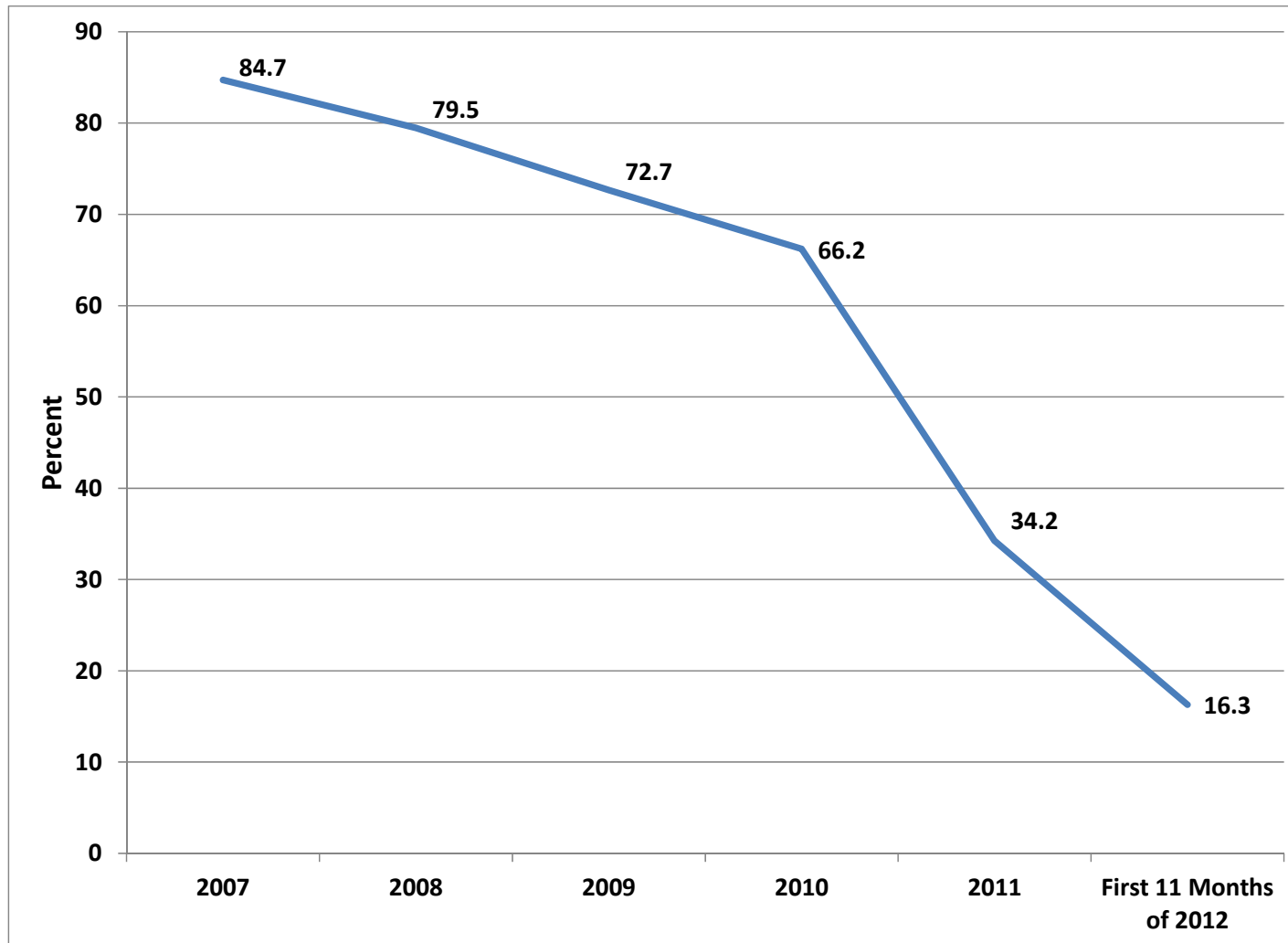
Then NE Natural Gas Prices Collapsed



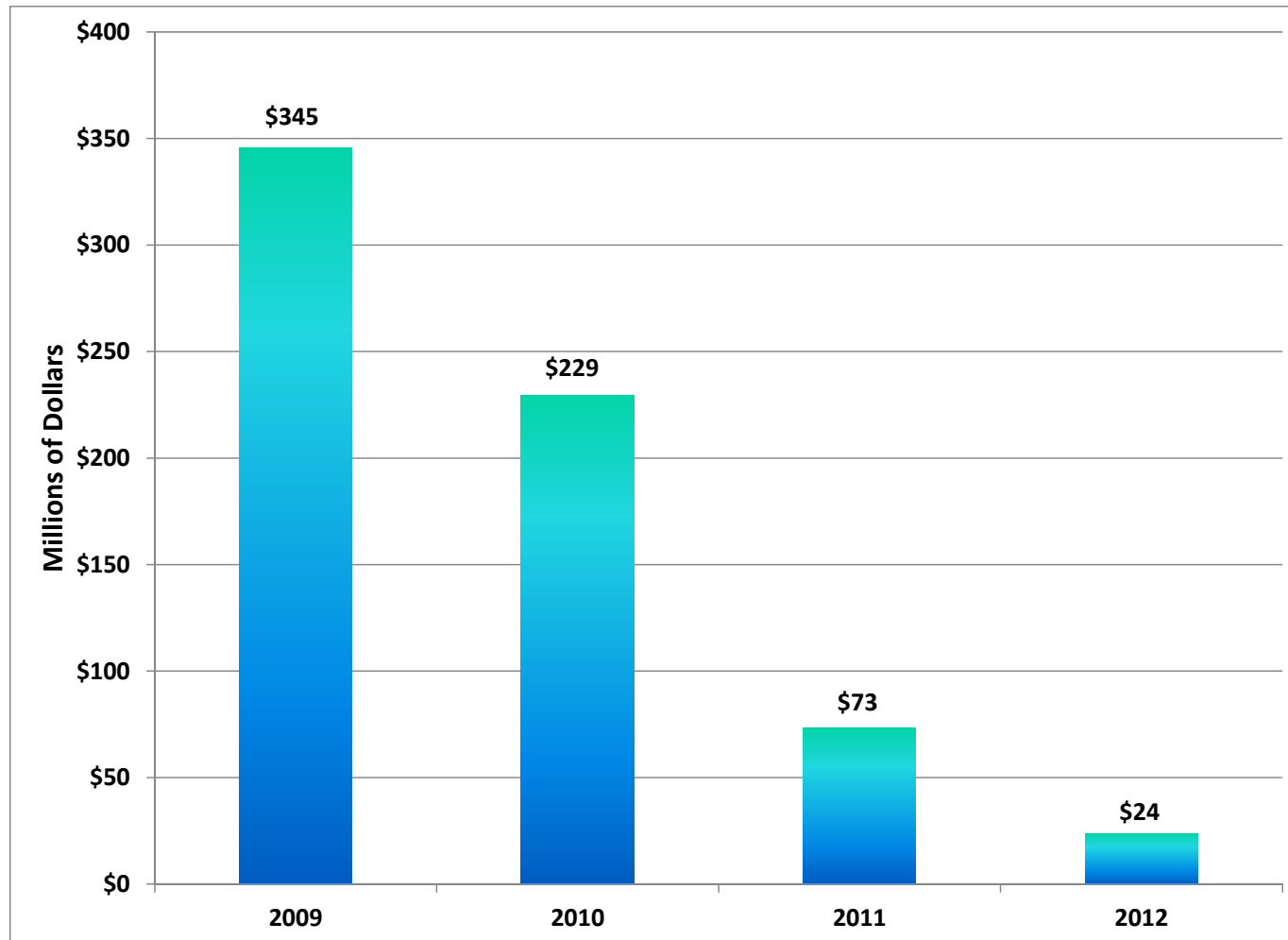
And Average NE Wholesale Electric Prices Went South With Them



Annual Brayton Coal Unit Capacity Factors Crashed Too

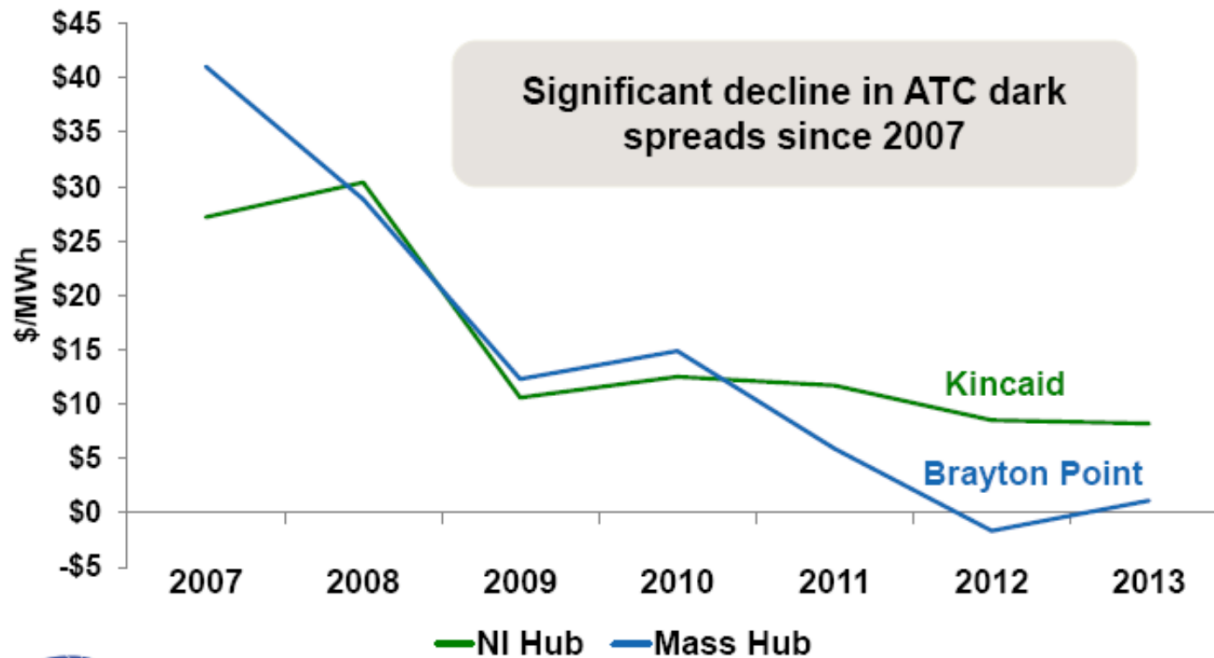


As Did the Pre-Tax Earnings from the Brayton Point Coal Units



Dominion's Analysis of the Dark Spread

Change in Power Markets Dark Spreads



Dominion

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.

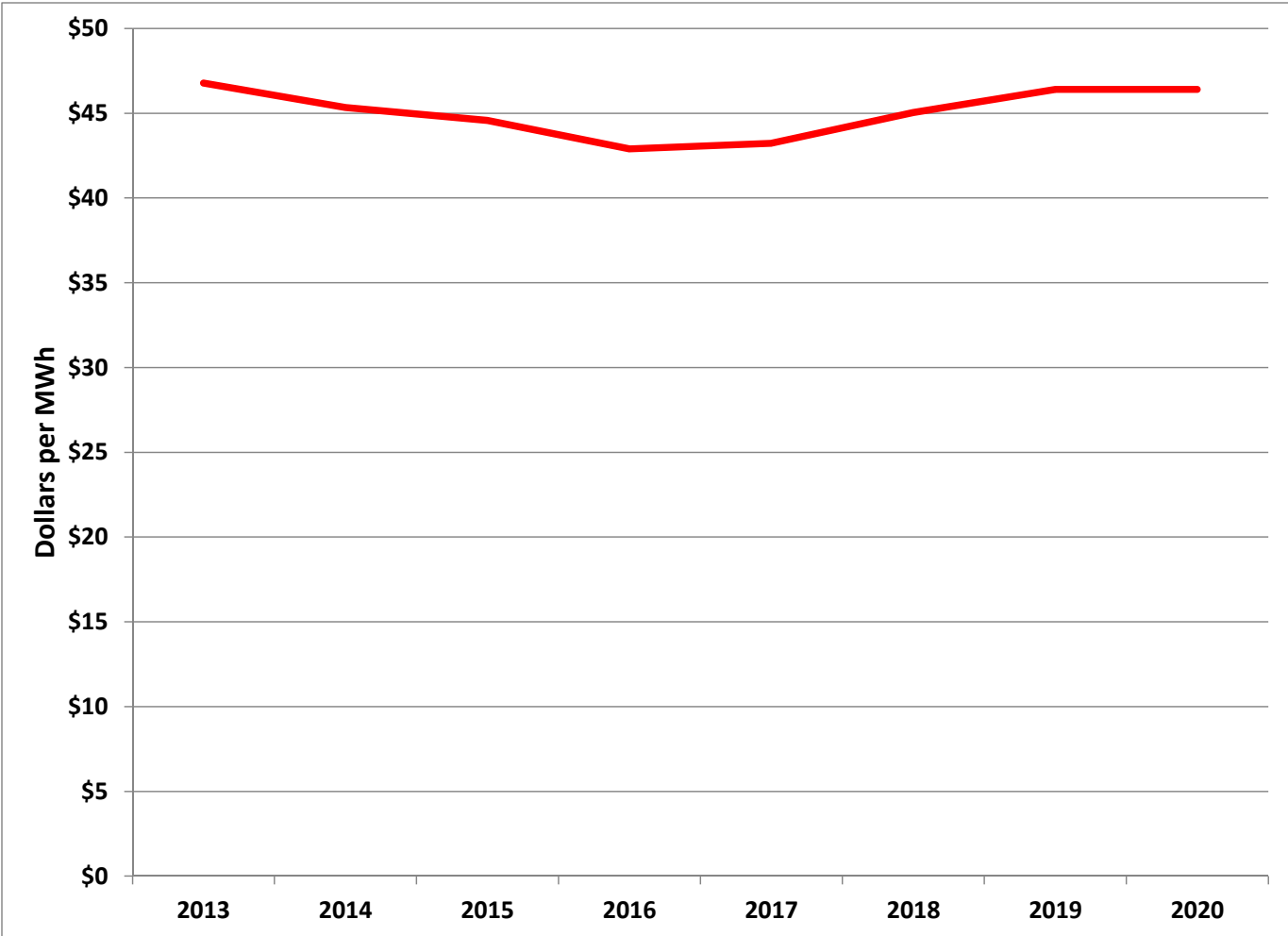
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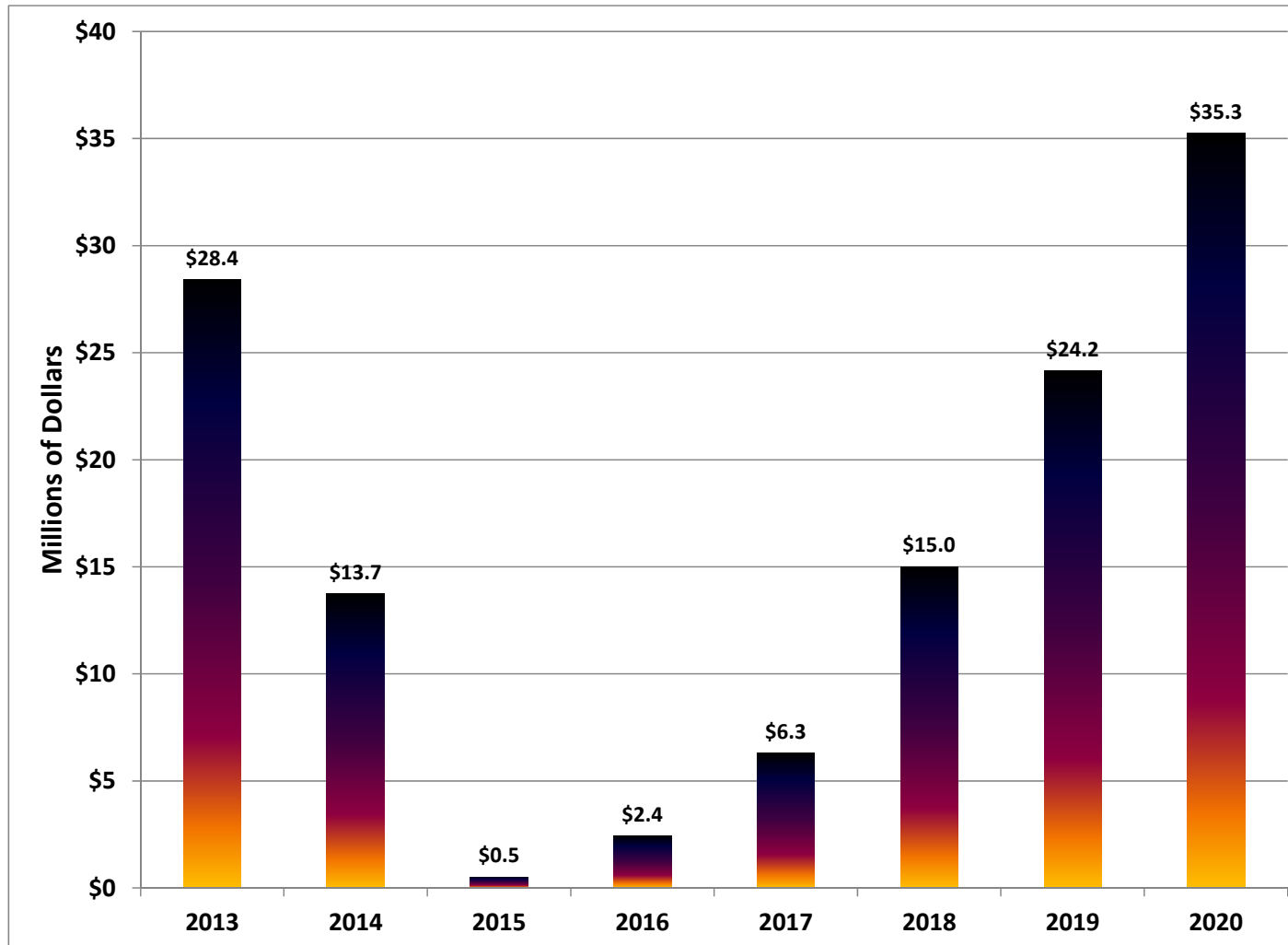
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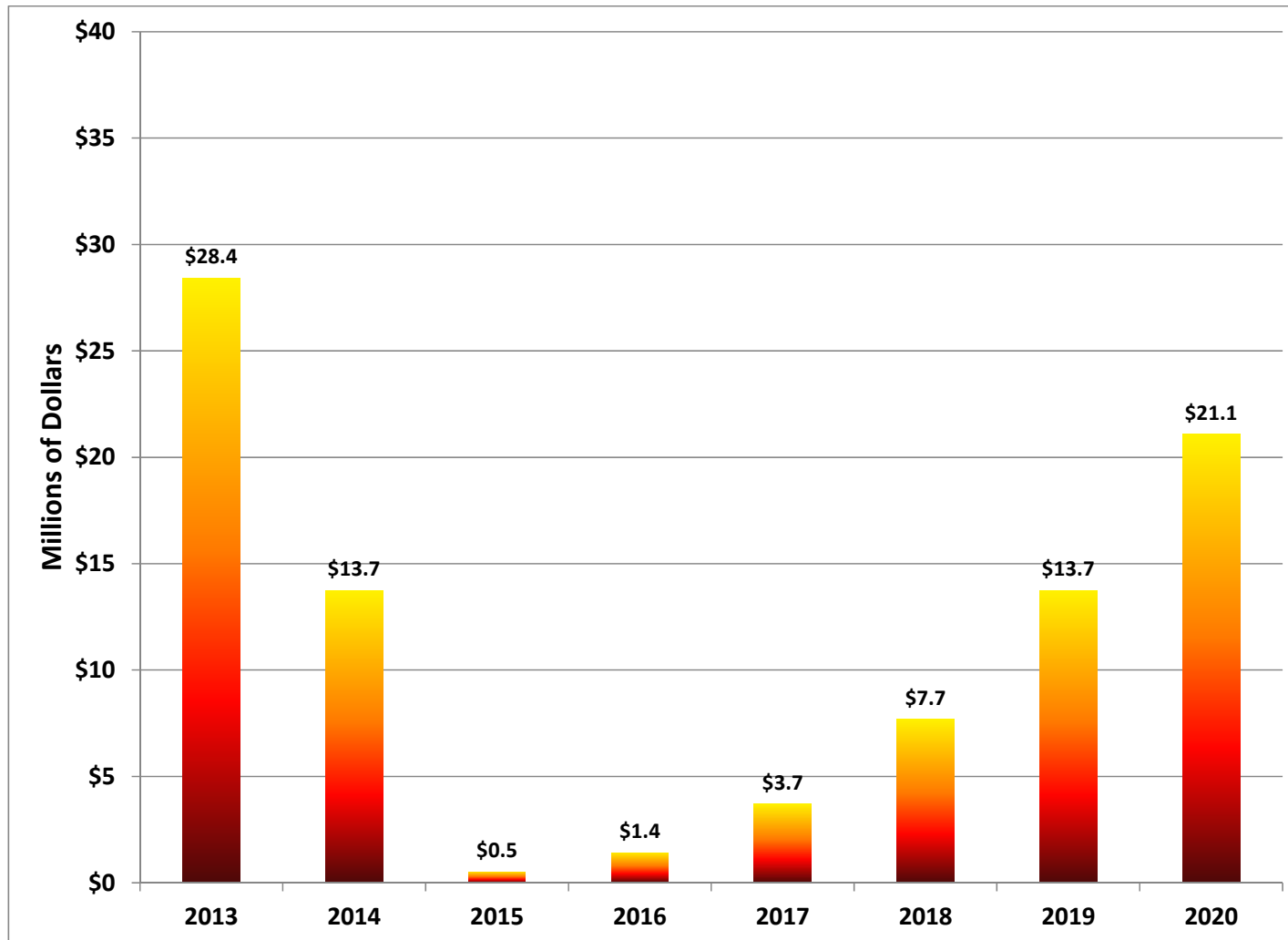
NE Energy Futures Prices



Projected Brayton Coal Unit EBITDA 2013-2020 – Optimistic Scenario



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



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 CO₂ 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

