

# power finance & risk

The exclusive source for power financing and trading news

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## **Aquila Preps U.K. Deal**

U.S. independent power producer Aquila is to looking to tap the U.K. project finance market for the first time this summer to finance an 800 MW brownfield project. It has retained **Credit Lyonnais** to advise on the deal.

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## **U-Turn?**

### **CALPINE PONDERES QUICK EXIT FROM THE U.K.**

Calpine is considering selling Saltend, the U.K. power plant it bought for \$815 million from **Entergy** just last summer, according to market watchers. A rival power company executive says his firm has been sounded out by the San Jose, Calif.-based independent power producer over whether it would be interested in buying the 1,200 MW combined-cycle gas-fired plant. A banker in London adds one of his power company clients has also

*(continued on page 12)*

### **TRACTEBEL COURTS AES FOR BRAZIL UTILITY**

Belgian utility Tractebel is in talks with AES to acquire an electric distributor the U.S. power producer owns in southern Brazil. A New York official close to Tractebel says the company is eyeing **AES Sul**, a utility with 935,125 customers, in the belief it will fit in strategically with its generation investments in the region. Tractebel already owns **Centrais Geradoras do Sul do Brasil** (Gerasul), a 4,205 MW generating company in southern Brazil and is developing a further 4,620 MW of assets there. **Jacques Van Hee**, a Tractebel spokesman in Brussels, declined to comment and **Kenneth Woodcock**, a spokesman at AES in Arlington, Va., did not return calls.

*(continued on page 12)*

### **FIRST CREDIT WATCH FEE HITS LOAN MARKET**

The first loan to include a fee covering the risk associated with a borrower being on negative credit watch was wrapped up in syndication late last week, after being strongly oversubscribed.

The \$1 billion **NRG Energy** revolver features an additional 25 basis-point fee while the borrower is on negative watch, and as syndication closed last Friday, allocations had to be pared back after \$1.35 billion was committed. The enthusiastic response could lead to a spate of copycat deals by embattled power companies looking to close financing

*(continued on page 11)*

## **Lights Out**

### **CSFB SEEN PULLING THE PLUG ON POWER TRADING BIZ**

**Credit Suisse First Boston** has closed down its nascent European power-trading operations, according to U.K. electricity traders. They add the firm shut up shop two weeks back and that **Mansoor Sheikh**, head of the desk, was let go last week. CSFB began trading U.K. power options last fall, (PFR, 10/8) but traders say it has not become an active player and its decision to retreat is therefore unsurprising. **Janelle Matharoo**, managing director, declined to comment. Calls to **Geoff Smailes**, head of

*(continued on page 11)*

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## FPL Lands Three For Rhode Island Leaseback

Royal Bank of Scotland and J.P. Morgan have committed \$70 million each for bookrunner titles on FPL Energy's Rhode Island State Energy Partners project loan. Lead arranger Citibank also has signed HypoVereinsbank for a \$50 million ticket, says a banker, who characterizes syndication of the \$425 million leaseback financing deal as being in the "home straight" with a target of closing by the end of this week.

The initial target close was Feb. 8, but the deal got snagged by concerns over an unnamed counterparty off-taker and had to be reworked with Juno Beach, Fla.-based FPL guaranteeing the contract (PFR, 2/25).

FPL Energy will use the off-balance sheet financing to fund the construction of a 535 MW gas-fired plant in Johnston, R.I. The 6.5-year loan is being split into three tranches, a semi-corporate A loan, covering some 85% of the funding, a roughly 12% B loan secured against the project, and a small equity tranche.

## Trader Seeks Distance From Enron With Name Change

In an attempt to distance itself from the Enron meltdown and dispel the notion that it's solely a trading shop, Dynegy has changed the name of its trading arm Dynegy Marketing and Trade to Wholesale Energy Network, say market watchers. Steve Stengel, a Dynegy spokesman in Houston, declined to elaborate on the name change beyond the logic-lite comment, "The name change is simply a recognition on our part that we believe the new name is better."

Andre Meade, a utility analyst at Commerzbank Securities

in New York, sees a different motive. "A lot of companies now think if you are perceived to be a trading company, investors will be fearful and sell the stock. Most companies are saying that only a portion of their business is trading."

In a related matter, Dynegy also ran advertisements in *The Wall Street Journal*, Barron's, *New York Times* and *The Washington Post* last week emphasizing that physical assets underpin its trading and that it takes a transparent approach to financial disclosure. Stengel explains the ad, entitled *How does Dynegy make sure its numbers are real? By starting with real assets.* "is part of a series of six ads addressing relevant issues in the industry."

## Weather Players See Boost As Another Enron Staffer Resurfaces

Another ex-Enron weather specialist has resurfaced in the market, underscoring a talent dispersal that many players are seeing as a big positive for the market. "It's the old Drexel Burnham effect. The scattering of Enron people is good for the market," says Ethan Kahn, president of Chicago-based consulting and brokerage shop Castlebridge Partners, referring to the bond shop that dominated the junk market before it collapsed and its staffers dispersed to other firms. Castlebridge has recently added Bob Beyer, who covered Midwest origination at Enron, to help it re-start an inter-dealer broking operation, Kahn says.

Since the turn of the year Enron weather staffers have also landed at Aquila (PFR, 1/21), RWE Trading Americas (PFR, 2/11) and Marsh & McLennan (PFR, 2/25). In addition to bolstering expertise in established operations, the ex-Enron staffers are in some cases being used to spearhead operations for new counterparties, says one weather desk official, referring in particular to Marsh & McLennan.

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## SoCalEd Closes Enlarged Bridge

Southern California Edison wrapped up what bankers say was a well supported syndication effort by upsizing a \$1.5 billion bridge loan to \$1.6 billion. In addition to the big tickets of leads **Citibank** and **J.P. Morgan**, and the three sub-underwriters (PFR, 2/18), the \$900 million pro-rata tranche attracted \$50 million commitments from **Mellon Bank** and **Wells Fargo**, \$25 million from **SunAmerica**, \$15 million from **Lehman Brothers** and \$10 million from **City National Bank**, says one syndicator on the deal.

The deal was upsized by \$100 million on the \$600 million institutional tranche. The banker says the success of the deal reflects it being secured against first-mortgage bonds and the fact lenders believe the troubled **Edison International** subsidiary is on its way back to health. He adds that the B tranche demand reflects those factors and also the fact institutional players are not saturated with power sector paper right now. The Rosemead, Calif.-based utility used the funds to pay off recently maturing debt and purchased power obligations, incurred while buying power during the height of the Golden State's energy crisis.

## Aquila Preps Financing For U.K. Brownfield Project

U.S. independent power producer Aquila is looking to tap the U.K. power project finance market for the first time within the next few months to fund the development of a brownfield generation project near Southampton, on the south coast of England. **Bernard Kaufhold**, director at Aquila in London, says the IPP has retained **Credit Lyonnais** to advise on capital raising and hopes to achieve financial close this summer.

Bankers say the 800 MW Marchwood project is one of probably only three large-scale gas-fired generation projects in the U.K. that have actively been developed since the U.K. government rescinded a moratorium on building new gas-fired plants in fall, 2000. The others are **Conoco's** Immingham plant (see story, page 4) and **InterGen's** Spalding plant (PFR, 1/28). A fall in power prices and tight spark spreads are prompting developers to shelve projects, they explain.

Aquila's Kaufhold agrees that current spark spreads do not make a compelling case for constructing new plants, but says Aquila is taking a longer term view on the U.K. market. The IPP believes that current tight spark spreads are unsustainable and expects the differential to widen to more profitable levels by 2004 when the plant is due to come on line.

Kaufhold adds the project's position in the south of England, where the market is short generation, enhances its economic viability. He explains that since the launch of zonal charges under

the U.K.'s New Electricity Trading Arrangements last spring, generators in the north of England have had to pay to transmit power to the southeast hotspot, while those in the south can sell their output more competitively.

## Barclays Rebuilds M&A Biz With Morgan Hire

**Barclays Capital** is continuing to rebuild its U.S. mergers & acquisitions franchise with the hire of a third **J.P. Morgan** power sector investment banker. **Dennis Mahoney**, who was handed a pink slip by Morgan last August as the bank scaled back its power group (PFR, 9/3), has landed a new position as director covering M&A in the U.K. bank's 16-strong utility group in New York. Bankers familiar with the matter say Mahoney started last week. He reports to **Chris Kinney** and **Michael Brennan**, managing directors. At J.P. Morgan he reported to **Eric Fornell**, global head of power.

**Barclays Capital**, the debt-focused investment bank, began building its U.S. power sector advisory business last spring with the hire of Kinney, a 16-year veteran of **Chase Securities** and latterly Morgan after their merger. In June **Shawn O'Hara**, associate, followed Kinney to Barclays (PFR, 6/25).

Barclays will continue to emphasize its niche role in the debt markets, but as restructuring in the power sector hots up in the wake of **Enron's** collapse, it sees new opportunities to advise clients on leveraged acquisitions, explains one rival banker. Mahoney declined to discuss the matter and Kinney and Brennan could not be reached for comment.

## NEG Loan Commitments Reach \$1.5B

The retail round for **PG&E National Energy Group's** planned \$1.7 billion non-recourse loan has so far taken overall commitments to \$1.5 billion, after \$1.075 billion was booked in the earlier wholesale round. One banker says while \$1.7 billion is the target, it is possible **Pacific Gas & Electric's** IPP arm may inject more equity to close out the second round of the deal. He says the retail end might be better described as an add-on, as the initial closing covered three plants and the latest round is earmarked for developing a 170 MW plant in Covert, Mich.

Lead arrangers **Citibank** and **Société Générale** held a bank meeting in New York early this year launching the deal (PFR, 1/6). With many relationship firms already signed on after the first round, some bankers were predicting the retail round could prove a tough sell. A syndicator involved in the deal says a series of one-on-one meetings in Frankfurt, Paris, London and Edinburgh have formed part of the pitch for the add-on. "It has taken a lot of time and a lot of effort," he adds, declining to give a target date for the closure of syndication.



## NiSource Renews, Downsizes Revolver

Merrillville, Ind.-based NiSource has launched a \$500 million 364-day revolver to partly refinance a \$1.25 billion facility from last year. Sole lead **Barclays Bank** has invited a limited number of banks to sign up for \$50 million tickets, which will earn a 17.5 basis point upfront fee, the same pricing as the previous revolver. The size of the revolver reflects the reduced financing needs versus last year when the company was digesting the acquisition of **Columbia Energy Group**, says one banker.

The deal was launched for the company's financing arm **NiSource Finance Corp** Feb. 28 and commitments are due March 14. The banker declined to reveal the number of banks invited, but says five banks are being sought at the co-documentation agent level. NiSource wanted a small number of banks to preserve its banking relationships, he adds.

Barclays and **Credit Suisse First Boston** led last year's facility, which was made up of the \$1.25 billion revolver and a three-year \$1.25 billion facility.

## RBoS Launches Conoco Loan, Rivals See Tough Slog Ahead

Sole underwriter **Royal Bank of Scotland** is looking for up to eight banks to participate in a GBP257 million (\$365 million) non-recourse construction loan it is arranging for **Conoco Global Power** (CGP), but market watchers say the firm will have its work cut out fully syndicating the loan given the risks inherent in the deal.

**Alan White**, a project financier at RBoS in London, says the firm held a bank meeting last Monday and received positive feedback from the eight lenders it invited to commit at the arranger level. He adds RBoS is looking to receive commitment responses by March 31 and will then determine how to sell down a further portion of the loan. White declined to comment on the loan's fees, or pricing, or which banks have been invited into the deal, but bankers say both **Credit Lyonnais** and **KBC Bank**, which both unsuccessfully bid for the lead position last year, were likely in attendance. Calls to both firms were not returned.

Market commentators say RBoS's syndicate desk will have fully earned its spurs if it manages to successfully place the project loan given a number of awkward features to the deal. Firstly they note the loan backs a combined heat and power (CHP) project. Since the launch of New Electricity Trading Arrangements (Neta) last spring, CHP plants have struggled to compete in the market because their output levels can be unpredictable, say bankers. This can prove costly under Neta, because generators are penalized under an output balancing mechanism for not producing the

output they have contracted to sell.

Another critical issue for lenders is likely to be merchant risk embedded within the deal. Only 24 MW of the 734 MW plant's output will be sold through a power-purchase agreement. The remaining 97% will be sold on a merchant basis in the wholesale market. The merchant factor exposes lenders to the risk that U.K. power prices could continue spiraling downwards as they have for the past two years.

The deal marks the first time that a merchant deal has hit the U.K. project finance market since **BP's** Great Yarmouth deal over two years back (PFR, 9/28/99) and perhaps more significantly is the first merchant deal to appear since the launch of Neta, says one banker.

RBoS's White accepts that the project has thrown up certain challenges, but he says the bank has adopted a conservative structure to the 20-year loan to mitigate these concerns. "We were not looking to push the envelope out, in terms of structure and pricing," he says, adding the project has a modest 63% debt-to-equity ratio. Great Yarmouth, the last merchant deal, had a more highly geared 87.5% ratio. White also argues that banks should be more comfortable with the Neta factor now, because they know how it works and how it will impact wholesale prices.

CGP, the generation subsidiary of Houston oil giant Conoco, will use the proceeds to finance the construction of a 734 MW gas-fueled CHP plant at Immingham, on the northeast coast of England. The site is adjacent to Conoco's Humber oil refinery and is the U.S. company's first power plant in the U.K. Steam from the facility will be sold to Conoco and **TotalFinaElf** under long-term off-take agreements.

## Northern Irish Group Taps Barclays For Dublin Project Loan

**Viridian Power & Energy**, the unregulated energy affiliate of **Northern Irish Electricity**, has hired **Barclays Capital** to arrange a roughly EUR200 million (\$176 million) non-recourse loan this spring tied to a generation project slightly north of Dublin in the Republic of Ireland.

**Peter Baillie**, finance director at VP&E in Belfast, says the company will use the proceeds to refinance the construction costs of Huntstown Power, a 350 MW combined-cycle gas turbine plant, which until now has been funded on VP&E's balance sheet. He adds VP&E hopes to complete financing within the next couple of months. Huntstown is due to come online this December.

The non-recourse loan marks VP&E's first foray into the power generation project finance market, says Baillie, adding it may tap the market again at a later date to turn Huntstown into a 600 MW facility.

Output from the facility will be sold to **Energia**, the unregulated supply affiliate of VP&E. Officials at Barclays declined to comment.



## Latin America

### El Paso Looks To Refinance Brazil Project

El Paso is involved in active discussions with several banks to refinance the \$700-800 million construction costs of its Macae power plant, a 400 MW gas-fired facility in Rio de Janeiro. According to a New York project financier familiar with the deal, El Paso originally financed construction of the project last year with equity capital and is now considering a project loan to leverage its investment and share the risk with banks. He says the details of the refinancing have yet to be determined.

The financier notes that the company is in the process of signing a power-purchase agreement with state-owned **Commercializadora Brasileira de Energia Emergencial**. El Paso has about 2,000 MW in installed capacity in Brazil and it intends to build a further 3,000 MW in the country over the next five years (PFR, 4/2).

Officials at El Paso in Houston and Rio did not return phone calls.

### Sempra Selects SocGen For Mexico Plant

Sempra Energy Resources has selected **Société Générale** to arrange a corporate loan to finance the construction of a \$350 million, 600 MW natural gas-fired plant at Mexicali on Mexico's Baja California peninsula. A New York project financier familiar with the matter says SocGen is in the process of structuring the loan, but could not provide a time frame as discussions are at an early stage. An official at San Diego-based Sempra says the energy concern is currently financing the project through a short-term bridge facility and is in discussions with SocGen about a longer term financing. Bankers at SocGen declined to comment.

The plant, Termoelectrica de Mexicali, will be connected to the U.S. electric grid via a 230,000-volt transmission line and will receive natural gas from Sempra's North Baja pipeline. It will supply much of its output to the state of California once it is on line in 2003 (PFR, 3/4/01).

## Latin American Power Financing Calendar

*Following is a directory of upcoming projects and related financing in the Latin American power sector. To report new deals or provide updates, please call **Amanda Levin Arnold**, Reporter, at (212) 224-3292 or email: [alevin@iineews.com](mailto:alevin@iineews.com)*

Sponsor	Project	Project Type	Size (MW)	Cost (\$mil)	Country	Advisor/Financier	Status	PFR Issue
ABB	Thermo Bahia	Gas-fired	187	205	Brazil	IDB/BofA	Launched \$173M loan	3/4/02
Alcoa	Santa Isabel	Hydro	1,087	700	Brazil	Citi	Has hired Citi to lead deal	2/11/02
Ceran	-	Hydroelectric	360	111	Brazil	BNDES	Will launch the loan shortly	10/8/01
Compahnia Energetica de Pernambuco	Termopernambuco	Gas-fired	520	403.5	Brazil	IADB/BBVA/BNDES	Syndication due shortly	12/24/01
Corporacion Venezolana de Guyana	Tocoma Dam	Hydroelectric	-	2,100	Venezuela	-	Expects to bring project on line by 2006	6/25/01
Duke Energy International	Pederneras	Gas-fired	500	270	Brazil	-	Will finance with equity capital.	3/11/02
Electricité de France	Altamira	Gas-fired	495	300	Mexico	Citi/Fuji	Prepped \$200M loan	2/11/02
Electricite de France	Rio Bravo III	Gas-fired	500	290	Mexico	SocGen	Arranging a \$217M project loan	3/4/02
El Paso	-	Gas-fired	200	200	Mexico	-	Expects to bring project on line by 2003	4/16/01
El Paso	Araucaria	Gas-fired	469	340	Brazil	Dresdner	Closing \$340M in financing	3/4/02
El Paso	Macae	Gas-fired	400	700-800	Brazil	-	Refinancing with a project loan	3/11/02
Iberdrola	Vera Cruz	Gas-fired	800	700	Mexico	-	IADB has offered assistance to relaunch the stalled project	6/9/01
Iberdrola, Banco de Brazil, Previ	Termo Pernambuco	Gas-fired	540	350	Brazil	IDB, BBVA	Expects to bring project on line by 2002	3/26/01
InterGen	La Rosita I & II	Gas-fired	1,060	-	Mexico	Citi, BNP, EDC, SocGen, KBC, ANZ	Plan to Launch general syndication in March	2/25/02
InterGen	Carioba	Gas-fired	945	670	Brazil	-	Project delayed until Q1 of 2003	2/25/02
PSEG Global	SAESA	Distribution company	N/A	450	Chile	J.P. Morgan	Considering taking out a \$300M loan to fund the acquisition	9/24/01
PSEG Global	Electroandes	Hydroelectric	183	227	Peru	J.P. Morgan	Considering taking out a \$100M loan to fund the acquisition	9/27/01
Sempra Energy Resources	Mexicali	Gas-fired	600	350	Mexico	SocGen	In the process of arranging a corporate loan	3/11/02
Union Fenosa	La Laguna II	-	450	-	Mexico	-	-	7/2/01
Union Fenosa	Tuxpan III & IV	Gas-fired	938	600	Mexico	Deutsche Bank BOTM	Expects to bring plant on line by 2003	6/4/01

## Latin America (cont'd)

**Sempra Secures Financing For Mexican Pipeline**

Sempra Energy Resources has secured \$135 million of loans from the **Inter-American Development Bank** and **Société Générale** to finance the building of its portion of the North Baja gas pipeline. A New York financier familiar with the deal says the Sempra loan consists of a \$110 million tranche provided by SocGen and a \$25 million piece from the IDB. He says the deal will likely close later this year, but declined to comment on its pricing, structure and tenor.

An official at San Diego-based Sempra says the \$230 million, 215-mile pipeline spans from Blythe, Ariz., to the Mexican border and is jointly sponsored by Sempra and **PG&E National Energy Group**. The latter has agreed to stump up a further \$95 million to build the infrastructure. NEG's financing arrangements could not be ascertained by press time. Bankers at SocGen declined to comment and calls to the IDB were not returned.

The pipeline will provide gas to a handful of power plants located near the Mexican border, including La Rosita I & II (1,075 MW) and Termoelectrica de Mexicali (600 MW).

**Duke Funds Brazilian Project With Equity**

**Duke Energy International** plans to finance a \$270 million, 500 MW combined-cycle gas-fired generation project in Pederneiras, Brazil with equity from its parent company **Duke Energy**. **Stephen Morrisseau**, a company spokesman, expects the project to come on line by December 2003. He says that it has been in development for about a year and is not yet under construction. He declined further comment.

A New York project financier familiar with the matter says that Duke is currently looking to secure an environmental license from the Brazilian government and ink a long-term gas supply contract to fire the plant with **Petrobras**. The financier adds Duke must secure both contracts before it can break ground on the project.

Duke's portfolio of generation assets in Brazil is comprised of eight hydroelectric generation facilities on the Paranapanema River in southwestern São Paulo state with 2,307 MW of combined capacity. The projects include Canoas I (83 MW), Canoas II (72 MW), Capivara (640 MW), Chavantes (414 MW), Jurumirim (98 MW), Rosana (372 MW), Salto Grande (74 MW) and Taquarucu (554 MW).

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## Middle East & North Africa

### CMS Commits To Saudi Deal

Despite recently announcing that it's looking to scale back its financial commitments in the Middle East, bankers familiar with the company say **CMS Energy** still intends to complete its \$200 million acquisition of Sadaf, a 250 MW oil-fired plant in Jubail, Saudi Arabia, from **Saudi Arabia Basic Industrial Corp.**

One banker adds that CMS is presently considering whether to finance the deal on a club basis, involving five or six lenders, or bring in at least one more arranger to join its adviser **International Bank of Japan** to lead a syndicated loan. The banker says **Jubail Energy Co.**—a joint venture between CMS and local contractor **Al**

**Zamil**—is looking to raise \$220 million in the non-recourse debt market (PFR, 1/21).

### ADWEA Readies RFP Process

The **Abu Dhabi Water & Electricity Authority** will send out RFPs next month to candidates looking to bid for **Um Al Nar**, a power and water desalination provider in Abu Dhabi City that it is looking to offload. An official involved in the privatization process says ADWEA has received a strong response through an initial round of requests for quotes and could see as many as eight international power producers bid for the 1,100 MW and 80 million gallons per day business. As part of the sale process ADWEA wants the buyer to increase capacity to 1,750 MW and 150 million gallons of desalinated per day (PFR, 1/27).



## Enron Watch

*Enron Watch is a summary of publicly reported stories from the past week covering the collapse of Enron and its impact on the power industry. The information has been obtained from sources believed to be reliable, but PFR does not guarantee its completeness or accuracy.*

- U.S. District Judge **Melinda Harmon** has set a trial date of Dec. 1, 2003, for 70 or so Enron-related lawsuits. The date is much sooner than asked by defendants or plaintiffs and could lead to expedited settlements of some of the cases. The plaintiffs had asked for a trial in 2004. The defendants, including current and former Enron officers and directors, had asked for a trial date in 2005 or later (*Houston Chronicle*, 3/1).
- Enron may decide to hold on to **Portland General Electric** if a controversial agreement to sell the utility to **Northwest Natural Gas** falls apart. Enron, entangled in the biggest corporate bankruptcy in U.S. history, hasn't ditched plans to sell PGE to Portland-based NW Natural, but it has confirmed that a restructuring plan, to be designed to bring a smaller, financially sound company out of bankruptcy, likely could include PGE (*The Oregonian*, 3/1).
- Federal energy regulator **Pat Wood** met or spoke with Enron executives at least nine times over the past six years while serving as a **George W. Bush** appointee in Austin. Wood, chairman of the **Federal Energy Regulatory Commission** and former head of the **Texas Public Utility Commission**, has acknowledged that he had toured Enron's trading floor, discussed electricity deregulation issues and unsuccessfully lobbied for Enron's support on a utility restructuring bill (*Houston Chronicle*, 3/1).
- A former **UBS PaineWebber** analyst says he suspects Enron had a hand in his firing last summer after he warned clients to dump Enron stock. "I told the truth to my clients," said **Chung Wu** in a regulatory filing to the **National Association of Securities Dealers**. Wu was fired on Aug. 21, the same day he sent an e-mail to clients saying Enron's "financial situation is deteriorating." UBS said he was fired because he sent the e-mail without authorization (*Wall Street Journal*, 3/5).
- **Stephen Cooper**, interim ceo of Enron, is examining the possibility of launching a string of lawsuits in an attempt to recover more cash for the bankrupt energy group's creditors. Cooper declined to comment on potential targets, however, one likely prospect is expected to be **Andersen**, the accountancy firm which was responsible for auditing Enron (*Financial Times*, 3/7).
- Senate Finance Committee investigators signed an agreement with Enron's lawyers to open up the company's tax returns, but the company left itself some loopholes. In formally agreeing to release its tax returns back to 1985, the company declined to guarantee the committee access to written advice it received from lawyers on its tax strategies. That could prove to be a problem for the Senate committee which is trying to determine whether Enron used aggressive tax-avoidance schemes, just as it used aggressive accounting methods (*Wall Street Journal*, 3/7).



**power finance & risk**

»»»» FEBRUARY »»»»

**PFR SEEKS  
2001  
AWARD  
NOMINATIONS**



Power Finance & Risk will present its inaugural power project finance awards in April and we are seeking nominations from our readers for the best deals and lenders of 2001.

You can make nominations under five categories:

1. Best North American lender
2. Best North American deal
3. Best Latin American deal
4. Best European and the Middle East Lender
5. Best European and Middle East deal

Nominations must reach PFR by March 11. A shortlist of candidates will be announced in the March 18 issue.

Please send your nominations to [wainger@euromoneyplc.com](mailto:wainger@euromoneyplc.com).



## Corporate Strategies

### UtiliCorp Taps Retail Market

UtiliCorp entered the retail bond market for the first time last week to tap into cheaper financing. **Mike Cole**, assistant treasurer in Kansas City, Mo., says savings on the \$250 million 30-year offering are likely in the 25-100 basis points range over an institutional deal.

Funds from the 7.875% coupon notes, which were issued at par, will be used to reduce receivables sold in connection with an accounts receivable sale program at its independent generation affiliate **Aquila**. Cole says the IPP facility—which essentially allows for short-term financing on the back of receivables—is being wound down because UtiliCorp has a more efficient program in place on the regulated side of its business. As UtiliCorp has agreed to repurchase the 20% stake of Aquila it doesn't already own (PFR, 1/14), it makes more sense for the unified company to use UtiliCorp's debt program. The note issue will also pay down some short-term debt, says Cole.

The bond offering was led by **Morgan Stanley**, with co-managers **Merrill Lynch**, **Salomon Smith Barney**, **UBS Warburg** and **Credit Suisse First Boston**. While UtiliCorp doesn't have a fixed rotation policy among its relationship banks, it tries to make

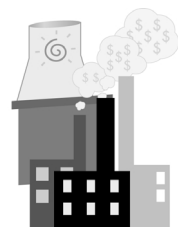
sure business is spread evenly among the firms it deals with. Given the retail route chosen, a key factor in determining this line-up, notes Cole, was the distribution capability of each firm. "You need the same capabilities as for an equity offering," he says.

### Coop Makes Euro Debut

**National Rural Utilities Cooperative** tapped the euro-denominated bond market for the first time earlier this month to broaden the appeal of a \$3.5 billion bond deal—the largest debt offering in its history. **Richard Eisenberg**, treasurer in Herndon, Va., explains, "By doing euros we attracted investors outside the U.S. who might normally not buy this deal." He adds the coop embarked on a week-long road-show across the pond to familiarize investors with it.

The A2/A rated transaction was divided into four tranches of \$1.5 billion, \$1 billion, \$500 million and EUR500 million with tenors of 10 and 30 years and two five-year tranches, respectively. He adds the variety of tenors also broadened the deal's appeal.

Proceeds will be used to pay down long-term debt that matures this year. Proceeds from the euro tranche were swapped into U.S. dollars. **Lehman Brothers** and **J.P. Morgan** underwrote the offering.



## Generation Auction & Sale Calendar

*Following is a directory of ongoing generation asset sales. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes in the status of a sale, please call Will Ainger, managing editor, at (44-20) 7303-1735 or e-mail wainger@euromoneyplc.com.*

Seller	Plants	Location	MW	Plant Type	Advisor	Status
American Electric Power/ Central and Southwest Corp.	Northeastern units 3 & 4	Okla.	300	Coal	N/A	Reviewing sale strategies.
	Lon C. Hill	Texas	546	Gas		
	Nueces Bay	Texas	559	Gas		
	Ennis S. Joslin	Texas	249	Gas		
ADWEA	Um Al Nar	Abu Dhabi	1,100	Gas & Water Desalination	CSFB	Expected to send out RFPs in December.
Central Hudson Gas & Electric	Syracuse	N.Y.	100	CHP	Navigant	Final bids due by late Nov.
	Beaver falls	N.Y.	100	CHP		
	Niagara falls	N.Y.	52	Coal		
CMS Energy	Loy Yang	Melbourne, Australia	2,000	Coal	Not chosen J.P. Morgan J.P. Morgan J.P. Morgan	Announced intention to sell.
	Ensenada	Argentina	128	Gas-fired		
	CT Mendoza	Argentina	520	Gas-fired		
	El Chocon	Argentina	1,320	Hydroelectric		
DPL	All plants	Ohio	3,500	N/A	Morgan Stanley	
Enel	Eurogen	Italy	7,008	Various	-	Having sold Elettrogen it will sell one of two other generation portfolios shortly.
	Interpower	Italy	2,611	Various	-	
Enron	Bahia Las Minas	Panama	355		PwC (administrator)	Intention to sell.
	Puerto Quetzal	Guatemala	110			
	POPLC	Guatemala	124			
	Margarita II	Nicaragua	70.5			
	EcoElectrica	Puerto Rico	507			
	Puerto Plata	Dominican Republic	185			
	Cuiaba	Brazil	480			
	Nowa Sarzyna	Poland	116			
	Sarlux	Italy	551			
	Trakya	Turkey	478			
	Chengdu Cogen	China	284			

## Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Enron	Northern Marianas Bantagas Dabhol Subic Bay Teesside Wilton	Guam Philippines India Philippines U.K. U.K.	80 110 2,184 116 1875 154		PwC (administrator)	Intention to sell.
IVO Energy	Brigg South Humber Grangemouth*** Edenderry	U.K. U.K. U.K. Ireland	240 1,240 130 120	Gas Gas Gas Peat	BNP Paribas	Preparing information memo.
Independent Energy	Various	U.K.	130	N/A	KPMG	KPMG is handling the asset sale after Independent Energy went into receivership.
MARCOR Remediation (A broker acting for an undisclosed seller)	-	Calif.	5.7	Wood	-	-
Niagara Mohawk Power	Nine Mile Point 1 Nine Mile Point 2	N.Y. N.Y.	1,614 1,140	Nuclear Nuclear	N/A N/A	Awaiting bids.
North Atlantic Energy	Seabrook*	N.H.	408	Nuclear	N/A	Must be sold by Dec. 2003.
Oman (Ministry of Housing, Electricity & Water)	Rusail Ghubratt Wad Al-Jazzi	Oman Oman Oman	730 507 350	Gas CHP Gas	-	-
Ontario Power Generation	Lennox Lakeview Atikokan Thunder Bay Mississagi River	Ontario Ontario Ontario Ontario Ontario	2,140 1,140 215 310 490	Oil, gas Coal Coal Coal Hydro	Merrill Lynch & Scotia Capital-	Expects to sell Lennox and Lakeview shortly.
Pacific Gas & Electric	68 Plants	Calif.	3,800	Hydro	Morgan Stanley	Awaiting PUC approval. Expect sale to close shortly.
Public Service Co. of New Hampshire (Northeast Utilities)	Merrimack Newington Schiller Lost Nation Merrimack	N.H. N.H. N.H. N.H. N.H.	475.8 415 146.6 19.1 42.2	Coal Oil/gas Oil/gas Diesel Diesel	J.P. Morgan	Subject to approval for rate settlement by PUC and state legislature.
Public Service Co. of New Hampshire (Northeast Utilities)	Schiller White Lake Amoskeag Ayers Island Canaan Eastman Falls Garvins Falls Gorham Hoolsett Jackman Smith	N.H. N.H. N.H. N.H. Vt. N.H. N.H. N.H. N.H. N.H. N.H. N.H.	18 23 17.5 9.1 1.1 6.5 12.1 2.1 1.95 3.55 14.2	Diesel Diesel Hydro Hydro Hydro Hydro Hydro Hydro Hydro Hydro Hydro		Subject to approval for rate settlement by PUC and state legislature.
Reliant Resources	Reliant Energy Power Generation Benelux Argener	Netherlands Argentina	3,476 160	Mixture CHP	Merrill Lynch -	Is looking to seal sale imminently -
ScottishPower	Hazelwood	Victoria, Australia	1,600	Coal	CSFB	Final bids due shortly.
TXU	Lake Creek Tradinghouse River Crest Mountain Creek Parkdale North Main  Monticello Martin Lake Big Brown Sandow	Texas Texas Texas Texas Texas Texas Texas Texas Texas Texas Texas Texas	323 1,340 110 893 327 123  1,900 2,250 1,150 545	Gas      Coal	Merrill Lynch      Merrill Lynch	Reviewing sales strategy.      Is looking to sell an undisclosed number of its coal assets.
Wisconsin Energy	Bridgeport New Haven	Conn. Conn.	1,100 (combined) 1,100 (combined)	-	-	Has put up for sale following collapse of NRG deal.

\* North Atlantic Energy owns 34.8% of Seabrook

\*\*\* Fortum owns 75% of Grangemouth. Mitsubishi owns the remainder.

## Financing Record (FEBRUARY 28 - MARCH 7)

### Bonds

Date	Maturity	Issuer	Amount	Price	Type of Security	Coupon (%)	Moody's	S&P	Book Manager(s)
03/06/02	03/15/12	Commonwealth Edison	400	99.911	Fst Mtg Bonds	6.15	A3	A	J.P. Morgan/SSB

### M&A

Date Announced	Date Effective	Target Name	Target Country	Acquiror	Acquiror Country	Value (\$mil)
02/28/02	-	Allete Inc Water Svcs Unit, FL	U.S.	Florida Government Utility	U.S.	520.000
03/01/02	-	Amerada Hess U.K. Supply	U.K.	Texas Utilities	U.S.	165.719
03/01/02	03/01/02	Sydskraft	Sweden	Statkraft SF(Norway)	Norway	-
03/01/02	03/01/02	Watt (Electrowatt)	Switzerland	Nordostschweizerische	Switzerland	333.678
03/01/02	-	Watt (Electrowatt)	Switzerland	Nordostschweizerische	Switzerland	-
03/02/02	-	Enron Wind Espana	Spain	Iberdrola	Spain	-

Source: **Thomson Financial Securities Data Company**. For more information, call **Rich Peterson** at (973) 645-9701.

## FIRST CREDIT

(continued from page 1)

quickly in the current jittery market.

"The fee gave us a headwind," says one syndicate official. "It got certain banks looking at this deal on the basis of economics, not relationships." The base drawn pricing is LIBOR plus 150 basis points, but while NRG is on negative watch it pays an extra 25 basis points. The Minneapolis-based IPP agreed to the fee as a way to oil the syndication process. "The 25 basis points makes it bank friendly and encourages them into the facility," says an NRG spokeswoman.

While many lenders enthused about the new structure, some are questioning how many borrowers will agree to pay up the extra premium. "It's almost a double ding if the borrower gets downgraded," says one syndicator, noting that pricing on standard deals already steps up when ratings slide.

One power banker not connected with the deal describes the innovation as a great concept, but has doubts about whether it will take-off across the market simply because a lot of borrowers may balk at paying up. But on a deal-by-deal basis it may make sense for companies with uncertain ratings that need to set up facilities in short order, he adds.

**Citibank** and **ABN AMRO**, who jointly came up with the additional credit watch fee idea, led the revolver. In the final 19-strong bank group, **ABN** and **Citi** took \$79 million each, **Bank of America**, **Barclays Capital**, **Credit Suisse First Boston**, **HypoVereinsbank**, **ING**, **J.P. Morgan**, **Royal Bank of Scotland**, **Société Générale** and **Westdeutsche Landesbank** drew down \$65 million, and the remaining eight lenders took smaller pieces.

NRG is rated Baa3 and was put on watch by **Moody's**

**Investors Service** Dec. 4 because of fears about the financing plans for its \$1.5 billion purchase of four coal-fired power stations from **FirstEnergy**. The agency is also looking at the liquidity picture for NRG in the event that it is downgraded, according to a report issued Feb. 15. A downgrade would take the IPP into junk territory. The pricing grid on the revolver shifts to LIBOR plus 250 if the company slides below investment grade.

An added wrinkle to the deal is the possible rating fillip for the IPP if Minneapolis-based **Xcel Energy**, which owns 74% of the company, sees through its plans to buy back the company (PFR, 2/25).

—Peter Thompson

## CSFB SEEN

(continued from page 1)

energy trading in London, were not returned. Sheikh could not be reached.

CSFB began building its power-trading effort last January with the hire of Sheikh from **Enron** (PFR, 1/22/01). At the time Matharoo said the aim was to execute trades and structure risk-management products for CSFB clients. But since the outset many market watchers have doubted CSFB's willingness to commit the resources necessary to build up a top-tier trading effort. They note for example that CSFB—unlike **Goldman Sachs** and **Westdeutsche Landesbank**, which set up power desks at roughly the same time—never went into recruitment overdrive to land structurers, marketers and back-office staff. Indeed, one broker says that Sheikh was essentially running a one-man show.

—W.A.



## TRACTEBEL COURTS

(continued from page 1)

Analysts say Tractebel's overtures are likely to be welcomed by AES because the IPP recently announced a restructuring plan that included divesting between \$1-1.5 billion of underperforming assets in Latin America and the U.S. (PFR, 3/4). They add that given the current depressed environment for power assets AES will likely be forced to offload its Latin American businesses at bargain prices.

The New York official says it's difficult to put a price tag on AES Sul as the company has lost much of its equity value through the devaluation of the Brazilian real. However, he calculates that it could have an enterprise value of \$700-900 million including \$23.7 million in bank loans, \$24 million in bonds that mature in less than one year and \$700 million in long-term debt.

A Latin American utility analyst in New York says that purchasing AES Sul should prove a wise move for Tractebel as the regulatory environment in Brazil is improving and electricity rationing has come to an end. But he notes that AES Sul's substantial debt load poses "big question marks" regarding its financial health.

Tractebel's Brazilian generation arm, Gerasul, is active in the states of Santa Catarina, Rio Grande do Sul, Parana and Mato Grosso do Sul and spans 928,271 square kilometers or 11% of the country. Its capacity is 75% hydroelectric and 25% coal and oil fired.

—Amanda Levin Arnold

## CALPINE PONDERERS

(continued from page 1)

been approached. Rick Haviland, senior v.p. of international development at Calpine in Washington, D.C., declined to comment.

The rival executive notes Calpine is moving cautiously, partly in an attempt to avoid negative publicity. "It has not officially put Saltend up for sale, but is putting out feelers on whether those that unsuccessfully bid for the plant last summer might be willing to renew their interest," he explains.

The \$815 million acquisition of Saltend marked Calpine's first expansion into Europe and was part of a highly ambitious 40,000 MW generation expansion plan. Economic recession in the U.S., the collapse of Enron and Calpine's inability to access the equity markets have since put the skids under these growth targets. In the present environment developing its international portfolio is not a core goal, says a banker who was unaware of the move to offload the plant. He adds Calpine would want to sell the plant to cut its debt load and

ease liquidity concerns. Calpine financed the acquisition of Saltend with a \$1.3 billion multi-currency bond offering last October (PFR, 10/8).

One stumbling block to a quick sale could be agreeing a price. Calpine, like many of its U.S. compatriots beforehand, was deemed by many commentators to have paid well over the odds for its European acquisition. One banker says that Calpine will have to take a loss of up to \$200 million to find a buyer, but he doubts Calpine has the stomach for such a haircut. He notes Calpine paid some \$680 per KW for Saltend, compared to the \$572 per KW paid by the U.K.'s Centrica for Humber Power, another U.K. CCGT plant sold last year (PFR, 5/28).

A senior Calpine executive says that Calpine is weathering the current downturn by slashing its capital expenditure budget by half. Calls to spokespersons at Calpine were not returned.

—Will Ainger

## Calendar

Global Change Associates and the MYA Group will hold a conference entitled Green Trading Summit at the McGraw-Hill Building in Manhattan, New York City on May 14-15. The conference will focus on the convergence of the new markets of emissions, renewables and power trading in a risk management context. For further information contact Peter Fusaro, president of Global Change Associates, at (212) 625-1711.

## Quote Of The Week

*"It's the old Drexel Burnham effect. The scattering of Enron people is good for the market."*—Ethan Kahn, president of Chicago-based consulting and brokerage shop Castlebridge Partners, drawing a parallel between the bond shop that dominated the junk market before it collapsed and the demise of Enron (see story, page 2).

## One Year Ago In Power Finance & Risk

Entergy Wholesale Operations was considering divesting its two U.K. generation assets, Damhead Creek, an 800 MW combined-cycle gas turbine facility in Kent, southeast England and Saltend, a 1,200 MW CCGT plant in Yorkshire, northeast England. Both plants had been operational for less than a year. [Entergy hired Schroder Salomon Smith Barney to conduct an auction process in the spring. In July Entergy sold Saltend to Calpine for \$815 million. It decided to retain ownership of the Damhead plant.]