



## **TARGA RESOURCES TO ACQUIRE DYNEGY INC.'S MIDSTREAM NATURAL GAS BUSINESS FOR \$2.35 BILLION**

Targa Resources, Inc., an independent midstream energy company formed in 2003 by management and the global private equity firm Warburg Pincus, announced today that it has entered into a definitive agreement with Dynegy Inc. (NYSE: DYN) to purchase Dynegy's Midstream natural gas business for \$2.35 billion along with return of Dynegy's cash collateral and letters of credit. Under the terms of the agreement, which has been approved by the boards of both companies, Targa will acquire Dynegy's ownership interests in Dynegy Midstream Services, Limited Partnership, which holds Dynegy's natural gas gathering and processing assets, as well as its natural gas liquids (NGL) fractionation, terminalling, storage, transportation, distribution and marketing assets.

"Our agreement to acquire Dynegy's Midstream natural gas business is a significant milestone in our strategy to build a leading midstream energy company that delivers high-quality services to its customers, opportunities to its employees and long-term sustainable value to its shareholders," said Rene Joyce, Chief Executive Officer of Targa Resources. "The combined company, with a significantly expanded asset base in Texas, Louisiana and New Mexico, will be one of the top service providers across all segments of the NGL value chain and a leading pure-play midstream energy company."

Mr. Joyce continued: "We have always been impressed with Dynegy's Midstream energy business, management team and employees. We look forward to working together to ensure a smooth transition, build upon the success of Dynegy Midstream Services and grow our combined company for the benefit of all our customers and shareholders."

The Midstream business, once acquired by Targa, will continue to be based in Houston. Dynegy's existing Midstream work force of nearly 800 field and corporate employees will join Targa. In connection with the transaction, Stephen A. Furbacher, Executive Vice President of Dynegy's Midstream business, will retire from Dynegy but has agreed to serve as a consultant to Targa after the closing of the transaction to help ensure a smooth transition.

Dynegy's Midstream assets will be combined with Targa's Louisiana and Texas assets. Targa currently has midstream operations in West Texas and Southwest Louisiana, operating over 2,000 miles of natural gas gathering and intrastate pipelines, five gas plants with 400 MMcf/d capacity and system throughput of about 370 MMBtu/d. Additionally, Targa owns 40% of the Bridgeline pipeline system in Southern Louisiana.

Dynegy Midstream Services consists of assets located in West Texas, Southeast New Mexico and North Texas and on the Texas and Louisiana Gulf Coast. These assets include approximately 9,300 miles of natural gas gathering pipeline systems and 11 operated gas plants. The Midstream business also has interest in six non-operated gas plants and in three stand-alone fractionation facilities and strategic storage, transportation and terminalling facilities on the Texas and Louisiana Gulf Coast. Dynegy Midstream also owns or controls NGL transportation and logistics assets throughout the U.S.

Peter R. Kagan, a Warburg Pincus Managing Director, said: "We have been very impressed with the performance of Targa Resources since we formed the company in 2003. Warburg Pincus has a long history of backing talented management teams throughout the energy sector, and we are proud to support Targa in becoming a leading midstream company. We believe the Dynegy Midstream acquisition will present a number of attractive value enhancement and growth opportunities."

The completion of Targa's acquisition of Dynegy Midstream Services is conditioned on the expiration or termination of the Hart-Scott-Rodino waiting period and the fulfillment of other customary closing conditions. Pending satisfaction of those conditions, the sale is expected to close in the fourth quarter 2005.

Targa's management will invest equity along with Warburg Pincus in the transaction. Targa has received debt financing commitments from a group of leading financial institutions for the acquisition and for ongoing working capital needs.

Warburg Pincus and Targa were advised by Merrill Lynch & Co. Legal advice is being provided to Targa and Warburg Pincus by Vinson & Elkins L.L.P. and Cleary Gottlieb Steen & Hamilton LLP.

**About Targa Resources, Inc.**

Targa Resources, Inc. is an independent company formed in 2003 by Warburg Pincus and management to pursue gas gathering, processing and pipeline asset acquisition opportunities. Targa currently has midstream operations in West Texas and Southwest Louisiana, operating over 2,000 miles of pipeline, five gas plants with 400 MMcf/d capacity and system throughput of about 370 MMBtu/d. Additionally, Targa owns 40% of the Bridgeline pipeline system in Southern Louisiana. For more information, please visit [www.targaresources.com](http://www.targaresources.com).

### **About Warburg Pincus**

Warburg Pincus has been a leading private equity investor since 1971. The firm currently has approximately \$12 billion under management and invests in a range of sectors, including energy, information and communication technology, financial services, healthcare, industrial, media and business services and real estate. The firm has provided equity to finance energy companies since the late 1980s, including exploration and production, midstream, energy technologies, independent power, oilfield services, and international energy. Warburg Pincus has invested \$1.5 billion in over 20 energy companies, including Antero Resources, Bill Barrett Corporation (NYSE: BBG), Encore Acquisition Company (NYSE: EAC), emgs (ElectroMagnetic GeoServices AS), Gryphon Exploration, Kosmos Energy, Lariat Petroleum, Latigo Petroleum, J. Makowski, MEG Energy, Newfield Exploration (NYSE: NFX), Spinnaker Exploration (NYSE: SKE) and Targa Resources. An experienced partner to entrepreneurs seeking to create and build durable companies with sustainable value, the firm has offices in North America, Europe and Asia and an active portfolio of more than 100 companies. For more information, please visit [www.warburgpincus.com](http://www.warburgpincus.com).

### **About Dynegy Inc.**

Dynegy Inc. provides electricity, natural gas and natural gas liquids to markets and customers throughout the United States. Through its energy businesses, the company owns and operates a diverse portfolio of assets, including power plants totaling approximately 13,000 megawatts of net generating capacity and gas processing plants that process approximately 1.6 billion cubic feet of natural gas per day.

#### **Media Contacts**

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