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Cogentrix Creditors Mull Foreclosure

Creditors are considering foreclosing on Cogentrix's Southaven plant in Mississippi.

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TransCanada Takes Pipeline Pole Position

TransCanada has emerged as the front-runner to win **National Energy & Gas Transmission's** Gas Transmission Northwest pipeline.

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End Game

AIG, NOBLE SLUG IT OUT AS EL PASO QF AUCTION NEARS CONCLUSION

El Paso Corp. is close to selling its entire portfolio of 27 contracted power plants and officials tracking the auction say it has come down to a two-horse race between AIG and Noble Power Assets, a Chester, Conn.-based energy investment boutique. Aaron Woods, an El Paso spokesman in Houston, says the company anticipates closing a deal soon, declining further comment. Walter Howard, ceo of Noble, did not return calls and John Quirke, senior v.p. of operations, declined comment. An official at AIG declined comment.

Several market officials say Noble, which is backed by private equity heavyweights

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FPL ENERGY EXPLORES SALE OF MERCHANT ASSETS

FPL Energy, the IPP arm of FPL Group, is considering divesting much of its U.S. merchant generation portfolio and has been holding talks with Lehman Brothers about conducting the auction. The Juno Beach, Fla.-based company has put all its merchant plants under the microscope, says an industry official, adding it is particularly interested in unloading three newly built natural gas-fired plants in Texas, with a combined capacity of 3,355 MW, as well as some assets in the Northeast.

It could not be determined by press time whether Lehman had been retained to advise on the sale or whether FPL is also considering hiring another advisor. Lanie Fagan, a spokeswoman at FPL Energy, could not provide comment by press time. Calls to bankers

(continued on page 12)

BANK-OWNED GENCO APPOINTS FORMER TXU EXEC AS CHIEF

CGE Power, an investment vehicle set up by six of the leading U.K. project finance banks to pool many of the country's standalone power plants, is set to appoint former TXU Europe executive Eddie Hyams as its first chief executive. Hyams could not be reached, and bankers close to CGE declined to comment.

Market watchers say Hyams is set to take day-to-day operational control of the newly formed company, previously dubbed Project JOE, while Chairman Jim Forbes will take on more of a figurehead role. One banker argues the division of responsibilities makes sense given Hyams' strong understanding of the U.K. generation market as a result of his previous role

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At Press Time IP Appoints Advisors

International Power is believed to have retained the services of Lazard Frères and New York law firm Skadden, Arps, Slate, Meagher & Flom to advise on restructuring debt associated with American National Power, its U.S. generation arm. A spokesman for IP declined to comment and calls to Lazard and Skadden, Arps were not returned.

Just last week IP warned its creditors that it might walk away from its U.S. plants if it couldn't renegotiate some \$900 million in non-recourse debt.

TransCanada Takes Pole Position

Canadian pipeline operator TransCanada has emerged as the front-runner to win National Energy & Gas Transmission's 612 mile Gas Transmission Northwest pipeline. A market official close to NEGTT says TransCanada and at least five other potential bidders have begun conducting due diligence on the pipeline, but the consensus at NEGTT is that the Calgary-based company is most intent on purchasing the roughly \$1 billion pipeline that runs from the British Columbia-Idaho border through Idaho, Washington and Oregon, to the California border (PFR, 11/16). Calls to TransCanada's press office in Calgary and Natalie Wymer, a spokesperson at NEGTT in Bethesda, Md., were not returned.

Banks Eye Foreclosure On Cogentrix Plant

A group of lenders led by Crédit Lyonnais, ING Barings, DZ Bank, BNP Paribas and HypoVereinsbank are considering foreclosing on an 810 MW Cogentrix Energy-sponsored power plant in Southaven, Miss. One banker says the Southaven Generating Plant is unable to cover debt interest payments and would be cash-flow negative even if it wasn't saddled with debt. The plant is, in part, a victim of overbuild in Mississippi and also the bankruptcy filing of PG&E National Energy Group. When NEG filed it was able to walk away from a tolling contract it had signed with the plant.

One lender says no final decision has been made, declining to elaborate on the other options for the plant. Calls to Cogentrix were not returned.

The 810 MW gas-fueled, plant was constructed via a \$460 million loan with a six-year post construction maturity (PFR, 6/17/01).

The plant entered commercial operation last June. The planned takeover of Cogentrix by Goldman Sachs has little bearing on the plant's performance, one official says. "A dog project is a dog project," he reflects.

Aside from the NEG issue, Mississippi was the scene of some of the greatest over-exuberance during the power plant construction boom years.

Underscoring that issue at a conference last year (PFR, 7/7), Steve Gilliland, senior v.p. at Duke Energy North America, said, "I'm not sure in any of our lifetimes we'll need another plant [built] in Mississippi." Last week, DENA announced it is planning to sell its merchant assets in the Southeast, including four plants in Mississippi with a combined capacity of 2,150 MW.

GE Energy Financial Services recently foreclosed on a Cogentrix-sponsored power plant in Mississippi. GE is leasing the 810 MW Caledonia plant to Syracuse, N.Y.-based PurEnergy.

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**Institutional
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INTELLIGENCE FIRST

Société Générale Hires BofA Alumnus

Société Générale has hired **Adrian Lismore** to co-head its U.S. energy marketing group in New York and is looking to grow the business. Lismore, who left **Banc of America Securities** energy trading and marketing operation in early October, will market oil, natural gas and power contracts including options, futures and swaps. Although he declined to comment on the exact size of SocGen's power trading operation, he did say the bank's "limited" power trading desk was ripe for expansion. "I have been hired to leverage my relationships and grow the business as determined," he says.

Abde Semmar is co-head the SG's marketing team and both men report directly to **Olivier Godin**, head of commodity trading in the U.S. Godin did not return calls.

Innogy Wind Deal Set To Close

Syndication of **RWE Innogy's** GBP300 million (\$485 million) **Beaufort Wind** project loan is set to close this week with the addition of six junior-tier lenders in addition to the seven mandated lead arrangers.

Market watchers say the deal has been oversubscribed with several project finance banks unable to land a seat at the table. Innogy's decision to cut back the size of the deal by GBP50 million and support from RWE's large roster of relationship banks partly explains the success, notes one syndicate banker.

The non-recourse loan is the debt portion of a dual debt-and-private equity package arranged by Innogy to refinance 128 MW of existing wind farm capacity and fund the construction of some 200 MW of new on and offshore projects.

The private equity portion of the deal also is likely to be signed this week with **Englefield Capital** and **First Islamic Investment Bank**.

Invenergy Takes Pitches For Tenn. Renewable Financing

Chicago-based **Invenergy** has been soliciting bids from project financiers for an approximately \$100 million loan to fund a wind project in Tennessee. The development at the Buffalo Mountain wind park near Oliver Springs, Tenn., has been in the works for some time, says one banker, who adds permitting issues have now been resolved. Calls to **Jim Murphy**, cfo at Invenergy, were not returned. The megawatt size of the project could not be determined.

One banker says that because the project has yet to be

constructed, the financing proposals will be conditional on the renewal of federal production tax credits for wind generation. The failure of lawmakers to pass the new Energy Bill meant PTCs expired Dec. 31 for projects that were not hooked up to the grid by that deadline, explains one banker. The tax breaks are expected to be re-introduced, though it is unclear when.

Invenergy is playing it smart by sorting out the financing now, so it is ready to go when PTCs kick back in, argues one banker. "It's anticipatory planning. They'll avoid the competition when PTCs come back."

Duke Seeks Plant Sale Advisor

Duke Energy is looking to retain an investment bank shortly to advise on divesting **Duke Energy North America's** 5.5 GW southeast generation portfolio. The decision reflects a strategic change, as until now DENA has conducted a low-key informal sale process by itself. "In some way these plants have been on the block, informally for a long time," says a banker close to Duke, "but by making a formal announcement they dust them off and create some m&a excitement."

Duke has not yet chosen a bank to advise on the divestiture nor has it set up a formal bidding process, although **J.P. Morgan**, which received a mandate earlier this year to sell several merchant plants in the Northeast and Southwest for Duke, is seen as a strong contender.

DENA's southeast portfolio accounts for roughly one-third of its total U.S. generation book. **Pete Sheffield**, a spokesman for Duke, says the company decided to sell the Southeast assets because it's the weakest market in the country and the prospects for deregulation are slim. He adds that Duke will glean significant tax advantages in selling the portfolio.

Merrill, Wachovia Land TXU Mandate

Merrill Lynch and **Wachovia** have been hired to underwrite a \$800 million stranded-cost securitization for **TXU**, a bond offering that's scheduled to come to market later this quarter. "Wachovia has been very aggressive in the utility sector recently," notes a banker involved in the process, "and **Merrill Lynch** is a known entity, so it's a good match." Co-managers on the deal are **Credit Suisse First Boston**, **Citibank**, **Banc of America Securities** and **M.R. Beal & Co.**, a New York investment bank.

A banker notes that the **Public Utilities Commission of Texas**-approved bond is unusual in its incentive structure. Rather than awarding co-managers fixed fees, they are compensated according to their ability to broaden investor

distribution and tighten the yield spreads of the offering.

The bond offering is the second of two stranded cost transactions, totaling roughly \$1.3 billion for Dallas-based TXU (PFR, 11/3). The first, for \$500 million, was led by New York investment bank **Morgan Stanley** at the end of August.

Banks Ready Largest U.S. Wind Farm Financing

Lead banks expect this month to launch a \$126 million non-recourse loan to refinance a 300 MW wind farm located along the Oregon and Washington border. The financing for the Stateline facility, which is the largest wind farm in the U.S., is sponsored by **FPL Energy** (PFR, 9/1). One industry official says syndication should be up and running by month-end. Officials at co-lead **Bayerische Landesbank** declined comment and calls to fellow co-lead **ANZ Investment Bank** were not returned.

Precise terms for the loan could not be ascertained, but one banker says the debt-to-equity ratio is around 55/45 and the maturity is in the standard 10-15 year range of most wind farm financings. Another market official adds pricing will likely be around the level of the recent Colorado Green financing (PFR, 12/15). That **Shell WindEnergy** and **PPM Energy** deal priced at a 175 basis point spread during the first year and then edges up in increments over the life of the loan to LIBOR plus 212.5 basis points at maturity in year 14.

Calpine Delays Rocky Mountain Financing

Calpine will likely wrap a \$250 million loan refinancing its 601 MW Rocky Mountain Energy Center toward the end of next month. The loan was originally slated for closing around the turn of the year (PFR, 12/15). One banker says engineering reports are needed and the terms of the loan are still being finalized. The San Jose, Calif., IPP usually sets an aggressive timetable for its financings, an official says, but because the facility is nearly complete it has no pressing need for the cash. "It's not as if it's waiting for the financing to break ground."

Rocky Mountain, located near Hudson, Colo., is due online this June and has a 10-year base-load contract in place with **Public Service Co. of Colorado**. The lead underwriters on the deal include **Credit Lyonnais**, **HypoVereinsbank**, **CoBank** and **NordLB**, who were all leads on Calpine's last single asset deal, the Riverside Energy Center (PFR, 10/27). Another bank may be added to the group, says one official, who adds this isn't crucial for the deal to close.

TECO Faces Tough Sale For Lone Star Plants ...

TECO Energy has a handful of potential bidders looking at acquiring its 50% stakes in two merchant plants in Texas, but observers say selling the interests is a tough proposition because cash flows from the plants are weighted toward **TECO's** partner **PSEG Global**. One market official says six players have shown interest in the Guadalupe and Odessa-Ector power plants, but two quickly dropped out. **Laura Plumb**, spokeswoman at **TECO**, did not respond to questions by press time.

Under the original joint venture agreement, **PSEG** injected the bulk of the funds into the construction of the plants. As a result, **PSEG** has preferred return rights, which mean it gets the bulk of the revenues. One official says the **TECO** stakes may become valuable toward 2008 when it's forecast that **ERCOT** pricing will improve, but at the moment they have little value. Both plants are 1,000 MW combined-cycle, natural gas-fired facilities, with the Odessa Power Station located at Odessa in East Texas and the Guadalupe Power Station in Guadalupe County, between San Antonio and Austin on the Guadalupe River.

TECO signaled it was looking to exit the merchant generation market last year.

...As Merchant Asset Talks Heat Up

TECO Power Services is negotiating with its creditors to restructure debt tied to its massive Union and Gila River power stations, and is reportedly preparing to walk out on the two facilities in Arkansas and Arizona, respectively, if a deal cannot be struck. Bankers close to the situation say that while **TECO** hopes to restructure certain loan covenants by a Feb. 1 deadline, **Citigroup** and **Société Générale**, which are leading the creditor syndicate, are preparing to take over the 4.3 GW merchant portfolio.

Calls to **Laura Plumb**, a spokeswoman at **TECO** in Tampa, Fla., were not returned by press time.

The discussions hinge on restructuring a loan covenant that requires the plants' earnings to cover debt interest payments at least three times. **Scott Beicke**, an analyst at **Standard & Poor's** in New York, says the banks signed a six-month waiver on this covenant last June when it became apparent that the plants' earnings weren't robust enough. He predicts the plants' earnings are still too weak to meet the covenant's terms.

"We are proceeding as though we own the plants," says a banker involved in the process. "We really don't want to own these plants, but [perceived] wisdom is that we will [own

them] come spring.” He adds that the lead banks are already exploring ways to sell the plants.

A quick conclusion to these debt negotiations would relieve TECO of projects that have weighed heavily on the Tampa, Fla.-based company's bond and share prices in recent months. “We're looking at those negotiations closely,” says a distressed bond trader, “We expect everything to go up, up, up once they dump those plants.”

S&P's Beicke penned a report Nov. 18 saying that the rating agency would downgrade TECO if it did not resolve the plants' status by March 1, and this tough stance is seen to have spurred recent negotiations. “Failure to resolve the Union and Gila River investments...would result in an immediate downgrade for all rated entities,” he wrote.

Beicke told *PFR* last week that he is concerned that if TECO retains ownership of the two plants it will be tempted to inject more equity into them at a later date.



Middle East & North Africa

Int'l Power Launches Saudi CHP Financing

An International Power-led consortium and its regional financial backers launched syndication at the beginning of the year of a roughly \$510 million non-recourse financing package to fund the construction of four inside-the-fence combined heat and power plants in Saudi Arabia.

The financing is being led by **Saudi American Bank** (Samba), an affiliate of Citibank, **Al Bank Al Saudi Al Fransi**, an affiliate of **Crédit Agricole Indosuez** and **Arab National Bank**. Project financiers say the local flavor of the lead arranger line up reflects the fact IP is targeting local banks to round out the syndicate. A spokesman for IP was unable to provide further financing details by press time.

A joint venture between IP and the Riyadh construction firm **Saudi Oger** won a **Saudi Aramco** mandate last month to build, own and operate four combined heat and power plants that will provide Saudi Arabia's national oil company with some 1,074 MW of generation capacity and 4.4 million pounds of steam per hour under a 20-year offtake agreement.

The four projects, Ras Tanura (150 MW), Ju'aymah (308 MW), Shedgum (308 MW), and Uthmaniyah (308 MW) are located in the Kingdom's Eastern Province and are slated to come on line between March and December 2006. Engineering, procurement and construction contractors **Mitsui & Co.** and **Hyundai Heavy Industries** will break ground later this quarter.

Corporate Strategies

WPS Utility Scores A Tight Spread

Wisconsin Public Service recently landed a 57 basis point spread over comparable Treasuries on a \$125 million note offering, a pricing that allowed the Green Bay, Wis., utility to bag lower funding than on its last debt issue when Treasury rates were slightly lower. “We did a debt issue [in 2002] and at the time I thought the rate would be [the] lowest I'd see for another 10 years,” says **Joe O'Leary**, cfo at parent **WPS Resources**. He attributes the tight spread to strong market conditions and also Wisconsin Public Service's solid AA minus rating.

The 4.8% 10-year senior secured notes were priced at 99.646 in a deal led by **UBS Securities**. Longtime relationship firms **A. G. Edwards & Sons** and **Robert W. Baird & Co.** were also in on the offering along with newcomer **Bank One Capital Markets**, O'Leary notes. He declined to give a detailed reason for the addition of Bank One, but says, “We don't do a lot of these [debt issues], so when we do we like to spread the business among people who want to do business with us.”

The proceeds are being used to cover retiring debt of around \$50 million and also fund a \$48 million payment to **Calpine**, O'Leary says. The payment to the San Jose, Calif., IPP is due under the terms of Wisconsin Public Service's acquisition of the 180 MW De Pere Energy Center. The \$120 million deal closed in December 2002.

Exelon Issues Debt To Refinance AmerGen Purchase

Chicago-based **Exelon Generation** recently issued \$500 million of 10-year bonds to finance its investment in a nuclear power plant operator. **Scott Beicke**, an analyst at **Standard & Poor's**, says roughly half the proceeds are earmarked to fund Exelon's acquisition of a 50% stake in **AmerGen Energy** from **British Energy**. He adds the balance is being used to pay down bonds that came due last month. Calls to **Barry Mitchell**, treasurer at Exelon, were not returned.

In late December AmerGen's board agreed to sell a 50% stake in the U.S. nuclear plant operator to Exelon for some \$277 million. Beicke says that Exelon initially tapped a revolving credit facility to pay for the purchase, but will pay down that loan with the proceeds from the bond deal. The remaining portion of the issuance will be used to retire paper issued by **Exelon Boston Generating**.

S&P rated the notes A minus, in line with Exelon's corporate rating and **Citigroup** and **J.P. Morgan** led the deal. The offering was priced at par and carries a 5.25% coupon.

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 & Australasia

- **Electricity Generating Authority of Thailand** will keep **Ratchaburi Electricity Generation** publicly listed after it buys a 15% stake from **Banpu** (*Bloomberg*, 1/8).

- **Australian Gas Light**, the country's largest energy retailer, said the owners of Loy Yang Power extended until Feb. 12 an agreement to sell Australia's largest privately owned generator (*Bloomberg*, 1/8).

Europe & Middle East

- **Ofgem**, the U.K. energy regulator, has rejected calls to prop up the power market. The announcement came after utilities lent their support to plans for the regulator to make payments to generators to maintain spare capacity, thereby ensuring security of supply (*The Times*, 1/7).

- **Electricité de France** is on the verge of signing an agreement with Italy's **Enel** that could put an end to its problems in Italy. The agreement on the table has three parts. The first relates to Enel's right to buy and sell electricity on the French market. The Italian group hopes to access some 7,500 MW of electricity from EdF. Secondly, the French group hopes that Enel will agree to bear some of the cost of a new nuclear reactor project. Finally, Enel may acquire shares held by EdF in **SNET**, the IPP arm of **Charbonnages de France**. EdF hopes that a deal will pave the way for the lifting of the freeze on its voting rights in Italian energy company **Edison**, fixed at 2% by a government decree (*Les Echos*, 1/7).

- **International Power** is expected to warn bankers that it might walk away from its loss-making U.S. power stations if it cannot renegotiate \$900 million (GBP498 million) of non-recourse debt. The group, which has had three chief executives in less than 18 months, has been hit by big falls in wholesale electricity prices in Texas, where it has two-thirds of its U.S. power station capacity (*Financial Times*, 1/7).

- Investors in Polish power generation sector are concerned by government market reform plans to wind up long-term contracts to buy power from independent power plants. The contracts were used as security for the debt which funded modernization in the 1990s, so the move could result in defaults (*Reuters*, 1/8).

Latin America

- Brazil and Argentina may link their electricity grids to avoid power shortages in South America's two largest economies, ministers from both countries said (*Bloomberg*, 1/7).

- **Citelec**, the holding company of Argentine wires concern **Transener**, has sold a 7.14% stake in the unit to local investment group **Dolphin Fund Management**. Transener's two largest shareholders, Argentine energy company **Petrobras Energia** and the U.K.'s **National Grid Transco** can each exercise a right of refusal to match the Dolphin offer. But sources familiar with the deal say the two shareholders are interested in divesting, rather than increasing, their Transener holdings (*Dow Jones*, 1/7).

U.S. & Canada

- Four of North Carolina's 27 electric cooperatives have agreed to have **Morgan Stanley Capital Group** supply their wholesale power needs beginning Jan. 1, 2004. The move mirrors a recent trend in the energy industry, where financial companies like Morgan Stanley have been muscling in on the market following the collapse of **Enron** and other merchant power vendors (*Reuters*, 1/6).

- The **Federal Energy Regulatory Commission** has agreed to give **FirstEnergy** additional time to issue a request for proposals under which the Ohio utility will hire experts who will in turn prepare a study on the adequacy of transmission and generation facilities in northeastern corner of the state (*NGI's Power Market Today*, 1/6).

- Energy merchant **Dynegy** has bought out a wholesale power tolling agreement with **Dominion Resources' Virginia Power** for \$34 million, eliminating \$63 million in future capacity payments (*Reuters*, 1/5).

- **Pacific Gas & Electric** will ask California regulators later this month to approve a \$706 million project to replace steam generators at the company's Diablo Canyon nuclear power plant (*Reuters*, 1/5).

- The emergence from bankruptcy of California's biggest utility will result in a fee windfall for **Lehman Brothers** and **UBS**. As part of the bankruptcy settlement, **Pacific Gas & Electric** debt will be refinanced and the two firms have the

exclusive right to act as book runners and lead managers for the estimated \$6.5-9 billion in debt. That's expected to generate \$65-90 million in fees, of which the banks are guaranteed no less than 80%. In addition, the two firms also have the right to collect \$20 million apiece in advisory fees (*Wall Street Journal*, 1/2).

- **Hawaiian Electric Industries** has settled all claims and counterclaims related to two lawsuits filed against **UBS**. The lawsuits related to trust certificates issued by the **American Savings Bank** that weren't permissible investments under federal savings bank regulations. American Savings Bank filed a lawsuit against **UBS PaineWebber**, the broker that sold the trust certificates, after PaineWebber wouldn't rescind the transaction. Hawaiian Electric purchased two series of notes for about \$21 million in May 2001, and in July of that year purchased a third series for \$11.4 million. A **Securities and Exchange Commission** filing by Hawaiian Electric said terms of the settlement are confidential (*Dow Jones*, 1/2).

- **Mirant** intends to appeal a recent U.S. District Court ruling that upheld its obligation to honor power contracts with **Pepco**. The bankrupt Atlanta IPP has filed a notice of appeal with the U.S. Fifth Circuit Court of Appeals in New Orleans. The company, which filed for Chapter 11 bankruptcy protection in July, has warned that upholding the agreements could cost hundreds of millions of dollars and could hamper its restructuring efforts (*Dow Jones*, 1/6).

- **El Paso Corp.** has sold some of its petroleum assets for about \$156 million. The Houston, player said its **Coastal Unilube** business was sold to an affiliate of **Warren Oil Co.** for about \$34 million. The company will receive about \$45 million from related working capital reductions. El Paso also sold its 50% stake in a Philippines petroleum sales and marketing joint venture as well as its rights in the Subic Bay terminal and Clark pipeline asset leases it held with the Philippines government (*Reuters*, 12/31).

- **Duke Energy** is shrinking its merchant energy and international businesses and will take a pretax charge of \$3.3 billion against its fourth-quarter numbers as a result. As part of the move **Duke Energy North America** plans to sell its plants in the Southeast U.S. and reduce its interest in deferred plants. The company will also complete its exit from the European market and divest its Australian assets (*Wall Street Journal*, 1/7).

- **Andrew Fastow**, the former cfo of **Enron**, and his wife, **Lea**, are negotiating plea bargains that could send the couple to federal

prison. Federal prosecutors are discussing a 10-year sentence for Andrew Fastow, and the plea bargain offered to Lea Fastow in November for a five-month term is back on the table. Two federal judges, prosecutors and the defendants all must agree on the details for a plea to be finalized (*Houston Chronicle*, 1/7).

- **Pat Wood**, chairman of the **Federal Energy Regulatory Commission**, said he plans to force electric utilities to meet delivery standards in the hope of preventing a repeat of last summer's devastating blackout. FERC could act even if Congress fails to pass an energy bill that includes mandatory reliability standards and penalties for violators (*Associated Press*, 1/7).

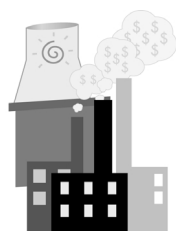
- **Edison Mission Energy** has sold its oil and gas interests to **Medicine Bow Energy Corp.** for about \$100 million. The unit of **Edison International** sold all its stock in **Edison Mission Energy Oil & Gas**, which has interests in oil and gas reserves in the San Juan Basin, the Hugoton Basin, the Permian Basin and offshore the Gulf of Mexico. Edison Mission Energy expects to record a \$44 million pre-tax gain on the sale during the first quarter (*Reuters*, 1/8).

- **Enron** has proposed April 20 as the date to start hearings for final approval of its reorganization plan, the company's bankruptcy lawyers said. Enron, which filed for Chapter 11 bankruptcy protection two years ago, plans to send creditors the proposed plan and its financial terms in February. (*Reuters*, 1/7).

- **KeySpan** said it has successfully tested a new 250 MW power plant to serve New York City, the first major plant to be built in the city since deregulation of the power industry in the late 1990s. The new natural gas fueled plant at KeySpan's Ravenswood station in Queens was linked to **Consolidated Edison's** city grid for a two-hour test (*Reuters*, 1/6)

- In his first State of the State speech, California Gov. **Arnold Schwarzenegger** renewed many of the stated energy policy goals from his re-election campaign: reforming power markets, consolidating energy agencies, and revising expensive electricity contracts (*Dow Jones*, 1/6).

- **Pacific Gas & Electric** will ask California regulators later this month to approve a \$706 million project to replace steam generators at the company's Diablo Canyon nuclear power plant. A spokesman for the utility said that, under the proposed schedule, steam generators in Unit 2 would be replaced in 2008 and those in Unit 1 in 2009. Both units have a generating capacity of around 1,100 MWs, enough power for around one million homes (*Reuters*, 1/7)



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
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		
	Oklaunion	Texas	54 (7.8%)	Coal		
	Eagle Pass	Texas	6	Hydro		
AES Fifoots Point	Fifoots 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 Chocón	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.	
Dynergy	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	Otahuhu A	N.Z.	45 (51%)	Gas	CSFB/Lehman	Looking to launch asset sale early in 2004
	Otahuhu 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

AIG, NOBLE

(continued from page 1)

Madison Dearborn Partners and Thomas H. Lee Partners, is the front-runner but AIG is understood to have recently increased the number of plants it is bidding for and may yet

emerge victorious.

El Paso could announce a sale as early as this week, but an official familiar with the assets cautions that a last minute bidder could come in and upset the deal. "It ain't over until the documents are signed," he says.

—Nina Sovich & Victor Kremer

Financing Record (DECEMBER 31 - JANUARY 7)

Bonds

Issue Date	Maturity	Issuer	Country	Amount (\$ mil)	Offer Price	Type of Security	Coupon (%)	Spread to Benchmark	Moody's	S&P	Bookrunner(s)
1/2/04	1/13/14	CLP Power Hong Kong Financing	Hong Kong	64.4	100	Fxd/Straight Bd	4.93	-	NR	NR	HSBC
1/6/04	1/1/34	Indianapolis Power & Light	U.S.	100	99.977	Notes	6.6	150	Baa2	BBB+	Lehman
1/7/04	1/13/06	Southern California Edison	U.S.	150	100	Fst Mtg Bonds	Floats	-	Baa3	BBB	Citigroup/JP Morgan/Lehman
1/7/04	1/15/14	Southern California Edison	U.S.	300	99.844	Fst Mtg Bonds	5	78	Baa3	BBB	Citigroup/JP Morgan/Lehman
1/7/04	1/15/34	Southern California Edison	U.S.	525	99.339	Fst Mtg Bonds	6	98	Baa2	BBB	Citigroup/JP Morgan/Lehman

M&A

Date Announced	Date Effective	Target Name	Target Advisors	Target Nation	Acquiror Name	Acquiror Advisors	Acquiror Country	Deal Value (\$mil)
1/2/04	1/2/04	Tera Corp Liquidating Trust	-	U.S.	Agere Systems	-	U.S.	21
1/3/04	1/3/04	Natl Transmission-Elegant Line	-	Philippines	San Fernando elec Light&Power	-	Philippines	-
1/3/04	1/3/04	Natl Transmission-Sfelapco	-	Philippines	San Fernando elec Light&Power	-	Philippines	-
1/3/04	1/3/04	National Transmission Corp-Mex	-	Philippines	San Fernando elec Light&Power	-	Philippines	-
1/5/04	-	Franklin-Hydro-Elec Project	-	U.S.	Volt	-	U.S.	-
1/5/04	-	Gas Coop- Energy Operations	-	Japan	Ichitaka	-	Japan	-
1/7/04	-	Nuova TorreGas	-	Italy	ENI	-	Italy	-
1/7/04	1/7/04	Transener	-	Argentina	Dolphin Fund Management	-	Argentina	-

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

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BANK-OWNED

(continued from page 1)

as head of U.K. generation at TXU Europe. Forbes, previously ceo of **Scottish & Southern Energy**, has more experience of the wires and supply side of the business, he adds.

Hyams is ceo of **ERGO Finance**, a barely one-year-old renewable energy consultant that's advising **Englefield Capital** on acquiring a stake in **RWE Innogy's** wind farm portfolio (PFR, 9/22). His resumé also includes a two-year spell as ceo of **BizEnergy**, a London-based independent power supplier, and management positions at **Eastern Electricity** and **Southern Electricity**, where he worked previously with Forbes.

The appointment comes as CGE Power looks to ramp up its acquisition activity after almost a year of strategizing. Market watchers say CGE Power has already made tentative offers for Damhead Creek and Killingholme Power, two power plants in the hands of their creditors, and is also circling Drax following International Power's failure to take control of the plant last month.

CGE Power was set up by **Abbey National**, **HBOS**, **Bayerische Landesbank**, **HypoVereinsbank**, **Lloyds TSB** and **Royal Bank of Scotland**, a sextet of banks that already has a significant interest in the U.K.'s distressed power sector.

—Will Ainger

FPL ENERGY

(continued from page 1)

at Lehman were not returned.

FPL has pursued an aggressive strategy of buying and building both wind and gas-fired projects and news that it may scale back, even partially, has surprised market watchers. "I'd be disappointed to hear this," says **Chris Ellinghaus**, an equity analyst at **Williams Capital** in New York. "FPL was one of the few that [I thought] would hold onto its merchant

portfolio until the market turned around."

While many embattled power companies tried to exit the generation market last year, 2003 also saw a plethora of investment-grade companies, including **Duke Energy**, **Entergy** and **American Electric Power**, look to sell merchant plants, with minimal success.

"I don't know that [FPL] will get the kind of price it wants for Texas merchants," comments a banker. "But some of the East Coast assets could be very attractive to buyers."

FPL Energy's Lone Star State portfolio comprises the 1,789 MW Forney plant, the 1,000 MW Lamar plant in Paris, and a 50% stake in the 566 MW Bastrop plant at Cedar Creek. **El Paso Corp.** owns the other 50%. The base-load merchant plants came on line in 2003, 2000 and 2002, respectively.

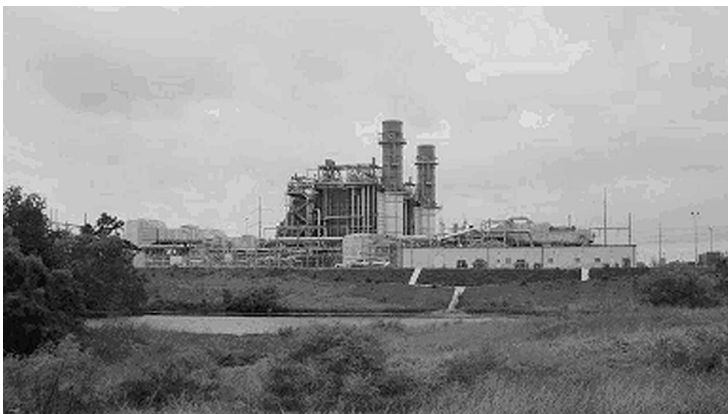
—N.S.

Quote Of The Week

"I thought the rate would be [the] lowest I'd see for another 10 years." —**Joe O'Leary**, cfo at **WPS Resources**, explaining his surprise that the utility holding company has been able to lock in even cheaper borrowing rates now than in 2002 (see story, page 5).

One Year Ago In Power Finance & Risk

Entergy walked out on its last U.K. power plant, Damhead Creek, and handed control of the U.K. merchant gas-fired plant to its creditors. [The lenders set up a new operating company, **Damhead Power Ltd.**, and an independent management board to run the plant, and in late June restructured the plant's GBP277 million of senior debt to stabilize its creaky finances. The move deferred principal payments until 2007 and deferred its final maturity by four years to 2020.]



FPL's Bastrop Plant

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