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Mirant Looks To Launch Refinancing Talks

Mirant will start talks next month on refinancing the \$1.25 billion revolver it termed out last year. Refinancing the deal is pivotal for keeping the Atlanta IPP afloat, according to **Fitch Ratings**.

See story, page 3

Wall Street Analysts Select Star Performers

U.S. sellside equity analysts, fearing another turbulent year for the power sector, are recommending the safety of utility holding company stocks like **FirstEnergy**.

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Dutch Auction

RELIANT SEEN RELAUNCHING 3.5 GW EUROPEAN PLANT SALE

Reliant Resources reportedly has put its 3.5 GW European generation portfolio back on the block, less than a year after scrapping an earlier sale because bids didn't meet its expectations.

Merrill Lynch, which also conducted the previous auction of Reliant Energy Power Generation Benelux (formerly UNA), is conducting the sale and is looking to receive

(continued on page 2)

Mutiny

WESTLB BREAKS RANKS TO PITCH RELIANT LOAN EXTENSION

WestLB has offered Reliant Resources a three-month extension on its chunk of the Houston power player's \$2.9 billion bridge facility that matures Feb. 19—a move characterized by bankers as unusual and perhaps divisive given that the bank isn't a lead on the deal. One lender says the move suggests a breaking of ranks between the agent banks that are conducting negotiations with Reliant and more junior members of the lending syndicate. WestLB officials

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SOUTHERN IPP PLANS \$600M BOND ISSUE

Southern Power, the independent power producing arm of Atlanta-based Southern Co., plans to tap the bond market with a \$600 million offering by mid-year to finance general operations. Separately, five utility subsidiaries of Southern Co., including Alabama Power and Georgia Power, could issue some \$1 billion of bonds in 2003 to refinance maturing debt.

Gale Klappa, cfo at the parent company told *PFR* sister publication *Corporate Financing Week* that Southern Power intends to select bookrunners and managers within the next two months. While Southern Power has relationships with all the major investment banks, it

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FPL PLOTS BIG TICKET WIND DEAL TO UNLOCK CAPITAL

FPL Energy, the largest wind energy producer in the U.S., has been sounding out banks about a debt refinancing package to unlock the capital tied up in its 1,700 MW wind farm portfolio. One financier says the Juno Beach, Fla.-arm of FPL Group has been talking of figures around \$400-500 million, a mark that would far surpass the usual small-ticket U.S. wind deals. Steve Stengel, a spokesman at FPL, says the portfolio has been financed on its balance sheet and was unable to provide comment on its possible

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RELIANT SEEN

(continued from page 1)

indicative bids by the end of the month, according to City bankers. **Sandy Fruhman**, a spokeswoman at Reliant in Houston, declined to comment.

Market watchers are divided on why Reliant has relaunched the sale process given its failure to execute a deal last year. One official says the new round of discussions were ignited by an unsolicited bid from Dutch utility **Nuon**, which also made an offer last year. This prompted a counterbid from another energy concern and the adoption of a more formal sale process by Reliant, notes the official, adding **Morgan Stanley** is advising Nuon. **Mareaka Van Kruining**, Nuon spokeswoman in Amsterdam, declined to comment as did a Morgan Stanley banker.

A City banker takes a different view. He notes the decision to relaunch the sale now and look for a quick turnaround reflects the fact that the Benelux generation business was downgraded to junk status late last year and has a EUR600 million project loan—arranged by **Barclays Capital**—maturing next month. “It’s looking to close the sale before the loan matures,” says the banker. Calls to **Paul Jeffrey**, a project lender at Barclays Capital, were not returned.

Reliant scrapped the sale of its Benelux power plant business last February almost six months after tapping Merrill to execute a sale. The auction stalled over pricing. Reliant was looking to recoup close to the EUR2.1 billion it paid for UNA in 1999, but bidders valued the business well below the EUR1.5 billion mark, according to market watchers at the time.

Reliant may get richer offers this time around because wholesale power prices have firmed in northwestern Europe

and uncertainty surrounding recouping stranded costs in the Netherlands has been resolved, notes one banker.

Market watchers say Nuon is looking to acquire the Reliant portfolio because it does not own any thermal generation to support its 2.7 million customer energy supply business in the Netherlands. “Nuon is very exposed to generation prices. It has been lucky because prices have been weak. But it needs a hedge,” argues one banker.

Last November **Moody’s Investors Service** lowered the rating on Reliant Energy Power Generation Benelux to B1 from Baa2 and assigned a negative outlook. The move was triggered by its downgrade of parent company Reliant Resources to B3 from Ba3.

—*Will Ainger*

Belgian Pair Ready Advisor Tender

Belgium’s **Tractebel** and **Electrabel** plan to send out requests for proposals to investment banks within the next few days to advise on a consolidation of their European energy assets. They’ve indicated that they intend to hire two advisors each, says one City investment banker. A spokeswoman at Tractebel says the two companies are still evaluating the restructuring, declining further comment on how talks are proceeding.

Tractebel presently owns some 44% of Electrabel. Under the terms of the restructuring Tractebel will sell to its affiliate most of its European energy and related services units, including Tractebel Energy Services, Tractebel Installations&Maintenance, Tractebel Engineering and its stakes in **Distrigas** and **Fluxys**. Some EUR4-6 billion of assets are likely to be consolidated under the Electrabel name, notes one banker. “It’s not the most glamorous deal as the firms are related. But it’s large and lucrative and good for league tables,” he explains.

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Boston Hedge Fund Hires Putnam Analyst

Boston hedge fund **Adage Capital Management** has begun eyeing the utility sector and has hired an analyst from **Putnam Investments** to initiate the effort, according to an industry official familiar with the situation. **Sheldon Simon** confirmed he left Putnam to join Adage Capital, but declined to elaborate. Adage Capital has roughly \$5 billion in assets under management primarily invested in large cap U.S. equities. A Putnam spokeswoman declined to comment.

Revolver Redux

Mirant Looks To Start Loan Renewal Talks

Atlanta-based **Mirant** is planning to start talks on refinancing a \$1.25 billion revolver next month. **Bill Holden**, senior v.p. and treasurer, told an earnings conference call the company is finalizing its five-year financial plan and when complete the information will be provided to lenders. He declined to discuss the likely outcome of the talks. Reworking the revolver, which matures in July, is pivotal for keeping the company solvent, according to a recent report from **Fitch Ratings**.

Mirant tried to rework the facility last year as a trimmed down \$750 million deal (PFR, 7/20), but had to term out the loan for a year because it was unable to get enough banks into the new loan. A key point of contention was the fact Mirant wanted lenders to take out a material adverse clause from covenants.

Fortis Looks To Drum Up U.S. Lender Interest

Stamford, Conn.-based **Fortis Capital** is aiming to deepen the pool of lenders willing to commit to U.S. renewable energy projects, ahead of what some bankers say will be a steady flow of business this year. "The idea is to broaden lender interest," says **Jim Trousdale**, assistant v.p. "It is mostly European banks [involved in renewables lending]. You don't see a lot of American banks." As part of the effort Fortis is holding a one-off seminar in New York Jan. 23 that will look to educate lenders on a range of topics from technology to regulation.

Fortis wrapped the only non-recourse U.S. wind deal last year (PFR, 11/11) for **American Electric Power**. The \$120.7 million deal was deemed strong, but one banker who looked at the deal notes that all eight banks in the facility were non-U.S. players. "The deal went well, but it wasn't huge. [The lack of depth of lenders] may become an issue as deals start to flow," he says. In

terms of flow, AEP is looking at additional financing for two other wind-powered generation projects with a combined price tag of around \$320 million and output of 312 MW (PFR, 10/14).

BNP Hires Aquila Pair For Trading Push

BNP Paribas has hired two former **Aquila Energy** power traders to make a push into European electricity trading. **Simon Dent** and **Rob Kelvey** joined the French bank in London on Jan. 6.

Dent says the company intends to trade the U.K. and the major European energy markets, noting it's increasingly important for banks to understand power trading given their exposure to electricity price volatility through their investments in the industry. He declined to elaborate further noting the Paris-headquartered bank has yet to firm up its power trading strategy.

Nevertheless, market watchers say the French bank has indicated it will focus on client-based risk management business. One official adds Kelvey will focus on trading and Dent will straddle both trading and marketing.

Kelvey could not be reached for comment, and calls to **Jean Marc Bonnefous**, head of commodity derivatives in New York, were not returned.

Kelvey and Dent left Aquila after it pulled the plug on its European trading and wholesale merchant operations last summer (PFR, 6/18).

Tractebel Reviews Texas Financing Options

Tractebel North America has financing for its now completed 343 MW gas-fired plant in Ennis, Texas, in its crosshairs again. The funding was kicked around for much of last year, without ever being launched, until leads **CoBank** and **Abbey National Treasury Services** stepped down (PFR, 12/9).

Market officials say no new leads have been appointed, but note banks close to Tractebel have begun putting out feelers for interest in a possible club deal. The original format of the funding was as a 20-year, \$220 million loan.

The U.S. arm of the Belgian player has four other projects in the works that it has been looking to fund (PFR, 12/23), but Ennis is probably the easiest to seal as the plant is completed, says one official. The key to getting the deal off the ground will be the willingness of the company to offer attractive pricing and also market terms on offtake guarantees—two issues which had a hand in scuppering a \$1.6 billion four plant program launched last year (PFR, 11/21). Market players say it's unclear whether the company will press ahead this time via non-recourse funding, or continue financing the deal on its balance sheet.

Moody's Adds Ex-Merrill Banker

Moody's Investors Service has hired **Jim Hempstead** as a senior credit officer to replace **Tucker Hackett**, who left the agency a few weeks ago. The role involves rating credits in the power sector, such as **Reliant Resources**. Hackett's whereabouts could not be determined by press time. Industrial officials say Hempstead was an investment banker with **Merrill Lynch** in New York and most recently was doing consulting work in Europe. Hempstead declined comment. **John Diaz**, managing director of the group, was unavailable for comment.

Entergy Retains European Projects

Entergy plans to forge ahead with four European generation development projects that have long been in the pipeline, despite recently pulling out of the U.K. generation market and selling its Spanish project portfolio to **Tractebel** (PFR, 9/2). The New Orleans-headquartered company handed over control of Damhead Creek, an 800 MW gas-fired plant in England, to its project-level bank group at the turn of the year (PFR, 1/13). **Gareth Brett**, senior managing director for Europe, declined to comment.

An Entergy official in London notes the company is committed to fulfilling its long-held plan to extensively redevelop Bulgaria's Martitza East III, an 840 MW lignite coal-fired CHP station, situated 30 miles from the Turkish border in the southeast of the country. The official notes Entergy is close to sealing EUR340 million of non-recourse debt financing from the **European Bank for Reconstruction and**

Development, **Credit Agricole Indosuez** and **Société Générale** to fund the redevelopment process, which includes refitting turbines at the 1980-commissioned plant and installing flue gas desulphurization units.

Entergy also continues to develop three IPP projects in Italy, including an 800 MW gas-fired IPP at **Cairo Montenotte**, **Savona**. All of the projects are awaiting construction permits.

Cogentrix Takes Offtaker Rating Hit

Cogentrix Energy has taken a credit rating hit because of offtake deals with two limping power players **PG&E** **National Energy Group** and **Dynegy** and also a possible hit associated with a turbine investment for an Indiana project. In taking Cogentrix down to BB from BB plus, **Standard & Poor's** credit analyst **Toby Hsieh** says even though there are no defaults in the payments to the company the credit deterioration of the offtakers impacts Cogentrix.

Hsieh also cites the possible impact of Cogentrix icing plans to build an 810 MW plant in **Bedford, Ind.** Cogentrix bought \$185 million of turbines and heat recovery steam generator equipment for the project, and now will either have to place the equipment in a new project, or attempt to sell the equipment in the secondary market. "It's a thin market," notes Hsieh. **Jef Freeman**, spokesman at Cogentrix, says the company is analyzing what the true secondary market is for turbines.

The privately held **Charlotte, N.C.**-based player also has a loan renewal looming on the horizon in October and has already started prepping its lenders (PFR, 1/6).

Corporate Strategy

Buffett Utility Taps Mart To Repay Debt, Fund Construction

MidAmerican Energy Co. (MEC), the utility arm of **Warren Buffett's MidAmerican Energy Holdings**, hit the market for \$275 million in 10-year, senior unsecured notes to repay debt and also partially fund the construction of a new 540 MW facility. The utility commanded a tight coupon of 5.125%, reflecting its pure unregulated business profile and in part the strong implicit backing from the Buffett empire, says **Karen Anderson**, associate director at **Fitch Ratings** in Chicago.

The deal, which priced at 99.783 to yield 5.153%, was led by **Bank One Capital Markets** and **Lehman Brothers**. **Kevin Waetke**, spokesman at **MidAmerican Energy Holdings**, declined comment on the issue, noting the company does not

elaborate on financing beyond what it has to in filings.

Anderson says the bulk of the funds have been earmarked to pay down debt, and a small, undetermined amount will be used for the **Greater Des Moines Energy Center**. The plant is being phased in with 350 MW of capacity due online in May and an additional 190 MW in place March 2005. MidAmerican's Web site puts the costs of the facility at \$340 million.

The notes received an A minus rating from Fitch, which cites a strong financial profile, solid operating characteristics and constructive regulatory environment in Iowa as reasons for the investment grade tag. MEC's electric and natural gas distribution businesses also benefit from a diverse service territory, competitive rates and low production costs from predominately coal-fired generation, the rating rationale states.



Latin America

Gener Plots Asset Sales

AES Gener, Chile's largest thermal generator, has put several of its power plants up for sale in order to improve near-term liquidity and alleviate long-term bond refinancing concerns at the company, says **Jason Todd**, a **Fitch Ratings** analyst in Chicago. He declined to identify the assets, but says AES Gener already has entered negotiations with several interested parties and likely will execute a sale in the second half of this year. Calls to **Kenneth Woodcock**, spokesman at parent company AES in Arlington, Va., were not returned.

AES Gener's weak financial state prompted Fitch to downgrade it to BB minus from BBB minus last week. Fitch will remove it from Rating Watch negative if it manages to

execute its asset sale plans, says Todd.

Santiago-based AES Gener ended last year with a cash balance of approximately \$14 million, according to Todd. He says debt levels remain high, but fell by \$127 million last year and should fall a further \$96 million to some \$1.4 billion this year. AES Gener has a couple of bond series maturing over the next few years including a \$503 million convertible bond series due March 2005 and \$200 million of bonds due January 2006.

Gener owns and operates four coal-fired thermal plants, Norgener (277 MW), Ventanas (338 MW), Guacolda (304 MW), Laguna Verde (61 MW), and two gas-fired plants, Nueva Renca (100 MW) and Electrica de Santiago (379 MW). It also owns four hydroelectric plants, Alfalfal (160 MW), Maitenes (26.8 MW), Queltehues (42 MW) and Volcan (13 MW), and a biomass facility, Energia Verde (39 MW).

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**, Reporter, at (212) 224-3292 or email: alevin@iineews.com*

Sponsor	Project	Project Type	Size (MW)	Cost (\$mil)	Country	Advisor/Financier	Status	PFR Issue
Alcoa	Santa Isabel	Hydro	1,087	700	Brazil	Citi	Financing delayed till 2003	7/22/02
Duke Energy International	Pederneiras	Gas-fired	500	270	Brazil	-	Will finance with equity capital.	3/11/02
EdF, Mitsubishi	Altamira	Gas-fired	495	300	Mexico	Citi/Fuji	Has wrapped up syndication.	10/7/02
Electricite de France	Rio Bravo III	Gas-fired	500	290	Mexico	SocGen	Arranging a \$217M project loan	8/26/02
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	Financing delayed until Q4	7/4/02
El Paso	Macaes	Gas-fired	400	700-800	Brazil	SocGen	Financing due shortly	7/9/02
Elina Suereste	Manuel Moreno Torres	Transmission	-	269	Mexico	BNP	Has closed financing	10/21/02
Iberdrola	Vera Cruz	Gas-fired	800	700	Mexico	-	Will finance with equity	8/26/02
Iberdrola	La Laguna II	-	500	-	Mexico	-	Looking to tap the bank market in 2003	13/23/02
Iberdrola/Petrobras	Termoacu	Gas-fired	340	-	Brazil	IDB	IDB plans to approve loan	11/11/02
InterGen	Carioba	Gas-fired	945	670	Brazil	Citi	Has put financing on hold	12/9/02
Petrobras	Ibiritermo	Gas-fired	200	200	Brazil	BNP	Expects to sell loan in 2003.	12/16/02
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	BBVA Banco Continental/ Banco de Credito	Is planning \$100m in loan and bond financing	7/27/01
Sempra Energy Resources	Mexicali	Gas-fired	600	350	Mexico	SocGen	In the process of arranging a corporate loan	3/11/02
Tractebel/Alcoa	Estreito	Hydro	1,087	700	Brazil	Citi	Waiting for environmental permits	7/22/02
Union Fenosa	Naco Nogales	Gas-fired	300	-	Mexico	Citi	Seeking equity partner	10/21/02
Union Fenosa	Tuxpan III & IV	Gas-fired	938	600	Mexico	Deutsche Bank/BOTM	Banks have provided bridge loan	10/21/02

U.S. Stock Picks For 2003 - Analysts Scurry For Safety

*Following a year when the IPP and energy-trading sectors went into freefall and even many blue-chip utility stocks took a battering, it's unsurprising that most shell-shocked equity pundits are scurrying for safety this year. Sell-side analysts are flocking to utilities that appear to offer highly visible and steady regulated earnings and are backed by strong balance sheets. Akron, Ohio-based **FirstEnergy**, the country's fourth largest power utility holding company with 4.3 million customers across Ohio, Pennsylvania and New Jersey, is seen as one such safe-haven.*

*While most analysts believe the whole power sector will continue to be weighed down by bad news and investor skittishness, a few argue utilities could make a comeback. **Warwick Busfield**, an analyst at **Fahnestock** in New York, says many utility stocks are trading below fair value. "Most of these utilities are very stable at the core. So once the dust settles, many will come back," he predicts.*

Blaylock & Partners' Lason Johong

Mirant (MIR) \$12
Calpine (CPN) \$12
AES (AES) \$12

New York-based Lason Johong likes Mirant because its market cap has been dragged down by a raft of non-fundamental factors that could soon fade. "There are a lot of non-economic issues hanging over the stock," he reflects, referring to the re-audit of financial numbers and the regulatory scrutiny over its activities in California.

Johong argues that some of the noise surrounding Mirant's long-term contracts in the West may actually diminish without any regulatory action being taken once the region witnesses another spike in power prices over the summer.

Low snowcap levels in the West will hit hydro generation capacity and causes Golden State prices to spike once again, argues Johong. "There is light at the end of the tunnel." This belief also underpins his support of San Jose, Calif.-based Calpine, which is highly exposed to the California wholesale generation market.

Atlanta-based Mirant is also well positioned because of its relatively low level of leverage and the fact that even though it has scaled back its trading and marketing, it still has a strong team that has proved adept in the past at taking advantage of trading opportunities. Johong suggests that by year-end Mirant may be a candidate for an upgrade by the rating agencies as well.

In terms of his second pick, Johong is wrestling between Calpine and AES. For Calpine his rationale is that the company is very well placed for any upside in Western power prices. He also thinks that commentary on the key refinancings the company faces this year has been weighted too heavily toward the doomsayers. "Calpine has positive income and that means they are meeting obligations and will end up with free cash flow in 2004," he argues. That strong interest coverage coupled with its solid asset base,

mean the refinancing won't be the big issue it is being painted as.

Johong says he has been bullish on AES for a while, noting that he was one of the few analysts to predict it would land its refinancing package last year. He feels the market hasn't recognized the solidity of the company post that financing, but adds the key determinant for AES will be how international markets recover.

Mirant closed last Wednesday at \$2.15 and has a 52-week range of \$1.06-15.05. Johong is forecasting earnings per share of \$1.11 for this year. Calpine closed last Wednesday at \$4.05 and has a 52-week range \$1.55-15.25. Johong forecasts an EPS of \$1.40 this year. AES has a 52-week range of \$0.92-16.70. Last Wednesday it stood at \$3.90.

Fahnestock's Warwick Busfield

CMS Energy (CMS)
FirstEnergy (FE)

Warwick Busfield selects CMS Energy and FirstEnergy as his two top stock recommendations because they have the best potential for appreciation, yet maintain very stable business models that should protect their shares from any new industry shocks. He declined to give 12-month price targets.

In general, Busfield is taking an optimistic, yet slightly cautious stance on the power sector in 2003. "This coming year looks like it will be better than the last, but that is assuming we've seen the last of the many scandals that have hit the utility sector. It's going to take a while for the sector to shake them all out, but I think it will happen," he says.

Despite the troubles it endured last year, Busfield likes CMS because it is successfully progressing with its asset sales program and has transformed itself into a much more stable business than it was 12 months back. "CMS is trading at half its normal level, but I think that once it gets its accounting issues sorted out, investors will see that it is

grossly undervalued and provides predictable earnings,” he says.

Busfield is upbeat on FirstEnergy, arguing it's a good business with a strong balance sheet. He adds that he likes the company's tight focus on its seven regulated utilities as they provide steady cash flow.

CMS closed at \$10.02 last Wednesday and has a 52-week high and low of \$24.80 and \$5.45. Busfield expects its EPS to increase from \$1.60 in 2002 to \$1.80 this year. FirstEnergy closed at \$33.18 and has a 52-week high and low of \$39.12 and \$24.85. He predicts that its EPS will rise from \$3.23 to \$3.70 this year.

Gerard Klauer Mattison's Michael Worms

Dominion Resources (D) \$62
FPL Group (FPL) \$66

New York-based Michael Worms roots for FPL and Dominion Resources as the stars of this year because they have excellent management teams in place and operate in attractive regulatory environments.

Worms especially admires Dominion Resources because it isn't distracted by any international investments and has focused its attention on doing business in the upper quartile of the U.S. This region accounts for more than half of the U.S.' energy consumption, says Worms.

As for FPL Group, Worms is particularly attracted by its position as the largest developer of wind generation in the country. "Their goal is to build between 1,000 and 2,000 MW of wind farms this year and that could easily be the growth driver for this company. Wind is also politically and regulatory in favor as it is green power," he says.

Worms hopes that 2003 will prove a healthier year for the electric utility sector than last, but notes there are still a number of issues plaguing the industry. Generation overcapacity continues to bedevil some regions, a significant amount of debt needs to be refinanced and management credibility is still impaired, he argues.

Nevertheless, Worms speculates that the worst of the scandals are over and that a flurry of asset trading will bolster the industry this year. He adds that President **George W. Bush's** proposal to eliminate taxes on corporate dividends should also help the industry, as it will make utility stocks an attractive vehicle to invest money in.

Dominion closed at \$56 last Wednesday and has a 52-week high and low of \$67.06 and \$35.40. He predicts its EPS in 2003 will be \$4.75. FPL closed at \$59.05 and has a 52-week high and low of \$65.31 and \$45.00. He predicts an EPS of \$4.80 this year.

Salomon Smith Barney's Daniele Seitz

DTE Energy (DTE) \$50
FirstEnergy (FE) \$39

Daniele Seitz predicts 2003 will prove another tough year for the embattled U.S. power and utility sector. Last year's potent cocktail of rating agency downgrades mixed with such scandals as revelations of bogus round-trip trading has left the industry nursing a nasty hangover. These events have created a great deal of uncertainty from which the sector will be slow to recover, says Seitz.

Nevertheless, DTE Energy and FirstEnergy, two conservatively run utility holding companies, could shine out amidst the bearish gloom. She argues that the glut of excess generation capacity across much of the U.S. could prove a filip for both outfits. "Both companies should do really well this year because they are net buyers of power and prices are currently low," asserts Seitz.

Seitz particularly admires DTE—which she also selected in 2002 as her top stock—because it has high-quality, visible earnings and several non-regulated businesses that provide predictable earning streams. She highlights FirstEnergy claiming it's a solid performer with a good business model. She adds FirstEnergy's earnings likely will rise this year following repairs that should bring its Ohio-based Davis-Besse nuclear power station back into service.

DTE closed at \$46.12 last Wednesday and has a 52-week high and low of \$49.50 and \$33.05, respectively. Seitz predicts its earnings per-share will grow from \$3.80 in 2002 to \$3.95 this year. FirstEnergy closed at \$33.18 last Wednesday and has a 52-week range of \$39.12-24.85. Seitz predicts its EPS will grow from \$3.00 last year to \$3.30 this year.



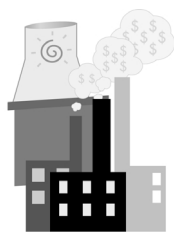
Daniele Seitz

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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
AES	Yarra Power Station	Australia	510	Gas	-	Has appointed an advisor.
	Jeeralang	Australia	449	Gas		
	Mt Stuart	Australia	288	Gas		
Allegheny Energy	Various	U.S.	1,500	Gas & coal	JPMorganChase	Ongoing.
Alliant Energy	Southern Hydro	Victoria, Australia	500	Hydro	N/A	Intention to sell.
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	Has shortlisted two bidders.
AES Fifoots Point	Fifoots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant by end of April
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Looking to sell plant shortly.
Calpine	11 QFs	Calif. & East Coast	1,000	Gas	Salomon Smith Barney	Final bids due this week.
Cinergy	Cinergetika	Czech Rep.	230	CHP	J.P. Morgan	Expects to sell assets this summer.
	Energetika Chropyne	Czech Rep.	48	CHP		
	EPR Ely	U.K.	36	Straw		
	Moravske Teplamy	Czech Rep.	410	CHP		
	Pizenska Energetika	Czech Rep.	406	CHP		
	Redditch	U.K.	29	Gas		
	Teptama Otrokovice	Czech Rep.	349 (11%)	CHP		
CMS Energy	Loy Yang	Melbourne, Australia	2,000	Coal	Not chosen	Announced intention to sell.
	Ensenada	Argentina	128	Gas-fired	J.P. Morgan	
	CT Mendoza	Argentina	520	Gas-fired	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydroelectric	J.P. Morgan	
DPL	All plants	Ohio	3,500	N/A	Morgan Stanley	
Enel	Interpower	Italy	2,611	Various	CSFB, Lehman, Merrill	Having sold Elettrogen and Eurogen it will sell one more generation portfolio shortly.
Enron	Nowa Sarzyna	Poland	116		PwC (administrator)	Intention to sell.
	Sarlux	Italy	551			
	Trakya	Turkey	478			
	Chengdu Cogen	China	284			
	Northern Marianas	Guam	80			
	Bantagas	Philippines	110			
	Dabhol	India	2,184			
	Subic Bay	Philippines	116			
	Teesside	U.K.	1,875			
Enron	Wilton	U.K.	133	Coal/Oil/Gas	Close Brothers	Intention to sell.
IVO Energy	Grangemouth***	U.K.	130	Gas	-	Looking to refocus in Nordic region.
	Edenderry	Ireland	120	Peat		
Niagara Mohawk Power	Nine Mile Point 1	N.Y.	1,614	Nuclear	N/A	Awaiting bids.
	Nine Mile Point 2	N.Y.	1,140	Nuclear	N/A	

Continued

Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
NRG	Gladstone Power	Australia	1,500 (37.5% stake)	Coal	ABN AMRO	Awaiting bids.
	Flinders	Australia	760	Coal		
	Loy Yang A	Australia	2,000 (25% stake)	Coal		
	Hsinchu	Taiwan	400 (60% stake)	Gasfired	Deutsche Bank	Awaiting bids.
	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil		
	Collinsville	Australia	192 (50% stake)	Coal		
	TermoRio	Brazil	1040 (50% stake)	Gas		
	COBEE	Bolivia	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/Xcel	CEEP	Poland	10 (10% stake)	-	Goldman	Has already sold two Eastern European plants. Awaiting further bids.
	Enfield	U.K.	380 (25%)	Gas-fired		
	Killingholme A	U.K.	680	Natural Gas		
	MIBRAG	Germany	238 (50% stake)	Coal		
NRG	Big Cajun II	La.	2,400 (90%)	Coal	-	Has shortlisted three bidders.
	Pike	Miss.	1,192	Gas		
	Batesville	Miss.	1,129	Gas		
	Brazos Valley	Texas	633	Gas		
	Kaufman	Texas	545	Gas		
	Big Cajun	La.	458	Gas		
	McClain	Okla.	500 (77%)	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	Expects to sell Lennox and Lakeview shortly.
	Lakeview	Ontario	1,140	Coal		
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
Pacific Gas & Electric	68 Plants	Calif.	3,800	Hydro	Morgan Stanley	Awaiting PUC approval. Expect sale to close shortly.
PESG Global	Tanir Bavi	India	220 (74%)	Naphtha	-	-
	Karpatslsm	India	330 (20%)	Naphtha	-	-
Polish Treasury	Elektroncieplownie Pozpnanskie	Poland		CHP	-	Bids due in June.
Reliant Resource	Argener	Argentina	160	CHP		
TXU	Lake Creek	Texas	323	Gas	Merrill Lynch	Reviewing sales strategy.
	Tradinghouse	Texas	1,340			
	River Crest	Texas	110			
	Mountain Creek	Texas	893			
	Parkdale	Texas	327			
	North Main	Texas	123		Merrill Lynch	Is looking to sell an undisclosed number of its coal assets.
	Monticello	Texas	1,900	Coal		
	Martin Lake	Texas	2,250			
	Big Brown	Texas	1,150			
	Sandow	Texas	545			
TXU Europe	Shotton	U.K.	229	CHP	PWC	Awaiting bids.
Wisconsin Energy	Bridgeport	Conn.	1,100 (combined)		CSFB	Has put up for sale following collapse of NRG deal.
	New Haven	Conn.	1,100 (combined)			

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.

Europe & Middle East

- French utility conglomerate **Suez**, saddled with one of the biggest corporate debt loads in Europe, has pledged to sell EUR9 billion (\$9.44 billion) of assets over the next two years. It hopes significant asset sales will restore the confidence of skittish investors after its shares lost half their value last year amid concerns about its EUR27 billion debt load (*Wall Street Journal Europe*, 1/10).

- **TXU Europe Power Ltd.**'s 229 MW Shotton power plant is up for sale now the plant is fully operational. "It's a case of 'watch this space' over the next couple of weeks," said receiver **Roger Marsh** of **PricewaterhouseCoopers**. Marsh said the CHP plant in North Wales started generating last Monday. "Our strategy is to prove the sustainability of the plant whilst looking for buyers," he said. Shotton was forced into receivership when TXU Europe Power Ltd., one of several subsidiaries of U.S. energy giant TXU, went into administration after its parent withdrew financing for its European units (*Dow Jones*, 1/12).

- An audit of French state-owned power company **Electricité de France**'s 2000 accounts commissioned by the country's industry regulator will show that about EUR600 million of charges were booked incorrectly. The paper says the **Commission de Regulation de l'Electricite** has complained on a number of occasions that it has had difficulty getting information from the utility (*Les Echos*, 1/15).

- **Electricité de France** will not make any new acquisitions this year, but instead will focus on becoming more efficient to prepare itself for the further opening of the French power market. "The reality is that as of Jan. 1, 2004, 70% of the French market and more than 3,000 eligible client sites will be open to competition," said EdF President **Francois Roussely**. "Our priority for 2003 is to build the group to prepare for this competition. It's the biggest issue" (*Reuters*, 1/15).

U.S. & Canada

- **Duke Energy** lowered its earnings outlook for 2002 and 2003, blaming the sluggish economy and continuing weakness in energy trading. Duke projected 2002 earnings on continuing operations about \$0.10 a share lower than its previously projected range of \$1.95-2.05 a share (*Dow Jones*, 1/13).

- Texas Attorney General **Greg Abbott** said **Enron's** bankruptcy attorneys are "lining their pockets" with fees at the expense of taxpayers, former employees and investors. At the present rate, he said, the money spent on lawyers and accountants sorting through Enron's remains could approach \$1 billion (*Houston Chronicle*, 1/14).

- **Mirant** has ditched plans to build a \$500 million power plant in Gaston County, N.C. The Atlanta-based power producer is cutting back its development plans and is now in talks with other parties about taking over the project (*Dow Jones*, 1/14).

- California's energy crisis cost \$45 billion over two years in higher electricity costs, lost business due to blackouts and a slowdown in economic growth, according to a study by the **Public Policy Institute of California**. The report cites a shortage of generation capacity, flawed deregulation and control of wholesale prices by energy companies as factors in the crisis (*Associated Press*, 1/15).

- **El Paso Corp.** sold its Florida petroleum terminals and tug and barge operations to Denver-based **TransMontaigne** for about \$155 million. The Houston-based energy trader, which acquired the assets through its merger with **Coastal Corporation** in 2001, has been selling assets to cut its debt load (*Houston Chronicle*, 1/15).

- **Entergy** signaled higher than expected fourth-quarter profits because of increased revenue from its energy-trading joint venture with **Koch Industries**. Earnings climbed to at least \$0.28 a share from \$0.09 in the same period a year earlier, the company said, citing the performance of the **Entergy-Koch Trading** venture (*Bloomberg*, 1/14).

- The **Algonquin Power Income Fund** has entered a definitive agreement to acquire a 56 MW natural gas-fired power station in Windsor Locks, Conn., from affiliates of Finland's **Ahlstrom** for CAD43.4 million (\$30 million). Since commissioning in 1990, the plant has delivered base load generation to **Connecticut Light and Power Co.** under a 20-year power purchase agreement. The acquisition is expected to close next month (*Dow Jones*, 1/14).

FPL PLOTS

(continued from page 1)

future plans by press time.

The exact form of the financing is unclear. A vehicle to allow European investors, who are much more familiar with

renewable projects, to take an equity stake in the portfolio has been floated, says one financier. Another banker says the diversity of the plant locations—spread across 10 states—and solid offtake contracts might be conducive to a bond deal. Bankers are unsure whether a lead has been assigned, or what the precise timetable might be. —P.T.

Financing Record (JANUARY 9 - JANUARY 16)

Bonds

Issue Date	Maturity	Issuer	Amount (\$m)	Offer Price	Type of Security	Coupon (%)	Spread to Bench-Mark	Moody's	S&P	Book Manager(s)
1/9/03	1/15/13	MidAmerican Energy	275	99.783	Notes	5.125	100	A3	A-	Bank One/ Lehman
1/13/03	1/15/13	Atmos Energy	250	99.915	Senior Notes	5.125	102	A3	A-	Bank One
1/14/03	2/1/08	Commonwealth Edison	350	99.886	Fst Mtg Bonds	3.7	68	A3	A-	CSFB/Morgan Stanley
1/14/03	2/1/33	Commonwealth Edison Co	350	99.564	Fst Mtg Bonds	5.875	90	A3	A-	CSFB/Morgan Stanley
1/15/03	2/15/06	Pepco Holdings	300	99.891	Notes	3.75	155	Baa1	BBB	CSFB
1/15/03	1/15/33	South Carolina Elec & Gas Co	200	99.677	Fst Mtg Bonds	5.8	87	A1	A-	BoNY/Morgan Stanley/Wachovia

M&A

Date Announced	Date Effective	Target Name	Target Advisors	Target Country	Acquiror Name	Acquiror Advisors	Acquiror Country	Deal Value (\$m)
1/9/03	-	Ahlstrom 56 MW Power Plant	-	U.S.	Algonquin Power Income Fund	-	Canada	28
1/9/03	-	Dona Francisca Energetica	-	Brazil	ONEOK	-	Brazil	5.97
1/9/03	-	ONEOK Inc	J.P. Morgan	U.S.	ONEOK	BofA	U.S.	250
1/10/03	-	Caelgese	-	Spain	Electrabel	-	Belgium	-
1/10/03	1/10/03	PEC	-	Poland	Stadtwerke Leipzig	-	Germany	-
1/13/03	-	Agstar Power	-	Canada	4033981 Canada Inc	-	Canada	-
1/13/03	1/13/03	Cemig(Minas Gerais)	-	Brazil	N/A	-	Unknown	-

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

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First Call Co. Shakes Funds
First Call Co. (FCC) has announced the formation of a new subsidiary, First Call Energy Fund (FCE), to provide a platform for the company's energy investments. The fund will focus on investing in energy-related companies, including those in the power, gas, and oil sectors. FCC is a publicly traded company, and FCE will be a private equity fund. The fund's first investment will be in a power plant in the Midwest. The fund's first investment will be in a power plant in the Midwest. The fund's first investment will be in a power plant in the Midwest.

DUKE SEEN BUYING CMS PLANT DOWN UNDER
Duke Energy International is close to purchasing CMS Energy's 50% stake in a 1,000 MW coal-fired plant in Australia, says an official familiar with the matter. While CMS is a publicly traded company, the plant is owned by CMS Energy. CMS is a publicly traded company, and the plant is owned by CMS Energy. CMS is a publicly traded company, and the plant is owned by CMS Energy.

TRIO OF COMPANIES NEARS EPA DEAL
BOND FINANCING LIKELY
Three companies, including GE, are close to reaching an agreement with the U.S. Environmental Protection Agency (EPA) to finance a new power plant. The companies are GE, GE, and GE. The companies are GE, GE, and GE. The companies are GE, GE, and GE.

LONDON UTILITY READIES \$1.4B MTN PROGRAM TO FUND TXU ACQUISITIONS
London Electricity, an energy company, is preparing to launch a \$1.4 billion medium-term note (MTN) program to fund its acquisition of TXU Energy. The program will be used to finance the acquisition of TXU Energy. The program will be used to finance the acquisition of TXU Energy.

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SOUTHERN IPP

(continued from page 1)

does not rotate them regularly, he explains. Rather, it makes selections based on which banks will be able to execute the specific deal. Klappa decline to specify which banks Southern Power is considering for the upcoming offering.

Southern Power last tapped the bond market in June 2002, with a \$575 million offering of 10-year bonds that carried a 6 1/4%

coupon. Lehman Brothers and Salomon Smith Barney were joint bookrunners.

Bond Offerings and Refinancings Expected From Southern Co. Subsidiaries In 2003	
Subsidiary	Amount
Alabama Power	\$575 million
Southern Power	\$600 million
Georgia Power	\$350 million
Gulf Power	\$60 million
Mississippi Power	\$35 million
Savannah Electric	\$20 million
*Non-core businesses, Southern LINC and Southern Telecom are expected to refinance about \$60 million.	

Klappa notes the forthcoming \$600 million offering is the only new debt that any Southern Co. unit plans to issue. The parent, however, plans to refinance some \$1.65 billion of five bond series that mature shortly at various utility affiliates. These have coupons in the 7-8%, range, says Klappa, predicting, "There should be some substantial savings [from refinancings]." —*Vipal Monga*

WESTLB BREAKS

(continued from page 1)

declined comment. *PFR* was unable to ascertain the German bank's exposure to the deal.

Underlying WestLB's offer is a concern among some lenders about the lack of information flowing to them from the company and the facility agents, according to market officials. With the deadline approaching, the offer is designed to give the lenders more time to assess a deal when finalized, rather than doing hurried eleventh hour analysis, says one banker. The refinancing talks are firmly center stage for most commercial bankers because Reliant is looking to rework the deal in a \$5.7 billion package, the largest power sector refinancing initiative of the first quarter (*PFR*, 1/13).

WestLB, which copied its proposal to the other lenders involved in the refinancing talks, offered the extension for a 125 basis point fee and tighter covenants, details of which could not be ascertained by press time.

One banker says there appears to be a fault line developing between lead agents **Deutsche Bank**, **Barclays Capital** and **Bank of America** and the other lenders. The top three have such large exposures to Reliant that they are more susceptible to Reliant's

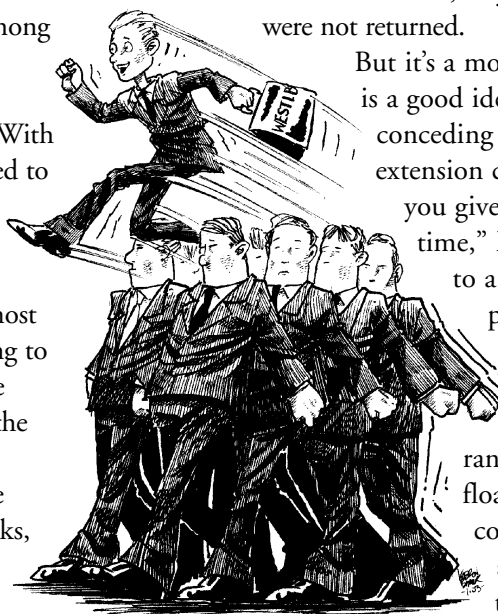
hardball tactics, says the banker. Reliant has signaled that bankruptcy may be on the cards if it can't get an agreement on the loans (*PFR*, 12/9). "There is a feeling that the agents haven't done a good job of pushing it along, to get to this stage with so little on the table," says the banker. Calls to the three lead agents were not returned.

But it's a moot point whether granting the extension is a good idea right now, says another banker. While conceding the timetable is tight, he adds granting an extension could diffuse the focus on the deal. "If you give people more time, then they take more time," he says. He thinks the banks can get close to a deal by the February deadline at which point a short-term extension may be in order.

Outline terms for the new loan of three to five years and pricing in the range of 350-450 basis points have been floated. But the banker notes nothing is concrete and the major issues of collateral and the use of cash-sweep traps have yet to be tackled.

The facility was set up as bridge financing for Reliant's acquisition of **Orion Power** at the turn of last year. A planned bond market takeout last year was scuppered when market sentiment turned against the power sector.

—*Peter Thompson*



Quote Of The Week

"There is light at the end of the tunnel." —**Lason Johong**, power sector equity analyst at **Blaylock & Partners** in New York, predicting that some beleaguered independent power producers are likely to rally on the back of firmer wholesale electricity prices in the Western power market (See *U.S. Stock Selections*, page 6).

One Year Ago In Power Finance & Risk

Industry professionals were puzzling over UBS Warburg's ultimately successful attempt to acquire **Enron's** energy trading operation, having closed its own commodity trading operation in 1998. [UBS consolidated the operation last month and was planning to let go most of the 380 staff in Houston.]