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Dynegy Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) Lasan Johong of RBC Capital Markets, you may ask your question.

Lasan Johong - RBC Capital Markets

Thank you. Good morning. Bruce it sounds like there's a little bit of a change in how you view the world. It used to be that Dynegy hedged on a current + 1 basis, and now it sounds like it's more like current + 2. I'm not criticizing that strategy; I think that's probably a good one and it sounds like you're trying to bridge to ?the better times? so to speak. Is that a correct perception or am I kind of missing something here.

Bruce Williamson

No, I think that's actually a pretty good way of putting it. Right now in this environment I think investors are more concerned about protecting against the downside and what we're trying to do is sort of strike the balance here between, adding greater near term predictability, protecting against any further fall in commodity prices.

When we look longer term we see fundamentals are still there, largely no ones really building new power generation in the country. The economy will come back, consumers will consume energy, they do consume electricity and we'll see supply and demand tighten and probably tighten pretty rapidly. So, I think that's a pretty good way of putting it. Chuck you're on the commercial group now, anything you want to add to that?

Chuck Cook

No, I think that's a fair assessment of the goal and strategy.

Lasan Johong - RBC Capital Markets

Excellent. There's been a lot of chit-chat about what the current congress and President Obama wants to do on the energy front, particularly there's been some noise on CO2. Do you have any kind of opinion what you think might happen?

Bruce Williamson

No. I think the main thing for investors that look at that issue is, when something is implemented whether it's a cap and trade or carbon tax, if you have to buy your credits it's effectively the same thing.

I just want to point out again that our coal fleet is in a market where coal is at the margin of most of the time and so we would expect to get full cost recovery of any cost of carbon credits or carbon charges that we would incur most of the year, and then as we move to that world, in the periods of time when gas is setting the marginal price you'd expect greater gas usage in the country, so you should see a rise in natural gas.

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