

**DYNEGY INC.
AMENDED AND RESTATED
AUDIT AND COMPLIANCE COMMITTEE CHARTER**

NOVEMBER 2005

I. PURPOSE

Pursuant to Article IV of the Bylaws of Dynegy Inc. (the "Company"), a committee of the directors to be known as the "Audit Committee" was established. Effective as of March 15, 2002, the Audit Committee was renamed the "Audit and Compliance Committee" (hereafter referred to as the "Committee"). The primary purpose of the Committee is to assist the Board of Directors in its oversight of (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independent auditors' qualifications and independence and (iv) the performance of the Company's internal audit function and the independent auditors.

II. COMPOSITION

The Committee shall have a minimum of three members, and shall be comprised solely of directors who meet the independence criteria of the New York Stock Exchange (the "NYSE"), Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the Securities and Exchange Commission (the "SEC"). The members of the Committee, including the chairperson, shall be appointed by the Board on the recommendation of the Corporate Governance and Nominating Committee. Committee members may be replaced by the Board.

III. MEETINGS

The Committee will meet at least four times annually. Additional meetings may occur as circumstances dictate. The Committee shall meet in separate executive sessions with management, the internal auditors, the independent auditors, and the director of ethics and compliance at each of its regular meetings.

All meetings of the Committee shall be held pursuant to the Company's Bylaws, as amended from time to time, with regard to notice and waiver thereof, and written minutes shall be taken and maintained.

The Committee members will have sole discretion in determining the meeting attendees; provided, however, that unless prohibited by applicable rules or regulations, all directors may attend the Committee meetings.

The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of or consultants to the Committee.

The Committee chairperson will work with the appropriate members of management to set the Committee's calendar of activities and its meeting agendas to ensure that it is fulfilling all of its duties as outlined herein.

IV. AUTHORITY AND RESPONSIBILITIES

The Committee shall have the sole authority to appoint and replace the Company's independent auditors, considering independence and effectiveness. The Committee shall be directly responsible for the compensation, retention and oversight of the work of the independent auditors (including resolution of any disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditors shall report directly to the Committee.

The Committee shall pre-approve all audit and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditors, subject to and in accordance with Section 10A(i) of the Exchange Act and the Committee's pre-approval policy, as it may be amended from time to time. The Committee shall discuss the independent auditors' independence from management and the Company, including whether the independent auditors' performance of permissible non-audit services is compatible with its independence.

The Committee may form and delegate authority to subcommittees when desired.

The Committee's job is one of oversight. The Committee recognizes that the Company's management is responsible for preparing the Company's financial statements and that the independent auditors are responsible for auditing those financial statements. Additionally, the Committee recognizes that financial management and the independent auditors have more time, knowledge, and more detailed information on the Company than do Committee members; consequently, in carrying out its oversight responsibilities, the Committee is not providing expert or special assurance as to the Company's financial statements or any professional certification as to the independent auditors' work.

The Committee believes its policies and procedures should remain flexible in order to best react to changing conditions and provide reasonable assurance to the Board that the accounting and reporting practices of the Company are in accordance with all applicable requirements and that an effective legal compliance and business ethics program exists.

The Committee will fulfill its duties and responsibilities as follows:

A. General

- 1) Adopt a formal written charter that is approved by the full Board of Directors that, at a minimum, contains all matters required to be contained therein under applicable rules and regulations. The Committee shall review and reassess the adequacy of this Charter at least annually. Any proposed changes to this Charter shall be submitted to the Board for approval, and the Charter shall be published in accordance with applicable SEC and NYSE rules and regulations.
- 2) Maintain minutes or other records of meetings and activities.
- 3) Report regularly on Committee activities and actions to the Board, including any recommendations to the Board the Committee may deem appropriate. The Committee should also review with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors or the performance of the internal audit function.
- 4) Conduct or authorize investigations into any matters within the Committee's scope of responsibilities, with respect to which the Committee shall have full access to all books, records, facilities and personnel of the Company. The Committee shall be empowered to retain independent counsel, independent accountants, or others as it deems necessary to conduct its duties or to assist it in the conduct of any investigation. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
- 5) Submit a report to shareholders for inclusion in the Company's annual proxy statement as required by SEC rules.
- 6) Evaluate the Committee's performance annually.

B. Independent Auditors

- 1) Review the independent auditors' independence from management by obtaining at least annually a formal statement delineating the scope of services and all relationships between such accountants and the Company from the independent auditors. The independent auditors shall provide to the Company a schedule showing all work performed by the independent auditors for the Company or any affiliate, including non-audit services. The Committee will discuss with the

independent auditors all significant relationships such auditors have with the Company to ensure the independent auditors' independence.

- 2) Consult with independent auditors out of management's presence about internal controls, the fairness of, and quality of disclosures in, the Company's financial statements and any other matters deemed necessary by the Committee or the independent auditors.
- 3) Meet with the independent auditors and financial management of the Company to review the planning and staffing of the proposed external audit for the current year and any significant changes in the independent auditors' original audit plan.
- 4) Review and evaluate the lead partner of the independent auditors' team.
- 5) Review the compensation practices of the independent auditors, particularly as they relate to the lead partner of the independent auditors' team on the Company's account.
- 6) Establish hiring policies for employees or former employees of the independent auditors.
- 7) Discuss with the independent auditors issues on which members of their national office were consulted by the Company's audit team.
- 8) Obtain and review a report from the independent auditors at least annually regarding:
 - a. Independent auditors' internal quality control procedures,
 - b. Any material issues raised by the most recent quality-control review, or peer review of the firm, or by any inquiry or investigation by governmental or professional authority within the preceding five years regarding one or more independent audits carried out by the firm, or
 - c. Any steps taken to deal with such issues.
- 9) Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
- 10) Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit. In particular, discuss:
 - a. The adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the independent auditors, internal auditors and management.

- b. The management letter provided by the independent auditors and the Company's response to such letter.
- c. Any problems or difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management, and management's response.

C. Internal Audit

- 1) Provide oversight of the Internal Audit Department, including reviewing the annual internal audit plan in relation to the risks identified by the Internal Audit Department in its risk assessment process, as well as any significant changes to such plan; the budget for the Internal Audit Department; and the staffing levels for the Internal Audit Department.
- 2) Review and approve the appointment and replacement of the senior internal auditing executive.
- 3) Review the duties, reporting relationships, performance and compensation of the senior internal auditing executive.
- 4) Inquire of the senior internal auditing executive regarding the adequacy and effectiveness of accounting and financial controls and request recommendations for improvements.
- 5) Review a summary of findings and completed internal audits, adequacy and appropriateness of management's responses thereto, and a progress report on the execution of the approved internal audit plan.
- 6) Inquire of the senior internal auditing executive regarding any difficulties encountered in the course of the internal audit, including any restrictions on the scope of work or access to required information.
- 7) Review the quality and objectivity of the internal audit function of the Company, including its independence, authority and reporting relationship to management and the Board of Directors.

D. Financial Statements/Internal Controls

- 1) Meet to review and discuss annual and quarterly financial statements (including the Company's specific disclosures made in management's discussion and analysis) with management and the independent auditors to determine that both groups are satisfied with the disclosure and content in the financial statements. With respect to the audited annual financial statements, the Committee shall

recommend to the Board whether such statements should be included in the Company's Form 10-K.

- 2) Review and discuss with management and the independent auditors with respect to annual and quarterly financial statements, any major issues regarding accounting principles and financial statement presentations, including any significant changes in the selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls, and any special steps adopted in light of significant deficiencies and/or material weaknesses, prior to the filing of such financial statements with the SEC.
- 3) Review and discuss with the independent auditors and management the quality and appropriateness of the Company's financial statements.
- 4) Make inquiries of management and the independent auditors concerning the adequacy of the Company's system of internal controls, including computerized information system controls and security.
- 5) Advise financial management and the independent auditors to discuss with the Committee the quality, not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by the Company, prior to the filing of a Form 10-Q or Form 10-K and, if practicable, prior to the release of quarterly or annual earnings.
- 6) Discuss with management and the independent auditors the development, selection and disclosure of critical accounting policies, and analyses of the effect of alternative assumptions, estimates or GAAP methods on the Company's financial statements.
- 7) Discuss with management and the independent auditors the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
- 8) Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies.
- 9) Discuss with management and the independent auditors any correspondence with regulators or governmental agencies and any employee complaint or published report which raises material issues regarding the Company's financial statements or accounting policies.
- 10) Obtain from the independent auditors assurance that Section 10A of the Securities Exchange Act of 1934 has not been implicated.

- 11) Discuss with management and the independent auditors at least quarterly any material written communications between them, such as any management letters or schedules of unadjusted differences.
- 12) Review disclosures made to the Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

E. Business Ethics and Compliance

- 1) Provide oversight to the business ethics and compliance program and obtain regular updates from management and Company legal counsel regarding business and compliance matters.
- 2) Review the programs and policies of the Company designed by management to assure compliance with the Company's code of conduct and applicable laws and regulations and monitor the results of the compliance efforts.
- 3) Review reports and disclosures of insider and affiliated party transactions and approve potential conflicts of interest between or among affiliate shareholders, management and the Company.
- 4) Obtain reports from appropriate members of management that the Company's subsidiary/foreign affiliate entities are in conformity with applicable local requirements and the Company's code of conduct.
- 5) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

F. Risk Assessment

- 1) Discuss policies with respect to risk assessment and risk management, including major financial risk exposures and the steps management has taken to monitor and control such exposures.
- 2) Review with the Chief Risk Officer such matters as are required in the Dynegy Risk Policy Statement, as it may be amended from time to time.
- 3) Review the scope of activities and findings of the internal and external auditor relating to trading activities including the evaluation of controls within

management information systems and the evaluation of resources provided to maintain the integrity of the risk measurement and control system.

G. Legal

- 1) Meet with Company's general counsel to review any legal matters that may have a significant impact on the Company's overall financial statements or its compliance process.