

# power finance & risk

The exclusive source for power financing and trading news

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## Web Exclusive

Banks that foreclosed on underperforming power plants in 2003 will likely finally put many of these assets up for sale this year, predict market watchers.

For the full story go to *PFR's* Web site ([www.iipower.com](http://www.iipower.com))

## Shell Takes Wind Pitches

**Shell WindEnergy** and its partner **Padoma Wind Power** are looking to select banks to fund a Texas wind farm.

*See story, page 2*

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## MORGAN STANLEY SET TO LAND DUKE ENERGY TRADING BOOK

Morgan Stanley's energy-trading group is set to buy 241 power contracts throughout the U.S. from **Duke Energy Trading & Marketing (DETM)** and hopes to close the purchase by the end of this month. While the price of the sale could not be ascertained, market watchers say the portfolio represents roughly 30% of Duke's entire power contract portfolio, a book that is expected to generate some \$400 million of revenue this year.

**Pete Sheffield**, a spokesman at Duke in Charlotte, N.C., did not return calls on a

*(continued on page 12)*

## CREDITOR COMMITTEE EXPLORES SALE OF 600 MW PUMPED STORAGE FACILITY

An unofficial committee of secured creditors has retained **Ernst & Young Corporate Finance** to find parties interested in acquiring, leasing or operating a 600 MW pumped storage hydroelectric power plant in New England. The move follows the recent rejection of a multi-year lease on the Bear Swamp facility by

*(continued on page 11)*



## GE RAMPS UP ENERGY OPERATIONS

**General Electric Co.** is expanding its energy business from project and asset orientated investment to include all forms of energy financing, such as corporate debt and equipment and real-estate financing. As part of the move, **GE Structured Finance's** Stamford, Conn.-based Global Energy business unit, which has been a significant player in generation, has been spun out of GESF and will be the bedrock of a new business group, dubbed **GE Energy Financial Services**, says a spokesman. A senior GE staffer has been drafted to head up the operation early this year, he adds, declining to name the individual ahead of his arrival.

*(continued on page 12)*

## CENTERPOINT SEEN CONSIDERING NIXING GENCO SALE

**CenterPoint Energy** is considering retaining ownership of **Texas Genco (TGN)**, rather than selling the 14.5 GW power plant portfolio, says a banker who has spoken with management. The reversal in strategy follows **Reliant Resources'** announcement last month that it is unlikely to take up an option, that becomes exercisable this week, to acquire the \$2.5 billion 11 plant portfolio. **Leticia Lowe**, spokeswoman at CenterPoint, did not return calls.

*(continued on page 12)*

Check [www.iipower.com](http://www.iipower.com) during the week for breaking news and updates.



## At Press Time CSFB Considers Power Trading Foray

Credit Suisse First Boston has put plans to launch a power-trading desk back on the front-burner, almost two years after ditching a previous effort. Market watchers say the Wall Street investment bank has not formally approved a power-trading startup plan, but has charged an ex-Enron staffer, **John Stinebaugh**, to evaluate various strategies for developing a desk. "They are reviewing models and options," says a headhunter, "and trying to figure out what sort of operation to build."

Stinebaugh, who presently works in CSFB's New York-based power sector investment banking team, has yet to begin interviewing candidates to staff the new desk, say market watchers. Stinebaugh did not return calls and **Pen Pendleton**, a spokesman at CSFB, declined to comment.

According to the **Federal Energy Regulatory Commission** Web site, CSFB received a U.S. power trading license in 2001, but never commenced power trading.

In early 2001 CSFB hired **Mansoor Sheikh**, a former Enron trader, to head up a London-based power trading desk but disbanded the effort a few months later before it had begun trading (PFR, 3/11/02).

## Shell, Calif. Developer Takes Pitches For Texas Wind Financing

Shell WindEnergy and its joint-venture partner **Padoma Wind Power** are taking bids from banks to provide a non-recourse loan to refinance a 160 MW wind farm they are developing in Texas.

**Jan Paulin**, president and ceo of Padoma in La Jolla, Calif., says the aim is to chose the lead or leads early this month and wrap the financing by the end of the first quarter. He declined to name the banks approached. The leverage will likely be 50-60% and while he declined to give a precise project cost, he concedes the rough industry standard \$1 million per megawatt is around the mark.

The Brazos wind farm, located 90 miles southeast of Lubbock, is nearing completion and was expected to be hooked up to the grid before the all-important production tax credit deadline of Dec. 31, Paulin says. Simultaneous with sealing the non-recourse financing, Padoma also will be selling its 50% stake in the project and has two buyers interested. Paulin declined to name them.

Shell and **PPM Energy** recently wrapped a \$125 million 14-year loan for the 162 MW Colorado Green project near Lamar, Colo. (PFR, 12/15). The financing drew strong support with eight lenders dividing up the deal, which was Shell's first widely syndicated U.S. wind deal.

The Brazos project consists of 160 **Mitsubishi** MWT 1000-A turbines.

**TXU Energy** has signed an offtake contract with the wind farm and has in turn entered into a retail electricity arrangement with **Green Mountain Energy Co.**

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## Frontrunners Land Irish Contracts

The Republic of Ireland's **Commission For Energy Regulation** has awarded **Tynagh Energy** and **Aughinish Alumina** 10-year offtake contracts, paving the way for them to build a 400 MW and a 150 MW gas-fired power plant, respectively.

The mandates, awarded late December, quash earlier speculation that Tynagh, which was named a preferred bidder in November, could struggle to come up with the necessary financing to land the contract and build a 400 MW plant (PFR, 12/15).

**Eugene Coughlan**, a spokesman at the CER, says among other things, the bidders had to prove their financial wherewithal to build the new IPPs before they were awarded the offtake contracts.

Tynagh, a joint venture backed by **Mountside Properties**, has retained **KBC Bank** and **Royal Bank of Scotland** to advise on financing. One City financier notes the lead agents are looking to pull together a club of banks to provide some EUR240 million in non-recourse bank debt for the Tynagh project.

Separately, Aughinish's parent **Glencore** is likely to finance the development of its 150 MW IPP in Limerick on its balance sheet.

## Project Finance

### Bankers Forecast Growth In Niche Markets, But Warn Of Lean Times

Financiers expect niche energy areas to provide business flows this year, but the deals are going to be few and far between. LNG terminals, pipelines and wind generation projects are cited by many as growth areas, but not as market saviors. "None of these sectors are going to replicate the deal flow of plain vanilla power generation of previous years," says **Rainer Kraft**, v.p. at **DZ Bank** in New York. "It all speaks to another quiet year."

Bankers know what the market will not be focused on—greenfield thermal generation—but what will take its place isn't clear yet. "Project finance, as it was defined in 2000, is gone. Yes, you can find the occasional wind plant. But, if that's all you're going to do, you're going to be twiddling your thumbs," says **Tom Murray**, managing director at **WestLB**.

Each of the niche areas will likely provide some interesting and profitable financing for banks, but at the same time and for differing reasons, none are likely to provide a deluge of deals. LNG has to some extent become the flavor of the day, with several of projects being touted, says **Chuck Zabriskie**, managing director at **Royal Bank of Scotland** in Houston. "What we like about LNG is it's an area where there's a terrific

amount of complexity. So there is a lot of value to be added by banks," he reflects. However, there is only a finite need for LNG facilities. "Can you build an entire business around it? No," he concludes.

"I don't know that LNG will provide the major diversification from [generation]," concurs **Andrew Mathews**, managing director at **HypoVereinsbank** in New York.

One potential area of deal flow that intrigues financiers is leveraging private equity shops' acquisition of utilities. A \$3 billion buyout of Tucson, Ariz.-based **UniSource Energy** already is in the works and buyout luminaries **Kohlberg Kravis Roberts & Co.** and **J.P. Morgan Partners** are among the backers.

**Enron** has also lined up a \$2.35 billion deal to sell its **Portland General Electric** utility to **Texas Pacific Group**. "Looking to 2004 with all these M&A deals being mentioned, I'm hopeful," says one veteran lender who spent much of last year focused on restructurings. If those deals pass all their regulatory hurdles, there will likely be financing opportunities resulting from the acquisitions themselves, from future deals as the backers look to expand their new operations and from other equity players entering the sector. "The source of deals is going to be acquisitions," adds **WestLB's** Murray.

## Breathing Space

### Loan Refinancings Exit Center Stage

After the swath of nail-biting corporate loan restructurings last year, this year will likely see few, if any, big-ticket parent company refinancings and the non-recourse bank loans that are due to mature are relatively strong and should be easily financeable.

"A lot of the restructurings are behind us and most of these companies now have access to liquidity," says **Tom Murray**, managing director at **WestLB** in New York. Most of those restructured deals have a few years before they'll need to be refinanced, adds **Pat Kunkel**, v.p. at **Erste Bank** in New York. "A lot of borrowers bought themselves time," he reflects.

The big deals that will need to be tackled are **Calpine's** \$2.5 billion CCFC II loan, which matures in November, and a chunk of debt totaling \$1.5 billion at **Edison Mission Energy**. However, both players have shown themselves adept at the refinancing game, with Calpine tackling its CCFC I facility (PFR, 8/11) and EME refinancing \$781 million in bank debt via the B loan market (PFR, 11/24).

Kunkel says there may also be some sponsors who look to re-work project deals ahead of maturity. But those are likely to be smaller single-asset deals and driven by the desire to tackle refinancing early rather than the need to rework those deals.



## Trafigura Hires Duke Originator

**Riccardo Bortolotti**, v.p and head of European origination at **Duke Energy International** in London, has joined **Trafigura Group** where he will focus on European gas and power origination.

The move underscores Trafigura's newfound interest in the power and natural gas sectors. Early last year the Lucerne, Switzerland, headquartered commodity trading company hired **David Mooney**, formerly global head of commodities at **Bank of America** in New York, to build a power and natural gas trading business. Bortolotti says Trafigura wants to grow a team of power gas originators and increase the firm's presence in the energy derivatives market.

Bortolotti joined Duke two year ago after a five-year stint at **Enron Europe**. His departure reflects Duke's desire to unwind it's European operations in the near term and refocus on the U.S. market.

## M&A

### Chapter 11 Casualties Set To Blossom

**Mirant** and **NRG Energy**, two of the high-profile Chapter 11 casualties of 2003, could emerge as serious players on the M&A front this year. Freed from the shackles of bankruptcy and unburdened by credit concerns following mammoth debt restructurings, these companies may have the scope to buy distressed merchant assets and catch the next business cycle on the upswing, predict investment bankers.

**James McGinnis**, a managing director in **Morgan Stanley's** New York power group, predicts NRG's savvy management team may be one to watch. "The new chief executive of NRG, **David Crane**, is smart and an ex-Lehman [Brothers] banker. He understands risk and is in a great position to turn that company into an active market player."

**Peter Gaw**, head of the power group at **ABN AMRO** in Houston, notes that while last year was the year of restructurings, 2004 will emerge as the year of asset sales and much needed realism from those holding onto underperforming assets. "A lot of deal flow in 2003 emerged from restructurings," notes Gaw, "but [this] year sellers will be more realistic about price and that will get assets moving."

Bankers say any corporate level merger activity is likely contingent on the repeal of the Public Utilities Holding Company Act (PUHCA), as stipulated in the energy bills currently stalled in Congress. "I think PUHCA [reform] will pass this year," says Gaw, "but we're really not going to see much more than a one-off deal until [then]."

Gaw adds that while there is near consensus in Washington to pass PUHCA, the election year may throw the legislation

out of play. "You never know in an election because everything can turn on a dime."

## CSFB Sets Aside Energy Warchest

**Credit Suisse First Boston Private Equity** is looking to spend some \$500-700 million this year on investments in the power and gas sectors, say bankers close to the firm. The New York-based private equity shop has \$5.3 billion under management, of which \$1.3 billion is invested in energy. "We're looking to make significant investments in 2004," says **Mike Ranger**, managing director at CSFB Private Equity, "but it also depends on the performance of other sectors."

Though one of the more low profile private equity shops, CSFB Private Equity has made several large investments in the power sector in recent years, including a \$750 million equity infusion into **TXU Corp.** to help shore up its balance sheet after it announced losses in Europe (PFR, 10/14/02) and a recent \$1.6 billion purchase of **United American Energy Holdings**, a Woodcliff Lake, N.J.-based company that specializes in waste-to-energy facilities (PFR, 12/25). Ranger says the firm typically looks for investment returns in the mid-to high-20s percentile.

Ranger says CSFB's private equity arm has participated in several power plant auctions recently and is looking at both merchant and contracted assets. "Contracted plants are very expensive because of competition, and we have a relatively expensive cost of capital," says **Ari Benacerraf**, managing director for CSFB Private Equity, explaining why the firm has yet to win any power plant auctions.

## Dublin Venture Readies Scottish Wind Deal

**Airtricity**, a Dublin-based joint venture between U.K. infrastructure concern **NTR plc** and **Future Wind Partnership**, is looking to tap the non-recourse bank loan market during the first quarter to fund the construction of a yet-to-be built 100 MW Scottish wind farm.

City watchers says Airtricity, which focuses on developing wind farms in the Republic of Ireland and Scotland, has yet to put in place a financing team, but is holding talks with both **Royal Bank of Scotland** and **Barclays Capital** about arranging project level financing for the roughly GBP100 million wind farm. Calls to Airtricity, Barclays and RBS were not returned over the public holiday shortened New Year week.

The wind farm is being built as **Braes O Doune** in **Stirlingshire**, central Scotland, and will consist of 50 2 MW turbines. The project received planning permission last October.



## Latin America

### Private Equity Shop Readies Hydro Projects

**Conduit Capital Partners**, a Latin American private equity group that recently split from **Deutsche Bank**, is looking to finance the construction of six independent hydroelectric plants in Mexico. **Marc Frishman**, v.p. at the New York-based group, says Conduit is looking to close financing on an 8 MW plant outside the city of Colima this month and will introduce two more projects to lenders later this quarter. Conduit will pursue the remaining three plants when it raises an additional \$400 million for its third Latin American fund (PFR, 12/8).

Conduit is teaming up with a Mexican development concern, **Comexhidro**, to develop the hydro facilities at pre-existing dams and is looking to ink off-take contracts with industrial companies that will also take an equity stake in the projects. "This is the first independent renewable energy project in Mexico," notes Frishman of the first deal.

Conduit is also planning a 14 MW and a 30 MW plant and hopes to raise about \$35 million in debt financing for these projects and the same amount in equity by March. "It's a conservative capital structure," says Frishman, "but we want to prove to people that independent companies can build in Mexico."

Frishman says he expects **Scotia Bank** to be involved in the financing, but has yet to put together a bank syndicate.

### Colorado Boutique Looks To Acquire Plants

A recently formed Colorado investment boutique has started looking at generation investment opportunities in both the U.S. and Latin America and recently made its first bid on a power plant.

**Denver Power**, which was recently established by **John Moye**, **Michael Bugdanowitz** and **Edward White**, is eyeing North and South American investment opportunities on both the merchant and contracted side of the generation business. "Our strategy is to crawl, then walk, then run," says Bugdanowitz. "We expect to begin with a \$10-20 million investment, and then see if we can raise more money."

Denver Power has secured equity commitments from local energy companies and private families, but capital will only be available once an acquisition is near closing. "The good thing is we don't have money burning a hole in our pockets," quips Bugdanowitz.

Denver Power has teamed up with **ProEnergy Services**,

a power plant management company led by **Jeff Canon**, an industry veteran who previously managed assets in Argentina and Brazil for **General Electric Contractual Services**.

Moye is a founding partner of **Moye Giles**, a Denver-based commercial law practice, and Bugdanowitz previously worked for Brazilian investment bank **ICATU**.

Denver Power was formed approximately a year ago, says Bugdanowitz, but only recently decided to focus investments on the power sector, submitting its first bid for U.S. power plants in November. He declined to reveal which plant it has bid to acquire.

## Corporate Strategy

### NRG Expands Financing To Pay Off More Creditors

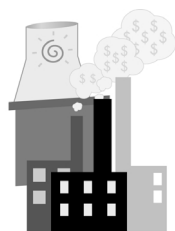
**NRG Energy** entered the marketplace just before the Christmas holiday with a \$2.2 billion post-bankruptcy bond and loan package and unexpectedly upped its offering to \$2.7 billion because appetite for high-yield power securities is strong, says **A.J. Sabatelle**, analyst at **Moody's Investors Service** in New York. Calls to the finance department at Minneapolis-based NRG were not returned.

Sabatelle says that under the revised financing a \$950 million senior secured B term loan was increased to \$1.2 billion, and second priority lien notes, originally sized at \$1 billion, were upped to \$1.25 billion. These notes carried an 8% coupon and were rated B2 by Moody's, with the loan assigned a B1 rating.

Sabatelle says Moody's realized that NRG might look to increase the offering and viewed the move positively, as proceeds will help refinance additional portions of NRG's \$6 billion debt load. "Most of the proceeds are going to pay back creditors," says Sabatelle, noting that \$500 million will be allocated to working capital for the newly independent company.

Creditors of **NRG Northeast Generating**, **NRG South Central Generating** and **NRG Mid-Atlantic Generation** will be completely paid off, allowing the independent power producer to maintain its U.S. generation assets, 80% of which are merchant, as part of the core business. "They are going to try and sell international plants," says Sabatelle, "but I am under the impression that they are keeping [plants] in the U.S."

**Credit Suisse First Boston** and **Lehman Brothers** were lead underwriters on 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](mailto:wainger@euromoneyplc.com).

Seller	Plants	Location	MW	Plant Type	Advisor	Status
AEP	Fiddler's Ferry	U.K.	2,000	Coal	Citi	Has shortlisted International Power.
	Ferry Bridge	U.K.	2,000	Coal	Citi	
	El Bajio	Mexico	600 (50%)	Gas	WestLB	Ongoing.
	Mulberry	Fla.	120 (45%)	Gas	CSFB	
	Orange	Fla.	103 (50%)	Gas		
	Brush II	Colo.	68 (50%)	Gas		
	Thermo Cogen	Colo.	272 (50%)	Gas		
American Electric Power	Barney M. Davis	Texas	697	Gas/oil	CSFB	Launched sale process in June as part of deregulation of Texas market.
	E.S. Joslin	Texas	254	Gas/oil		
	J.L. Bates	Texas	182	Gas/oil		
	Laredo	Texas	178	Gas/oil		
	Lon C. Hill	Texas	559	Gas/oil		
	Victoria	Texas	491	Gas/oil		
	La Palma	Texas	255	Gas/oil		
	Nueces Bay	Texas	559	Gas/oil		
	Coletto Creek	Texas	632	Coal		
	Oklahoma	Texas	54 (7.8%)	Coal		
	Eagle Pass	Texas	6	Hydro		
	South Texas	Texas	630 (25%)	Nuclear		
AES Fifeots Point	Fifeots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant.
Allegheny Energy Supply	Armstrong	Penn.	356	Coal	J.P. Morgan	Ongoing.
	Hatfield	Penn.	1,600 (75%)	Coal	Citibank	
	Mitchell	Penn.	442	Coal	J.P. Morgan	
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention to sell.
Black Hills Energy	Pepperell	Mass.	40	Gas	-	Intention to sell.
CenterPointEnergy	Texas Genco portfolio (12 plants)	Texas	14,175	Variety	-	Reliant Resources has option to purchase portfolio in early 2004
CMS Energy	Ensenada	Argentina	128	Gas-fired	Not chosen	Announced intention to sell.
	CT Mendoza	Argentina	520	Gas-fired	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydroelectric	J.P. Morgan	
Citi-led bank group (NEG developed plants)	Lake Road	Conn.	840	Gas	Lehman Bros.	Separate auction for each plant.
	La Paloma	Calif.	1,121	Gas	Lehman Bros.	
Dynegy	Oyster Creek	Texas	424 (50%)	Gas	N/A	Ongoing
	Hartwell	Ga.	300 (50%)	Gas		
	Michigan Power	Mich.	123 (50%)	Gas		
	Commonwealth	Va.	340 (50%)	Gas		
Duke Energy North America	Lee Energy	Ill.	640	Gas	J.P. Morgan	
	Bridgeport Energy	Conn.	480 (67%)	Gas		
	Grays Harbor (in construction)	Wash.	650	Gas		
	Deming Energy (in construction)	N.M.	570	Gas		
	Moapa Energy	Nev.	1,200	Gas		
	Griffith Energy (50%)	Ariz.	600	Gas		
	Maine Independence	Maine	520	Gas		
El Paso Europe	Enfield	U.K.	396 (25%)	Gas	No Advisor	Looking to exit Europe.
	EMA Power	Hungary	70	Coal		
	Kladna	Czech Rep.	350	Coal		
Edison Mission Energy	Derwent	U.K.	214 (33%)	Gas	CSFB/Lehman	Looking to launch asset sale early in 2004.
	Dinorwig	U.K.	1,728	Pumped-storage		
	Ffestiniog	U.K.	360	Pumped-storage		
	ISAB Energy	Italy	512 (50%)	Waste		
	ICPV4	Italy	312 (50%)	Wind		
	Spanish Hydro	Spain	86	Hydro		
	Doga Energy	Turkey	180 (80%)	Gas		
	CBK	Philippines	728 (50%)	Pumped-storage		
	Clyde	N.Z.	432 (51%)	Hydro		
	Kwinana	Australia	116 (70%)	Gas		
	Loy Yang B	Australia	1,000	Gas		
	New Plymouth	N.Z.	464 (51%)	Gas		
	Oakey	Australia	300 (12%)	Gas		
	Ohaaki	N.Z.	104 (51%)	Gas		

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

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Edison Mission Energy	Otauhu A	N.Z.	45 (51%)	Gas	CSFB/Lehman	Looking to launch asset sale early in 2004
	Otauhu B	N.Z.	372 (51%)	Gas		
	Poihipi	N.Z.	55 (51%)	Steam		
	Roxburgh	N.Z.	320 (51%)	Hydro		
	Te Rapa	N.Z.	45 (51%)	Gas		
	Valley Power	Australia	300 (60%)	Gas		
	Wairekei	N.Z.	165 (51%)	Steam		
	Paiton	Indonesia	1,230 (40%)	Coal		
El Paso North America (Merchant assets)	Tri Energy	Thailand	700 (25%)	Gas	Citigroup	Final bids due.
	Barstrop	Texas	543 (50%)	Gas		
	Bayonne	N.J.	171	Gas		
	Camden	N.J.	150	Gas		
	CDECCA	Conn.	58	Gas		
	Fulton	N.Y.	45	Gas		
	Newark Bay	N.J.	123	Gas		
	Pawtucket	R.I.	67	Gas		
El Paso North America (Contracted assets)	Rensselaer	N.Y.	79	Gas	Banc of America	Launched sale in June.
	San Joaquin	Calif	48	Gas		
	Ace	Calif.	100 (48%)	Coal		
	Mt Poso	Calif.	50 (16%)	Coal		
	NCA 1	Nev.	86 (50%)	Gas		
	Front Range	Colo.	480 (50%)	Gas		
	Badger Creek*	Calif.	46 (26%)	Gas		
	Bear Mt*	Calif.	45 (51%)	Gas		
	Chalk Cliff*	Calif.	45 (51%)	Gas		
	Corona*	Calif.	50 (20%)	Gas		
	Crockett*	Calif.	240 (5%)	Gas		
	Double C*	Calif.	46 (26%)	Gas		
	High Sierra*	Calif.	46 (26%)	Gas		
	Kern Front*	Calif.	46 (26%)	Gas		
	Live Oak*	Calif.	45 (51%)	Gas		
	McKittrick*	Calif.	45 (51%)	Gas		
	Cambria	Penn.	85	Coal		
	Colver	Penn.	100 (28%)	Coal		
	Gilberton	Penn.	80 (10%)	Coal		
	Panther Creek	Penn.	82 (50%)	Coal		
	Dartmouth	Mass	68	Gas		
	MassPower	Mass	252 (50%)	Gas		
	Midland Cogen	Miss.	1,500 (44%)	Gas		
	Prime	N.J.	66 (50%)	Gas		
	Mid-Georgia	Ga.	300 (50%)	Gas		
	Mulberry	Fla.	115 (46%)	Gas		
	Orange	Fla.	96 (50%)	Gas		
	Orlando	Fla.	114 (50%)	Gas		
	Vandola	Fla.	680 (50%)	Gas		
Endesa	Conatillor	Chile	172	Hydro	N/A	Ongoing.
Energy East	Ginna	N.Y.	470	Nuclear	J.P. Morgan/Concentric	Agreed sale to Constellation Energy.
Entergy Asset Management	Crete	Ill.	320	Gas	Deutsche Bank	Launched sale in September.
	Robert Ritchie	Ark.	544	Gas/oil		
	Warren Power	Miss.	314	Gas		
	Top of Iowa	Iowa	80	Wind		
	RS Cogen	La.	425 (49%)	CHP		
	Roy S. Nelson	La.	550 (20%)	Coal		
	Harrison County	Texas	550 (70%)	Gas		
	Independence	Ark.	842 (15%)	Coal		
Ernst & Young Corporate Finance (representing secured creditors)	Bear Swamp	Mass.	599	Hydro	E&Y	Exploring sale
Exelon	Mystic 8	Mass.	800	Gas	Lehman Bros.	Shortlisted bidders. Looking to execute a quick sale.
	Mystic 9	Mass.	800	Gas		
	Fore River	Mass.	800	Gas		
Fife Power	Fife	U.K.	115	Coal	KPMG (Administrator)	El Paso placed plant in administration.
HSBC-led creditor group	Attala	Miss.	526	Gas	HSBC	Ongoing.
InterGen	El Bajio	Mexico	600 (50%)	Gas	No Advisor	Ongoing
LG&E Power	Roanoke Valley	N.C.	178 (50%)	Coal	N/A	Sent out RFP in April.
	Gregory Power	Texas	550 (50%)	Gas		
	Palm Springs	Calif.	42 (50%)	Wind		
	Tyler	Minn.	27 (50%)	Wind		
	Van Horn	Texas	41 (33%)	Wind		
	Tarifa	Spain	30 (46%)	Wind		

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

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Mirant	Kendall	Mass.	270	Oil	CSFB	Ongoing.
	Shady Hills	Fla.	474	Gas	BofA	Ongoing.
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538	Gas		Looking for advisor to assist with sale.
	Wichita Falls	Texas	77	Gas		Looking for advisor to assist with sale.
National Energy Gas & Transmission	Cedar Bay	Fla.	258 (64%)	Coal	Lazard	Initial bids due Dec. 12.
	Panther Creek	Penn.	80 (55%)	Coal	Lazard	
	Logan	N.J.	226 (50%)	Coal	Lazard	
	Northampton	Penn.	110 (50%)	Coal	Lazard	
	Indiantown	Fla.	330 (51%)	Coal	Lazard	
	Carneys Point	N.J.	245 (51%)	Coal	Lazard	
	Selkirk	N.Y.	345 (42%)	Gas	Lazard	
	Altresco Pittsfield	Mass.	173 (89%)	Gas	Lazard	
	Masspower	Mass.	267 (13%)	Gas	Lazard	
	Scrubgrass	Penn.	87 (51%)	Coal	Lazard	
	Colstrip Energy	Mont.	40 (17%)	Coal	Lazard	
	Hermiston	Ore.	474 (25%)	Gas	Lazard	
National Energy Gas & Transmission	Salem Harbor	Mass.	745	Coal & Oil		
	Pittsfield	Mass.	173	Gas		
	Brayton Point Station	Mass.	1,599	Coal		
	Manchester Street Station	R.I.	495	Gas		
NRG (Asia)	Gladstone Power	Australia	1,500 (37.5% stake)	Coal	ABN AMRO	Awaiting bids.
	Flinders	Australia	760	Coal		
	Hsinchu	Taiwan	400 (60% stake)	Gasfired		
	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil		
	Collinsville	Australia	192 (50% stake)	Coal		
NRG (Latin America)	TermoRio	Brazil	1040 (50% stake)	Gas	Deutsche Bank	Awaiting bids.
	COBEE	Boliva	220 (98% stake)	Hydro/Gas		
	Itiquira Energetica	Brazil	160 (98% stake)	Hydro		
	Cementos Pacasmayo	Peru	66	Hydro/Oil		
	Bulo Bulo	Bolivia	90 (60% stake)	Gas-fired		
	Cahua	Peru	45	Hydro		
NRG (Europe)	CEEP	Poland	10 (10% stake)	-	Goldman Sachs	Ongoing.
	Enfield	U.K.	380 (25%)	Gas-fired		
	MIBRAG	Germany	238 (50% stake)	Coal		
NRG (U.S.)	Big Cajun II	La.	2,400 (90%)	Coal	-	Ongoing.
	Pike	Miss.	1,192	Gas		
	Batesville	Miss.	1,129	Gas		
	Brazos Valley	Texas	633	Gas		
	Kaufman	Texas	545	Gas		
	Big Cajun	La.	458	Gas		
	Bayou Cove	La.	320	Gas		
	Sabine River	Texas	420 (50%)	Gas		
	Sterlington	La.	202	Gas		
	Mustang	Texas	485 (25%)	Gas		
	Pryor Cogen	Okla.	88 (20%)	Gas		
	Timber	Fla.	13.8	Biomass		
	Power Smith	Okla.	80 (9.6%)	Gas		
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	-
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch & Scotia Capital	Ongoing.
	Lakeview	Ontario	1,140	Coal		
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
Reliant Resources	Argener	Argentina	160	CHP	-	-
SG-led bank group (NEG developed plants)	Athens	N.Y.	1,080	Gas	Blackstone	Assessing bids.
	Covert	Mich.	1,170	Gas		
	Harquahala	Ariz.	1,092	Gas		
	Millennium	Mass.	360	Gas		
Tractebel North America	Ripon Cogeneration	Calif.	49	Gas	Navigant	Launched sale in May.
	San Gabriel	Calif.	41	Gas		

\* Looking to sell the California-located Jupiter portfolio as a single block



## Weekly Recap

*The Weekly Recap is a summary of publicly reported power news stories. The information has been obtained from sources believed to be reliable, but PFR does not guarantee its completeness or accuracy.*

### Asia

- **Tohoku Electric Power Co.** has abandoned a plan to build a nuclear power plant at Maki Town in the central Japanese prefecture of Niigata. The decision not to go ahead with the construction of the 825 MW plant came after the Supreme Court backed protesters in an administrative lawsuit over the proposed site of the plant. TEPCO proposed the Maki nuclear power plant project in 1971, but the plan was postponed because of difficulty in acquiring land. In 1996, more than half of Maki's residents voted against the project in what is Japan's first-ever referendum over the construction of a nuclear power plant (*Jiji Press*, 12/24).

### Europe & Middle East

- **British Energy** has completed the disposal of its 50% stake in **AmerGen Energy** to **Exelon Generation**. British Energy is receiving GBP277 million, of which some GBP94 million is earmarked to pay down all current outstanding debt under the U.K. Government's emergency credit facility (*AFX News*, 12/23).
- **Scottish & Southern Energy** has been given the green light by the Scottish Executive to develop a 130 MW wind farm at Hadyard Hill in South Ayrshire, making it the largest onshore wind farm to win consent to date in the U.K. The GBP90 million project will be launched this year and should come on line by the summer (*Glasgow Herald*, 12/24).
- **Scottish & Southern Energy** says its preparing to bid for two pumped storage power plants in Wales that **Edison Mission Energy** recently put up for sale. Edison Mission Energy bought the 1,800 MW Dinorwig and 360 MW Ffestiniog plants in 1995 from the system operator, now called **National Grid Transco**, for some GBP650 million (*Dow Jones*, 12/24).
- **Courant CTR**, an affiliate of Boston private-investment firm **ArcLight Capital Partners**, has acquired **Duke Energy Corp.**'s 103 MW Compagnie Thermique du Rouvray CHP plant in France for \$79.7 million. Duke acquired the combined heat and power plant some 18 months back and expects to record a fourth-quarter gain of less than \$2 million on the sale (*Dow Jones*, 12/24).

- **International Power** and its local partner **Saudi Oger** have signed agreements with **Saudi Aramco** to develop, own and operate four cogeneration facilities with a total capacity of 1,074 MW in Saudi Arabia. The plants will supply power and steam to Saudi Aramco under four 20-year offtake contracts. IP will own 60% of the project company with Saudi Oger holding the remainder. International Power's total equity commitment to the project is estimated to be GBP50 million (*Dow Jones*, 12/23).

- **International Power** has been picked as the preferred bidder for two coal-fired power stations being sold by **American Electric Power**. The London IPP has agreed to pay some GBP300 million for the 2 GW Fiddler's Ferry plant in Cheshire and the 2 GW Ferrybridge facility in West Yorkshire. AEP has written off more than half the GBP650 million it paid for the two assets in 2001, after a collapse in U.K. wholesale electricity prices. Earlier this month, International Power's bid for control of the U.K.'s largest power station, Drax, failed, after creditors decided to retain ownership of the coal-fired station (*Reuters*, 9/29).

- France and the U.K. have become the first countries in Europe to sign an agreement to provide each other with emergency power in the event of a blackout like that which struck Italy this year. The deal, which would enable each country to tap into immediate reserves from the other if needed, will mean the end of having to pay costly surcharges on emergency power supplies. "This mutual rescue contract is based on a reserve capacity of 1,000 MW, in other words, half the capacity of the underwater cross-Channel link," according to **Pierre Bornard**, head of French grid operator **RTE** (*Reuters*, 12/24).

- The board of Russia's semi state-owned electricity monopoly **Unified Energy System** says it will give current shareholders pro-rata stakes in generating companies ahead of privatization. But the board left stickier details, namely how to auction off the state's stake in UES and whether to grant foreign utilities the right to bid, until the first quarter. UES, 52% owned by the government, is planning to consolidate its largest thermal power plants into six national power generating companies, which will

be the main actors on Russia's power market when it is liberalized in 2006 or later (*Reuters*, 12/24).

### Latin America

- **AES Corp.** struck a deal to settle \$1.2 billion in debt with Brazil's national development bank by agreeing to combine its four main Brazilian units into a new company called **Brasiliana Energia** and hand the federally run bank a 49.99% voting stake. **Brasiliana Energia** is set to become the country's second-largest power company (*Dow Jones*, 12/29).

- U.S. power company **AES** has completed a \$320 million refinancing of its power assets in Panama. AES said the non-recourse financing for its **AES Panama** unit involves 18 institutions (*Reuters*, 12/22).

### U.S. & Canada

- U.S. regulators are expected to announce a settlement with **Canadian Imperial Bank of Commerce** involving work it did with fallen energy trader **Enron**, sources familiar with the matter said. The settlement stems from a **Securities and Exchange Commission** inquiry into CIBC's role in complex loans made to Enron (*Reuters*, 12/22).

- A Texas bankruptcy court has approved a settlement under which **El Paso Corp.** will pay **Mirant** \$87.5 million to unwind energy trades between the two power companies (*Reuters*, 12/24).

- The **Federal Energy Regulatory Commission** plans to hire 30 engineers to staff a new division to monitor grid reliability in response to the Aug. 14 blackout, says FERC Chairman **Pat Wood** (*Reuters*, 12/24).

- **Calpine** has signed a definitive agreement to sell its 50% stake in the Lost Pines 1 power plant in Texas to its venture partner, **GenTex Power Corp.** Financial terms weren't disclosed. A Calpine spokeswoman said Austin, Texas-based GenTex wanted full ownership of the 545 MW plant and Calpine felt the deal represented a "good opportunity" for the company. As part of the deal Calpine will purchase 250 MW through the end of this year from the **Lower Colorado River Authority**, a nonprofit affiliate of GenTex (*Dow Jones*, 12/28).

- **Nevada Public Utilities Commission** has filed written comments, opposing the request of **Nevada Power** and **Sierra Pacific Power** for a ruling on whether they could raise rates to offset a \$336 million judgment in favor of **Enron** (*Las Vegas Review-Journal*, 12/16).

- A stalled power plant in Redlands, Calif., could be built now that the **California Public Utilities Commission** has approved **Southern California Edison's** proposal to take over construction of the 1,054 MW Mountainview facility. That decision comes a little more than a month after federal energy regulators approved a \$50 million settlement with **Reliant Resources** for its involvement in California's energy crisis two years ago. Reliant has mothballed three Southern California electricity plants, citing a lack of profitability (*The Business Press*, 12/23).

- Poor maintenance and the lax oversight of contractors contributed to an excessive number of sudden shutdowns at the Indian Point nuclear power plants over the past 18 months, according to an analysis released by the U.S. **Nuclear Regulatory Commission** (*Associate Press*, 12/23).

- **Westar Energy** could be forced to advance money to former executives **David Wittig** and **Douglas Lake** to cover legal fees in a criminal fraud case and a civil lawsuit pending in federal court. Legal fees have become an issue in arbitration between the company and the executives concerning \$102 million in compensation, both past and due. Westar hopes to recover the past compensation and avoid future payments, despite employment agreements with both. On Dec. 4, a 40-count federal grand jury indictment accused Wittig and Lake of attempting to "systematically loot" Westar (*Associated Press*, 12/23).

- **Black Hills Corp.** secured an offtaker for capacity at the previously merchant Las Vegas Cogeneration II power plant. The 10-year contract is with **Sierra Pacific Resources** and still requires regulatory approval from the **Public Utilities Commission of Nevada**. **Standard & Poor's** says Sierra Pacific, a subsidiary of **Nevada Power Co.**, is rated below-investment grade and so the contract exposes Black Hills to counterparty risk (*Reuters*, 12/24).

- The hired guns in Atlanta-based **Mirant Corp.'s** bankruptcy have already cost the company well over \$34 million, according to a running total being kept by the company's bankruptcy court. Thirty-one law firms, consultants, accounting firms, clerical companies and other sundry specialists snagged more than \$30 million of Mirant's money through fees and another \$4 million in expenses such as meals and lodging—in a little more than three months. The court's tally only includes fees and expenses billed and approved through October (*Atlanta Journal-Constitution*, 12/26).

(continued from page 1)

**National Energy & Gas Transmission (NEGT)**, the operator of the facility and, until recently, the controller of the plant under a complex multi-year lease agreement. NEGТ recently hired **Lazard Frères** to sell a portfolio of power plants in New England as part of its efforts to emerge from Chapter 11 bankruptcy protection (PFR, 9/7). Calls to officials at E&Y and Lazard in New York were not returned. **Natalie Wymer**, an NEGТ spokeswoman in Bethesda, Md., did not return calls.

An affiliate of **Verizon Capital** partly financed the acquisition of Bear Swamp from **New England Electric Systems** in 1998 by issuing some \$400 million in certificates via the 144a market. The Verizon affiliate then leased the Bear Swamp facility to NEGTS subsidiary **USGen New England**, under an approximately 45-year deal, and met its coupon obligations on the 144a notes with lease payments from USGen NE. Officials at Verizon did not return calls.

USGen NE continues to operate the Bear Swamp facility under a short-term agreement, according to a preliminary offering document obtained by *PFR*. The package consists of the Bear Swamp pumped storage facility and the Fife Brook hydroelectric plant, which have a combined output of some 600 MW.

NEGT, which was known as **PG&E National Energy Group** before filing for Chapter 11 bankruptcy protection in July, has made several prior attempts to sell Bear Swamp but the complex, multi-year lease has proved an obstacle to a sale, says an official familiar with the facility. The bankruptcy court's rejection of the lease could open the way for a buyer.

Alternatively, the facility could be attractive to an operator or lessee looking to avoid making a large outright cash investment, adds another official. "Cash is king," he notes. E&Y is believed to be representing a significant percentage of Bear Swamp's secured creditors, he adds. The identity of the 144a investors could not be determined by press time.

—*Victor Kremer*

## Financing Record (DECEMBER 16 - DECEMBER 29)

## Bonds

Issue Date	Maturity	Issuer	Country	Amount (\$ mil)	Offer Price	Type of Security	Coupon (%)	Spread to Benchmark	Moody's	S&P's	Bookrunner(s)
12/16/03	12/16/33	Consumers Gas	Canada	113.1	99.959	MTNs	6.16	-	-	-	National Bank
12/16/03	12/16/08	Consumers Gas	Canada	113.1	99.965	MTNs	4.48	-	-	-	National Bank
12/16/03	1/15/14	Exelon	U.S.	500	100	Notes	5.35	112	Baa1	A-	Citigroup/J.P. Morgan
12/17/03	1/16/12	Energiedienst Holding	Switzerland	79.7	100.25	Fxd/Straight Bd	3	-	NR	NR	CSFB
12/17/03	12/15/13	NRG Energy	U.S.	1,250.00	Market	Secnd Prior Nts	8	381	B2	B+	Lehman/CSFB
12/17/03	6/7/32	Southern Electric Power	U.K.	176.5	103.643	Fxd/Straight Bd	5.5	-	Aa3	AA-	Royal Bank of Scotland

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## GE RAMPS

(continued from page 1)

The Global Energy operation has been one of the heavyweight investors in the power sector with an \$8.3 billion energy investment portfolio, weighted 70% toward power and 80% toward the U.S. market. It also has aggressive growth targets of adding \$1.5-2 billion to that portfolio each year (PFR, 5/26).

One market official who got wind of the change says GE staffers he spoke to were unclear on the precise impact the reorganization would have. However, the one certainty appears to be that the company's focus on power has been increased. "This is a business they are emphasizing," he says.

GE managers will spend the early part of this year formulating a detailed plan for the new operation, says the spokesman.

Among recent GE plays in the sector are its \$71 million acquisition of a 49.5% stake in **Mirant's** 242 MW Birchwood coal-fired plant last summer and its investment and recent sale of a stake in **Michigan Electric Transmission Co.** (PFR, 12/15).

—Peter Thompson

## MORGAN STANLEY

(continued from page 1)

holiday-shortened week and officials at Morgan Stanley declined to comment.

"Duke has been trying to back out of trading and marketing because it presents credit risk and cash-flow problems," notes a banker who works with the company. "But this is a profitable portfolio if managed by professionals with a good credit rating."

One banker says Morgan Stanley is only buying Duke contracts that are speculative in nature as opposed to those put in place by Duke as commodity hedges for its generation portfolio.

While it is unclear which contracts have been included in the Morgan Stanley deal, an industry executive says Duke's large portfolio of **El Paso Corp.** power contracts was not offered to Morgan Stanley, as Duke and El Paso have been holding negotiations to liquidate their bilateral positions. These talks, however, have recently broken down over valuation, say market watchers, and El Paso is now considering divesting its Duke contracts to a third party. Calls to **Mel Scott**, a spokesman at El Paso, were not returned.

DETM, which markets natural gas and electricity, is 60% owned by Duke Energy and 40% owned by **Exxon Mobil**.

—Nina Sovich

## CENTERPOINT

(continued from page 1)



CenterPoint's Houston HQ

Houston-based CenterPoint is considering various ways to monetize TGN that would not involve a direct sale of its 81% stake, says the banker.

Management might go to the bond market to securitize TGN's revenues or spin out new stock to CenterPoint's shareholders, "but selling [plants] in Texas right now isn't very appealing," argues the banker.

CenterPoint announced that TGN was not a core business

almost two years ago when it de-merged its **Reliant Resources** affiliate, to become a dedicated wires infrastructure company. As part of the de-merger agreement, Reliant was awarded the option to acquire CenterPoint's stake in TGN during a Jan. 10-24 window at a price equivalent to its rolling stock-market valuation.

TGN's stock soared to \$30 last week from \$8 early last year in anticipation that Reliant would exercise its option. Reliant's decision to back out of the purchase has forced CenterPoint to look at other strategies for the business.

—N.S.

### Quote Of The Week

*"If that's all you're going to do, you're going to be twiddling your thumbs."* —**Tom Murray**, managing director at **WestLB** in New York, warning project financiers that if they focus solely on funding new generation projects, they'll be left idle for much of this year (see story, page 3).

### One Year Ago In Power Finance & Risk

**Calpine** was looking to mothball five plants under construction in the U.S. to avoid making a \$700-800 million equity contribution that was required under the terms of the projects' non-recourse loan covenants. The move, which needed the approval of creditors, was aimed at cutting cash injections from the corporate level. [Calpine withdrew the request for bank approval the following month. The decision was announced in a brief e-mail to lenders that gave no explanation for the u-turn. However, financiers suggested that the San Jose, Calif., company nixed the idea once it realized it wouldn't be able to meet a self-imposed January deadline for bank approval.]