

7 FACTS:

Illinois EPA's Multi-Pollutant Standards (MPS) Proposal as modified by IPCB

1 The electricity market and Vistra Energy's downstate Illinois generating fleet have changed dramatically due to plant mergers and acquisitions, retirements, and regulatory changes. In 2017, the Illinois EPA (IEPA) proposed a rule change that would replace two sets of annual emission rate limits governing eight of Vistra's downstate plants with a single set of more stringent annual tonnage caps, while adding new provisions designed to further protect the environment and public health. The Illinois Pollution Control Board (IPCB) recently issued a unanimous and bi-partisan order modifying the originally proposed rule and establishing a new timeline for consideration of this new proposed rule.

2 The original rule combined the remaining eight downstate MPS plants into one MPS group operated by a single owner, imposed a mass cap on SO₂ and NO_x, and required additional reductions in the case of a plant sale. IPCB's revisions make the mass caps stricter and require additional reductions if a plant is retired or suspended. The revisions also impose a new SO₂ cap on the Joppa facility, a new ozone season NO_x limit on five plants, and new year-round operating requirements relating to certain NO_x controls.

3 The U.S. EPA and the IEPA evaluate the ability of air pollution control rules to protect public health and the environment based on allowable emissions. The IPCB order applies the standard of allowable emissions and holds that local public health and local air quality standards will remain protected under the new MPS rule and multiple other laws. Under the IEPA's initial MPS proposal, the IEPA estimated that allowable annual emissions of SO₂ would be 17 percent lower than under the current rule, while NO_x emissions would be 24 percent lower. Under the IPCB's proposed lower caps these percentages result in a 32 percent reduction in allowable annual SO₂ emissions and a 31 percent reduction in allowable annual NO_x emissions.

4 Vistra supported the IEPA's initial MPS proposal and accepts the more stringent emission limits, and other additional requirements, proposed by IPCB to move forward with more operating flexibility and more regulatory and environmental certainty. While more stringent and challenging for Vistra's Illinois power plants, the company believes the IPCB proposal achieves a reasonable balance of varying objectives through considerable and thoughtful effort.

5 This proposal will allow Vistra's generation subsidiary, Luminant, to build on the trend of lower emissions from its Illinois fleet over the last two decades — an SO₂ reduction of 90 percent, with significant reductions in NO_x and other emissions.

6 Under the Clean Air Act, the National Ambient Air Quality Standards are established to protect public of health, with a margin of safety. Both IEPA and IPCB determined that the proposed changes to the MPS will not interfere with the attainment or maintenance of any NAAQS, protecting public health.

7 The regulatory certainty provided from a revised and approved MPS will give Vistra and Luminant the opportunity to create a viable integrated power business in Illinois under very challenging economic and market conditions and hopefully allow for the continuation of economic benefits to downstate communities, counties, school districts through thousands of direct and indirect jobs, millions in household earnings, and millions in state and local tax revenues.



■ Why does Vistra support IEPA's MPS proposal as amended by IPCB?

Vistra supported the IEPA's initial MPS proposal and would accept the more stringent emission limits, and other requirements, proposed by IPCB, to create regulatory and environmental certainty, as well as restored operational flexibility.

The MPS proposal would replace two sets of annual emission rate limits (associated with the DMG and Ameren legacy plants) with a single set of specific annual tonnage limits. This represents a streamlined regulatory compliance approach that is consistent with other power plant regulations. This simplifies emission calculations that are needed to monitor compliance.

In terms of restoring operational flexibility, the MPS rule change would remove the need for Vistra to run units that would otherwise not be dispatched as frequently by MISO, the federally mandated grid operator. It's a simple matter of the rule not having adapted to keep up with an evolving downstate power market and consolidation of ownership of these plants. The rule needs to be re-balanced to promote unit dispatch based upon the cost of generation and offers the added benefit of imposing tougher allowable limits. The IPCB order notes that the proposal would allow for economic and rational dispatch of units.

■ Is the claim of reduced allowable emissions real?

Yes. Opponents to the original IEPA proposal were quick to point out that a 55,000-ton annual SO₂ cap was more than what Vistra plants in downstate Illinois recently emitted, while conveniently ignoring the fact that these plants can and are authorized to emit more than 66,000 tons annually under the current MPS rule.

Vistra's recent production has been lower than normal due to external factors including the weather, the economy, natural gas prices, and scheduled and unscheduled plant outages. The IEPA had proposed an alternative revised SO₂ annual cap of 49,000 tons attempting to address concerns raised by the Illinois Attorney General's Office. The IPCB went even further and proposes a new, lower, annual tonnage cap of 44,920 on SO₂ and 22,469 on NO_x, and further reductions in the case of retirement or suspended operation of units.

Vistra plants in downstate Illinois emitted approximately 60,000 tons of SO₂ as recently as 2014. We sup-

port the proposed cap of 44,920 tons and the other modifications contained in the IPCB proposal because we can obtain regulatory certainty and more streamlined rules. The 32 percent reduction of allowable SO₂ emissions and 31 percent reduction of allowable NO_x emissions under the MPS proposal, especially as modified by IPCB, would be real and significant.

■ Is Vistra supporting the MPS proposal just to avoid new investments in emission control technology?

No, as noted in the IPCB order, the MPS rule has never required the installation of any controls and does not restrict Vistra from employing any specific method to reach required emission rates. The order specifically rejects such claims. Vistra does not need to make any investments in new emission control technology to meet the current or proposed revisions to the MPS rule. We support the IPCB proposal to be able to operate our eight plants as a single fleet with simplified—albeit more stringent—annual emission caps.

■ What is the financial basis for Vistra's support for the proposal? Is the Illinois fleet cash positive?

Vistra's support for the IEPA's initial proposal as amended and strengthened by IPCB is not based on the overall financial position of the company. Rather, Vistra supports the proposal because it will restore operational flexibility for its Illinois units and eliminate the need to run individual units at a loss for MPS compliance reasons and is more protective of the environment than the prior rule. Without the approval of the proposed MPS the Illinois fleet would have more unprofitable power plant units as the uneconomic units are dragging down the economic units.

■ Is the MPS rule a bailout for Vistra's Illinois coal fleet?

No, revisions to the MPS are important for environmental regulation and operational flexibility. Illinois' downstate energy fleet, regardless of fuel source, continues to face substantial challenges from a flawed capacity market design and low power prices.

Notably, MISO, the federally mandated and regulated, grid and resource adequacy manager for much of

downstate, has called upon the State of Illinois to fix the capacity market design to protect future resource adequacy. The MPS revisions, while helpful, do not address these fundamental market issues. In the end, Vistra will need to make decisions regarding the viability of its power plant fleet in Illinois with or without a revised MPS. A revised MPS, as proposed, will benefit Illinois and its citizens by reducing overall power plant emissions and providing an optimal path for Vistra to build an economically viable business while contributing tax revenues and employment.

■ Is Vistra planning to use the MPS rule to close its lowest emitting plants?

Vistra will continue to evaluate the financial viability of the plants, but no decisions have been made regarding retirements or shutdowns. Adopting the MPS proposal will reduce some of the economic pressure on the Illinois fleet and is likely to reduce the number of units under threat of shutdown. However, this is no fix for the fundamental capacity market flaws and low power prices in the downstate energy market. Any retirement decisions will be made on a unit-by-unit