



SRP, Dynegy and NRG Energy Form Alliance

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Propose Power Generation Project in the Phoenix Area

Phoenix (August 10, 1999) -- SRP, Dynegy Inc. and NRG Energy, Inc. today announced the creation of an alliance to develop a 500 to 750-megawatt (MW) natural gas-fired, combined-cycle generating facility to serve the growing demand for electricity in the greater Phoenix area. The three companies are initiating the process to obtain the necessary siting permits and are considering multiple sites in Phoenix's East Valley.

SRP, which provides electricity to more than 700,000 customers in the greater Phoenix metropolitan area, has experienced a tremendous growth in customers the past few years, including a record 27,000 new customers last fiscal year. The pace of SRP's customer growth is anticipated to continue, particularly in the East Valley. The companies believe that the project is critical to ensure SRP's ability to meet forecasted demand and to maintain a dependable supply of power over the next decade.

"Our projections show that without new generation resources in Phoenix's East Valley, we could have difficulties meeting our growing customer load in three years," said SRP General Manager Richard Silverman. "A new natural gas-fired generating facility in the area would alleviate some of the transmission challenges in our service territory and help SRP to continue to provide the reliable service our customers expect."

SRP selected Dynegy and NRG to participate in the project after issuing a request for proposals in April, 1998. Dynegy is a national energy merchant headquartered in Houston; NRG is a wholly-owned subsidiary of Northern States Power, which is located in Minneapolis.

The group plans to construct a new 500 to 750-megawatt (MW) natural gas-fired generating facility in the Phoenix area. The site of the project has not been finalized, although existing SRP properties at the Kyrene Generating Station in Tempe and the Santan Generating Station in Gilbert are among the sites under consideration. Both Kyrene and Santan offer existing transmission facilities, natural gas connections and convenient water supplies and thus would reduce the environmental footprint required to install the additional generating capacity.

The three companies are conducting informational meetings about the project with relevant federal, state, county and municipal officials as well as the Arizona Corporation Commission. The participants will soon launch an extensive public process to facilitate the permitting procedure. The public process will culminate with a request for a certificate of environmental compatibility from the state of Arizona Power Plant and Transmission Siting Committee. Pending approval from local and state authorities and regulatory officials, construction on the project would begin in late 2000.

"Because of the tremendous growth in demand for power and ancillary products in the greater Phoenix area, Dynegy is pleased to join with SRP and NRG in seeking solutions to the growing demand for electricity in the region," said Steve Bergstrom, president and chief operating officer of Dynegy Inc. "Each of the participants is committed to high standards for commercial development and environmental performance. As a group, we are dedicated to receiving input from the community and keeping citizens informed as we move through the approval and construction phases of the project."

"Our three organizations and the experience and expertise we possess are well-suited to develop new power generation facilities that utilize natural gas," said David Peterson, chairman, president and chief executive officer of NRG Energy. "As the operator of more than 11,000 megawatts of generation worldwide, we have demonstrated our ability to operate safe and efficient power plants."

Dynegy Inc. (NYSE: DYN) is one of the country's leading marketers of energy products and services. Through its leadership position in gathering, processing, transportation, power generation, and marketing of energy, the company provides energy solutions to its customers primarily in North America and the United Kingdom. Dynegy's primary business segments are wholesale gas and power and natural gas liquids.

NRG Energy, Inc. is one of the world's leading independent power producers, specializing in the development, construction, operation, maintenance and ownership of low-cost, environmentally sensitive power plants. Established in 1989, NRG has a high quality portfolio of projects in the United States, Europe, the Pacific Rim, and Latin America.

SRP is the third largest public power utility in the U.S. serving more than 700,000 electric customers in the greater Phoenix metropolitan area and has been ranked the top-performing electric utility in the western U.S. for residential customer satisfaction by J.D. Power and Associates.

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