

DYNEGY INC /IL/  
Form 10-Q/A  
January 19, 2005  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q/A**  
**AMENDMENT NO.1**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2004

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-15659

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**DYNEGY INC.**

(Exact name of registrant as specified in its charter)

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**Illinois**  
(State or other jurisdiction of incorporation or organization)

**74-2928353**  
(I.R.S. Employer Identification No.)

**1000 Louisiana, Suite 5800**

**Houston, Texas 77002**

(Address of principal executive offices)

(Zip Code)

**(713) 507-6400**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Class A common stock, no par value per share, 283,135,636 shares outstanding as of November 8, 2004; Class B common stock, no par value per share, 96,891,014 shares outstanding as of November 8, 2004.

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*Introductory Note*

Dynegy Inc. is filing this Amendment No. 1 on Form 10-Q/A ( Amendment No. 1 ) to reflect the effect of a \$7 million balance sheet reclassification on our historical unaudited condensed consolidated financial statements and related information, as reported in our Quarterly Report on Form 10-Q for the period ended September 30, 2004, which was originally filed on November 15, 2004 (the Original Filing ). This item is discussed in more detail in the Introductory Note to the accompanying unaudited condensed consolidated financial statements beginning on page 8. Revised financial information for the periods presented reflecting this reclassification was previously included in our Annual Report on Form 10-K for the year December 31, 2003, which was most recently amended by Amendment No. 2 thereto filed with the SEC on January 18, 2005 (the Form 10-K/A ). The restated financial and other information included in this Amendment No. 1 should be read together with the Form 10-K/A. The following Items of the Original Filing are amended by this Amendment No. 1:

**Item 1. Condensed Consolidated Financial Statements**

**Item 4. Controls and Procedures**

**Item 6. Exhibits and Reports on Form 8-K**

Unaffected items have not been repeated in this Amendment No. 1.

**PLEASE NOTE THAT THE INFORMATION CONTAINED IN THIS AMENDMENT NO. 1, INCLUDING THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND THE NOTES THERETO, DOES NOT REFLECT EVENTS OCCURRING AFTER THE DATE OF THE ORIGINAL FILING. SUCH EVENTS INCLUDE, AMONG OTHERS, THE EVENTS DESCRIBED IN OUR CURRENT REPORTS ON FORM 8-K. FOR A DESCRIPTION OF THESE EVENTS, PLEASE READ OUR EXCHANGE ACT REPORTS FILED SINCE NOVEMBER 15, 2004, INCLUDING OUR CURRENT REPORTS ON FORM 8-K AND ANY AMENDMENTS THERETO.**

**Table of Contents****DEFINITIONS**

As used in this Form 10-Q, the abbreviations listed below have the following meanings:

ARO	Asset retirement obligation
Bbtu/d	Billions of British thermal units per day
Cal ISO	The California Independent System Operator
Cal PX	The California Power Exchange
CDWR	California Department of Water Resources
CFTC	Commodity Futures Trading Commission
CPUC	California Public Utilities Commission
CRM	Our customer risk management business segment
CUSA	Chevron U.S.A. Inc., a wholly owned subsidiary of ChevronTexaco
\$/Bbl	Dollars per barrel
\$/Gal	Dollars per gallon
DGC	Dynegy Global Communications
DHI	Dynegy Holdings Inc., our primary financing subsidiary
DMG	Dynegy Midwest Generation, Inc.
DMS	Dynegy Midstream Services
DPM	Dynegy Power Marketing Inc.
EITF	Emerging Issues Task Force
EPA	Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas, Inc.
ERISA	The Employee Retirement Income Security Act of 1974, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIN	FASB Interpretation
Form 8-K	Our Current Report on Form 8-K filed on September 22, 2004
Form 10-K	Our Annual Report on Form 10-K for the year ended December 31, 2003, filed on February 27, 2004, as amended by Amendment No. 1 on Form 10-K/A filed on July 20, 2004
Form 10-K/A	Amendment No. 2 to our Annual Report on Form 10-K for the year ended December 31, 2003, filed on January 18, 2005
Form 10-Q/A	Amendment No. 1 to our Form 10-Q for the quarter ended September 30, 2004
GAAP	Accounting principles generally accepted in the United States of America
GEN	Our power generation business segment
ICC	Illinois Commerce Commission
KWH	Kilowatt hours
kW-yr	Kilowatts per year
LIBOR	The London Interbank Offered Rate
LNG	Liquefied natural gas
MBbls/d	Thousands of barrels per day
MISO	Midwest Independent Transmission System Operator, Inc.
MMBtu	Millions of British thermal units
MMCFD	Million cubic feet per day
MW	Megawatt
MWh	Megawatt hour
NGL	Our natural gas liquids business segment
NOV	Notice of Violation
NSPS	New Source Performance Standard
Original Filing	Our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, filed on November 15, 2004
PGA	Purchase Gas Adjustment
PPO	Power Purchase Option
PRB	Powder River Basin
PSD	Prevention of Significant Deterioration
REG	Our regulated energy delivery business segment

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RTO	Regional Transmission Organization
SEC	U.S. Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
SPE	Special Purpose Entity
VaR	Value at Risk
VIE	Variable Interest Entity
WEN	Our former wholesale energy business segment

**Table of Contents****DYNEGY INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(unaudited) (in millions, except share data)

See Explanatory Note

	September 30, 2004	December 31, 2003
	(Restated)	(Restated)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 926	\$ 477
Restricted cash		19
Accounts receivable, net of allowance for doubtful accounts of \$161 and \$184, respectively	698	1,010
Accounts receivable, affiliates	19	25
Inventory	260	279
Assets from risk-management activities	797	818
Prepayments and other current assets	463	402
	<u>3,163</u>	<u>3,030</u>
<b>Total Current Assets</b>		
<b>Property, Plant and Equipment</b>	7,774	9,867
Accumulated depreciation	(1,626)	(1,664)
	<u>6,148</u>	<u>8,203</u>
<b>Property, Plant and Equipment, Net</b>		
<b>Other Assets</b>		
Unconsolidated investments	459	612
Assets from risk-management activities	634	629
Goodwill	15	15
Other long-term assets	312	472
	<u>1,420</u>	<u>1,728</u>
<b>Total Assets</b>	<u>\$ 10,731</u>	<u>\$ 12,961</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 553	\$ 664
Accounts payable, affiliates	84	74
Accrued liabilities and other current liabilities	510	669
Liabilities from risk-management activities	879	838
Notes payable and current portion of long-term debt	24	245
Current portion of long-term debt to affiliates	125	86
	<u>2,175</u>	<u>2,576</u>
<b>Total Current Liabilities</b>		
Long-term debt	4,151	5,124
Long-term debt to affiliates	200	769
	<u>4,351</u>	<u>5,893</u>
<b>Long-Term Debt</b>		
<b>Other Liabilities</b>		
Liabilities from risk-management activities	718	746
Deferred income taxes	526	524
Other long-term liabilities	355	743
	<u>1,599</u>	<u>2,013</u>

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<b>Total Liabilities</b>	8,125	10,482
<b>Minority Interest</b>	108	121
<b>Commitments and Contingencies (Note 9)</b>		
<b>Redeemable Preferred Securities, redemption value of \$400 at September 30, 2004 and \$411 at December 31, 2003</b>	400	411
<b>Stockholders Equity</b>		
Class A Common Stock, no par value, 900,000,000 shares authorized at September 30, 2004 and December 31, 2003; 284,699,441 and 280,350,169 shares issued and outstanding at September 30, 2004 and December 31, 2003, respectively	2,858	2,848
Class B Common Stock, no par value, 360,000,000 shares authorized at September 30, 2004 and December 31, 2003; 96,891,014 shares issued and outstanding at September 30, 2004 and December 31, 2003	1,006	1,006
Additional paid-in capital	47	41
Subscriptions receivable	(8)	(8)
Accumulated other comprehensive loss, net of tax	(24)	(20)
Accumulated deficit	(1,713)	(1,852)
Treasury stock, at cost, 1,679,183 shares at September 30, 2004 and December 31, 2003	(68)	(68)
<b>Total Stockholders Equity</b>	2,098	1,947
<b>Total Liabilities and Stockholders Equity</b>	\$ 10,731	\$ 12,961

See the notes to condensed consolidated financial statements.



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(unaudited) (in millions, except per share data)

See Explanatory Note

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Revenues	\$ 1,650	\$ 1,385	\$ 4,747	\$ 4,331
Cost of sales, exclusive of depreciation shown separately below	(1,327)	(1,095)	(3,803)	(3,822)
Depreciation and amortization expense	(79)	(109)	(249)	(340)
Impairment and other charges	(2)	(1)	(83)	6
Gain (loss) on sale of assets, net	(24)		14	15
General and administrative expenses	(79)	(79)	(247)	(276)
Operating income (loss)	139	101	379	(86)
Earnings from unconsolidated investments	102	51	194	142
Interest expense	(125)	(145)	(402)	(364)
Other income and expense, net	3	2	10	13
Minority interest income (expense)	(9)	(2)	(19)	7
Accumulated distributions associated with trust preferred securities				(8)
Income (loss) from continuing operations before income taxes	110	7	162	(296)
Income tax benefit (expense) (Note 12)	(30)	(3)	1	109
Income (loss) from continuing operations	80	4	163	(187)
Income (loss) from discontinued operations, net of taxes (Notes 2 and 12)	(2)	1	(7)	(6)
Income (loss) before cumulative effect of change in accounting principles	78	5	156	(193)
Cumulative effect of change in accounting principles, net of taxes (Note 1)				55
Net income (loss)	78	5	156	(138)
Less: preferred stock dividends (gain)	6	(1,183)	17	(1,018)
Net income applicable to common stockholders	\$ 72	\$ 1,188	\$ 139	\$ 880
<b>Earnings Per Share (Note 8):</b>				
Basic earnings per share:				
Income from continuing operations	\$ 0.20	\$ 3.17	\$ 0.39	\$ 2.23
Income (loss) from discontinued operations	(0.01)			