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Dynegy, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Thank you sir. [Operator Instructions]. Our first question comes from Lasan Johong. Your line is open.

Bruce Williamson - Chairman, President and Chief Executive Officer

Hi Lasan.

Lasan Johong - RBC Capital Markets

Hi Bruce. Disappointing on the quarter obviously, but I'm sure, a bunch of the effect was due to flooding issues in the Midwest. Is there any way you can quantify that number as to what that impact was?

Bruce Williamson - Chairman, President and Chief Executive Officer

We really had a couple of things going on at the same time. You have got gas that was... it was moving up very sharply so that's increasing pricing in PJM. But you had flooding in the Midwest region and that's doing a couple of things, that's obviously reducing demand over on coal at the western side of the Midwest, while at the same time cutting off some transmission and things like that. So, they all sort of blended together, I think, we kicked it around this morning and we probably would put it at roughly what we have decided about two-thirds, one-third with... probably two-thirds of it being the rise in gas, one-third being the flooding and transmission cut-off or demand cut-off, I think, more than anything that happened around the flooding, but it's difficult to kind of pair those two things apart.

Lasan Johong - RBC Capital Markets

I understand that. In the first quarter call you had mentioned that the spaces risk was there and that Dynegy is prepared to deal with it, and going forward you are saying that you might be able to do so again potentially with some financial transmission rights. Has that view changed at all and what actually prevented you from better mitigating the risks to the hub in the... to the basis, I mean in the second quarter?

Bruce Williamson - Chairman, President and Chief Executive Officer

Well, I will ask Lynn and Jason to chime in. I mean I think, when we talk about buying those transmission rights, they have to be able... available in the market at a price that's worth the purchase and I think that probably more than anything is what drives it is you got to compare the price that you'd have to pay to acquire those relative to what the current basis is, Lynn you want to add anything?

Lynn A. Lednicky - Executive Vice President, Asset Management, Development and Regulatory Affairs

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