

power finance & risk

The exclusive source for power financing and trading news

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German Utility Preps Benchmark Deal

Energie Baden-Wuerttemberg has hired **Barclays Capital** and **Deutsche Bank** to lead a roughly \$650 million bond offering.

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Aiming For No. 1

XCEL ENTERS MERGER TALKS; LOOKS TO BUY BACK NRG

Xcel Energy, one of the largest electric utilities in the U.S., is courting FirstEnergy, TXU and Entergy as potential merger partners and at the same time is looking to repurchase the remaining 20% stake of its unregulated IPP affiliate, NRG Energy, which it partially spun off in May 2000. Lehman Brothers is advising the Minneapolis-based utility on the concurrent strategies. Paul Adelmann, a spokesman at Xcel Energy, confirmed the

(continued on page 12)

U.K. UTILITY PUTS 600 MW U.S. WIND BIZ ON THE BLOCK

U.K. utility Innogy has put its U.S. wind farm business up for sale and hired J.P. Morgan to find a buyer. An official familiar with the sale says the portfolio, which consists of two 20 MW farms in California and a further 600 MW of projects in construction or under development in California, Texas and Pennsylvania, could fetch Innogy some \$300 million.

Innogy, through its National Wind Power (NWP) subsidiary, is the largest developer, owner and operator of wind farms in the U.K. One market watcher who was unaware of

(continued on page 11)

PROJECT FINANCIERS FORESEE CRUNCH AS MINI-PERMS MATURE

Project finance bankers are concerned that a glut of mini-perm deals from the late '90s will have problems getting refinanced against a background of slumping wholesale power prices and increased post-Enron scrutiny from rating agencies and investors. "Everyone has pretended there isn't a problem. But a ton of mini-perms will need to be refinanced in an approximately three-year window," says a senior project financier.

The mini perm structure—a short-dated project loan that would not fully amortize—

(continued on page 11)

AIG PLOTS TRADING RE-ENTRY

AIG Trading, a unit of insurance and financial services behemoth American International Group, is eyeing a return to the energy trading market after a four-year hiatus. The firm is currently looking for a senior manager to fire up and run the team, according to David Jones, an official at AIG Trading in Greenwich, Conn. He says there may be some movement on that front by March, declining any further comment.

Rival traders are intrigued by the move, but add the impact AIG will have depends on the scope of the operation, in terms of the type of customer it looks to deal with,

(continued on page 12)

Check www.iipower.com during the week for breaking news and updates.

Deutsche Bank Cuts In NY Project Finance

Deutsche Bank has recently cut a director from its New York project finance team. **Alec Montgomery**, a director, was let go and will not be replaced, according to a spokesman, who declined to provide a reason. One banker notes Montgomery was a point man for **American National Power's** \$1.4 billion non-recourse loan on which Deutsche Bank had a lead slot (PFR, 5/13).

The cut comes after **Paul Naumann**, who headed the Big Apple power project finance team, moved over to a corporate finance role at the firm at the end of last year. The spokesman was unable to say who had replaced Naumann. Calls to Naumann were not returned.

One banker characterizes the firm's project finance approach as focused on big deals and maintaining relationships that lead to investment banking fees, rather than long-term, single-asset financing.

German Utility Preps Bond Debut

Energie Baden-Wuerttemberg, Germany's fourth largest electric utility, is looking to make its debut in the European bond market within the next few weeks. Officials at lead underwriters **Barclays Capital** and **Deutsche Bank**, say they will launch a road-show in Germany this week before touring elsewhere in Europe. They declined to comment on the size of the deal, but one banker says the offering could exceed EUR750 million (\$647 million). **Klaus Wertel**, a spokesman at EnBW, did not return calls.

Proceeds from the benchmark deal will be used to fund EnBW's recent acquisition spree. Last year it purchased a 31% stake in **Neckarwerke Stuttgart**, Germany's second largest regional utility with a market capitalization of EUR2.85 billion, and a 35% stake in Spain's third largest utility **Hidroelectrica del Cantabrico**.

HSBC Hires Utility Analyst

HSBC Securities has hired **Shawn Burke**, a utility and pipelines analyst at **Greenwich Capital Markets**, in the new position of senior v.p. and investment-grade utilities and pipelines analyst in New York. **Robert Smalley**, investment-grade research head at HSBC, says Burke was hired because the recent volatility in the pipeline sector has created investment opportunities. "He's one of the top analysts in the market, so hopefully he can help us develop that business," says Smalley. Burke says he joined HSBC because he wanted to return to the sell-side. Prior to joining Greenwich Capital Markets, he was head of investment-grade research at **Barclays Capital**.

At Greenwich Capital Markets, Burke reported to **Renato Negrin**, head of proprietary investment-grade trading, and **Kurt Lichtman**, head of proprietary arbitrage trading.

Dominion Plots \$700-800M Equity Issue

Dominion Resources is planning to issue \$700-800 million in equity as part of an effort to reduce its debt-to-capitalization ratio to 55% by year-end. The pledge to cut leverage was made in the wake of the Richmond, Va.-based integrated gas and power producer's 2000 acquisition of **Consolidated Natural Gas** (PFR, 1/3/00). The issue may just be common stock or a combination of common stock and mandatory convertibles, according to a recent report by **Lehman Brothers**. Calls to **Scott Hetzer**, senior v.p. and treasurer, were not returned by press time, so the precise timeline and potential bank line-up could not be determined. Leverage was 58% at the end of the third quarter last year, according to the report. Lehman analysts think a mix of common and convertible is most likely.

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Enron Quant Lands At Harvard

Joe Hrgovic, a quantitative analyst in the weather team at Enron, has joined **Harvard Asset Management** in Boston as a quant covering foreign equities. Hrgovic, who was due to start last Friday as *PFR* went to press, was between positions and could not be reached for comment. Enron's weather operation has been on ice since the trading house filed for Chapter 11 protection in December. Individual Enron staffers have started to resurface in the market (*PFR*, 1/21), and weather chief **Mark Tawney** is also looking to take part of the team to another shop (*PFR*, 1/28).

The \$20 billion manager of the **Harvard University** endowment is beefing up its quant capabilities in foreign equities, says **Kathleen Amirault**, executive assistant to the president at Harvard Asset Management in Boston. Calls to an Enron spokesman in Houston were not returned.

Some Bankers See Tough Retail Round For NEG

Retail syndication of **PG&E National Energy Group's** \$1.7 billion non-recourse loan is proving hard work, according to a number of bankers familiar with the deal. Though the deal received commitments of \$1.075 billion in the earlier wholesale round (*PFR*, 1/7), selling down the remaining \$625 million may be more problematic. Part of the problem is that the bulk of the sponsor's relationship banks were tapped for wholesale tickets, one banker says.

However, lead arrangers **Citibank** and **Société Générale** are "cautiously optimistic" that the target will be reached, says one syndicate official. Given the focus on credit questions in the market, it wasn't expected to be a speedy sale, and it'll likely take six to eight weeks to wrap up. He adds the banks have not picked up on any negative sentiment on the facility. **SocGen** and **Citi** declined to comment.

One banker says there is a lot of **PG&E** paper in the market (*PFR*, 7/15), and even though the sponsor is ring-fenced from troubled sister company **Pacific Gas & Electric**, the California power crisis may still be on some people's minds.

Wholesale syndication closed the week before Christmas with eight banks signing up to the deal. Arrangers **J.P. Morgan**, **ABN AMRO** and **Royal Bank of Scotland** signed \$150 million tickets, and Canada's **Export Development Corp.** committed \$100 million. Co-arranger **Credit Lyonnais** signed on for \$75 million and **TD Securities**, **DZ Bank** and **Barclays Capital** pledged \$50 million.

NEG will use the proceeds of the project loan to refinance the 360 MW Millennium project in Massachusetts and develop a 1,080 MW plant at Athens, N.Y., a 170 MW plant in Covert, Mich., and a 1,092 MW plant in Harquahala, Ariz. (*PFR*, 8/13).

Reliant Shortlists Bidders, But Bankers Doubt Quick Sale

Reliant Resources has short-listed two bidders to purchase its 3,476 MW Dutch generation portfolio and trading business, but market participants doubt whether the Houston IPP is close to sealing a sale.

An official close to the auction says Reliant and its advisor, **Merrill Lynch**, expect to receive definitive bids from two interested parties shortly. Assuming either bid meets Reliant's minimum price target, a sale could be announced in a matter of weeks. The official declined to reveal the shortlist, but other market watchers say London-based **International Power**, local player **Nuon**, and Spanish utility **Endesa** have shown interest in Reliant Energy Power Generation Benelux (REG), the former UNA business put on the block last fall. At the time, an official involved in the sale said Reliant was looking to complete the sale of UNA by year-end (*PFR*, 11/12). A spokeswoman at IP says it is looking to add generation capacity in Europe, but declined to comment on specific targets. Calls to Nuon and Endesa were not returned.

However, one London-based banker who was advising another potential bidder doubts whether any of the above parties have pursued their initial interest. He says his client, and other potential bidders he has talked to, are balking at the price tag Reliant has put on the assets. Reliant is looking to recoup the \$1.9 billion it spent on buying UNA in 1999, but the falling value of both the euro and wholesale power prices in the intervening years means UNA is unlikely to fetch more than \$1 billion, argues the banker.

Canadian State Selects CIBC & Goldman For \$5B IPO

The Ontario government has selected **CIBC World Markets** and **Goldman Sachs** for the lead underwriting mandate for its planned \$5 billion initial public offering of state-owned utility **Hydro One**, the restructured **Ontario Hydro**. A banker familiar with the matter says the government plans to announce the winner imminently. Officials at Goldman declined to comment and CIBC could not be reached.

SuperBuild, the Ontario agency responsible for the privatization, has retained **UBS Warburg** to advise on the process. **Liz Hamilton**, an advisor of SuperBuild, says it will announce the bank roster shortly.

Hydro One has more than one million customers in its unregulated services businesses and regulated transmission and distribution businesses. The government plans to sell the entire entity and use the proceeds from the IPO to pay down debt incurred by its predecessor, Ontario Hydro.

Citi Lands Top Slot On FPL \$2.5B Revolver

Citibank has landed one of the two lead bookrunner slots on a \$2.5 billion construction revolver for **FPL Energy**. The identity of the other lead could not be determined by press time. The scuttlebutt among project financiers has been that as many as four lenders had landed the lead. But one official says those banks have gone quiet. Some of these may have pulled out because of FPL's tough bargaining stance. "My sense is this issuer still thinks it's three years ago. The company is resisting pricing changes [from when banks were pitching for the deal]," he says. Citi officials declined comment and an FPL Energy spokeswoman was unable to provide comment by press time.

The non-recourse facility will fund at least three plants already under development (PFR, 1/7).

Project finance bankers are eagerly awaiting the credit, not least because of its size in a market bereft of new deals. One official adds the degree of merchant risk is going to take center stage when bankers get down to assessing whether to commit. "If it's completely merchant, it's going to be tough," he says. Another banker tracking the deal says there are some major fundamental structural issues to be sorted out before the deal can launch.

Citi is also currently leading a \$425 million leaseback financing for the unregulated generation arm of Juno Beach, Fla.-based **FPL Group** (PFR, 1/28).

Morgan Banker Joins Scotia

Guy Spaul, managing director of project finance at J.P. Morgan in London, has moved to **Scotia Capital** to spearhead its project finance business. A senior loan market official at J.P. Morgan says Spaul's departure reflects the banks shift away from European power project finance. Large European utilities are increasingly using their balance sheets to fund acquisitions or expansion so it makes less sense to maintain a large dedicated project finance team, he says. However, the banker stresses that Morgan will continue to commit personnel to the market.

Another former **Chase Securities** project finance banker, **Eric Lyons**, left J.P. Morgan last month to join **Dresdner Kleinwort Wasserstein** (PFR, 1/28). All of Chase's project finance team have now left the merged bank, according to one official.

It is unclear who Spaul has replaced as head of Scotia's project finance business. **Bill Curry**, a project financier at Scotia, declined to comment and calls to Spaul and **Terry Fryett**, head of corporate banking, were not returned.

Bear Stearns Analysts Land New Jobs

Bear Stearns' three electric utility analysts—who were handed pink slips last fall after the firm terminated its equity coverage of the sector—have secured new jobs. **Robert Winters**, managing director and head of the power research team, has landed at **Zesiger Capital**, a money management firm in New York. **William Seddon**, research associate, has joined **Concert Energy Partners**, a Big Apple energy startup launched by three former Bear Stearns power bankers. **Robert Francin**, research associate, has joined **Deutsche Bank** as an oil and gas sector analyst.

Conoco Seals Financing

Conoco Global Power (CGP) last month sealed non-recourse financing from **Royal Bank of Scotland** for the construction of a 650 MW gas-fired plant in the U.K., say City project financiers. While neither **Alan White**, a financier at RBoS leading the transaction, nor CGP officials returned calls, bankers say the fully underwritten loan is for some GBP300 million. RBoS is likely looking to launch syndication of the transaction later this month, they add.

CGP will use the proceeds to finance the construction of Immingham, a combined heat and power plant on the northeast coast of England. The site is adjacent to **Conoco's** Humber oil refinery and is the U.S. company's first power plant in the U.K. (PFR, 4/9).

Fuel Cell VC To Seek Utility, IPP Investors

Conduit Ventures, a newly formed venture capital company that will make private equity investments in fuel cell developers, is looking to garner investments from European and North American electric utilities and IPPs, according to **John Butt**, a manager at the fund in London. The company, which hopes to raise up to \$100 million over the next 12 months, will invest in "post seed and up to pre-IPO" fuel cell ventures, he explained. Butt declined to detail the current size of the company's investment portfolio.

Prior to joining the VC start up in June, Butt was a director in the M&A group at **Schroder Salomon Smith Barney** in London. Among the deals he worked on at SSSB are the agreements between **Plug Power** and **Honda** to cooperate on fuel cell development with German chemical company **Celanese**, and the floatation of **Proton Energy Systems**.

Corporate Strategies

Municipal IPP Funds Gas-Fired Projects With Debt

The **Platte River Power Authority** tapped the municipal bond market on Jan. 23 with a \$152 million offering to fund its \$127 million construction of three natural gas-fired projects in Cheyenne, Colo. and repay existing debt. Once on line, the facilities—dubbed Rawhide A, B and C—will have a combined capacity of 243 MW.

Donna DiDonato, a director in **Fitch's** global power group in New York, says the Fort Collins, Colo.-based wholesale power provider plans to use \$66 million of the bond offering proceeds to partly finance the plants, and will fund the remaining \$61 million of construction costs with cash. It will also use funds from the bond sale to pay down \$77.7 million in long-term debt, she says.

A member of the bond syndicate team says the AA-/AA3 rated bond offering has an average interest rate of 4.586%. The deal has 18 tranches, each with separate maturities. The longest-dated tranche matures in June, 2018. **Salomon Smith Barney** underwrote the offering. **UBS PaineWebber** and **A.G. Edwards** acted as co-managers.

Platte River was established in 1973 and provides power to Estes Park, Fort Collins, Loveland and Longmont, four cities in north central Colorado.

Alaskan Co-op Taps Market To Pay Down High-Coupon Debt

Anchorage, Alaska-based **Chugach Electric Association**, the state's largest utility, last week tapped the bond market for \$180 million to allow it to drop higher coupon debt. **Joe Griffith**, cfo, says the funds will take out a \$150 million 9.14% bond series issued in 1991. The redemption premium is \$13.6 million. The new issue is made up of \$120 million of 10-year non-callable paper, paying a coupon of 6.20% and yielding 6.21% at issue, and \$60 million in auction-rate bonds, which have an initial interest rate of 1.97%. The balance of the new funds will be used for general corporate purposes.

J.P. Morgan, the sole underwriter for the issue, won the mandate following a bidding process that was launched two years ago, says Griffith. Chugach has wanted to take out the debt for a while, but held off because it wasn't callable until this year, he explains. So, in the bidding process, Griffith says he was able to see how firms responded to the specific scenario he wanted to tackle. "It was a hard choice, as you can imagine," he adds.

The A+ rated co-op, which has 527 MW of installed capacity and serves the rail-belt region of Alaska, doesn't have any plans to tap the market again for a while.



Latin America

La Rosita Set To Resurface In March

Citibank, **BNP Paribas** and the **Export Development Corp.**, Canada's national credit export agency, will likely wait until March before launching general syndication of **InterGen's** \$533 million project loan for the construction of La Rosita I and II (1,075 MW). The lead arrangers have pushed back the launch date because they fear it could conflict with the retail end of **InterGen's** \$426 million non-recourse loan for the construction of **Magnolia**, says a New York project financier on the deal. The **Magnolia** loan is being syndicated this month (PFR, 1/28).

The financier says nine banks have already signed up in La Rosita's primary syndication with base commitment of \$40 million. He adds the leads expect to sign 10 additional banks during general syndication because of the strong response they had during primary syndication. "Despite the current crisis in Argentina, which has affected much of Latin

America, we managed to have a great deal of success," he says. He would not name the banks or comment on the fees.

Fenosa Selects Banks For Mexican Projects

Spanish utility **Union Fenosa** has selected **Deutsche Bank** and **Bank of Tokyo Mitsubishi** to arrange approximately \$600 million in financing for the construction of two combined-cycle gas turbine plants, dubbed Tuxpan III and IV, with 938 MW in combined output in the state of Vera Cruz, Mexico. Bankers at **Deutsche** and **Bank of Tokyo** did not return calls by press time.

The two projects are scheduled to come on line in 2003 and will sell all of their output to the **Comission Federal de Electricidad**, Mexico's national power company, under a long-term power purchase agreement (PFR, 5/21). The CFE awarded Fenosa the tender to build and operate the two plants for 25 years in October 2000.

Banks To Seal Financing For Brazilian Project

The Inter-American Development Bank, Banco Bilbao Vizcaya Argentaria and Banco Nacional de Desenvolvimento will close \$280 million in financing this month for a 502 MW natural gas-fired power plant in Brazil, dubbed Termopernambuco, says **Roberto Bellutini**, head of project finance at the IDB in Washington.

The plant, located in Brazil's northeastern state of Pernambuco, is being financed with a \$42.4 million loan from the IDB, a \$150 million syndicated loan from BBVA and \$90 million in loans from BNDES.

The Termopernambuco project is being developed by local utility **Compahnia Energetica de Pernambuco**, whose investors include **Iberdrola**, **BB Banco de Investimento**, and **Previ**. It will provide \$121 million in equity financing (PFR, 12/24). Once constructed Iberdrola will operate the plant.

Uruguay Seeks Bids On 400 MW Project

Uruguay's state-run power concern, **National Electric Power Generation and Transmission Administration**, is seeking bids from independent power producers to build, own and operate an approximately \$250-\$300 million 400 MW natural-gas fired plant in the Latin American country, says a New York banker familiar with the matter.

Initial interest from developers has been muted because of Argentina's economic crisis and recent devaluation, says the banker. "A lot of the usual suspects that would normally bid for such a project, like **Endesa** and **Iberdrola**, either took a loss in Argentina or saw others take a loss and are therefore staying away from the region," he says. The lack of enthusiasm for the project is likely to result in the deal taking time to complete. It's unlikely that financing will be in place for another year, he forecasts.

Officials at the Uruguay utility did not return calls.

Latin American Power Financing Calendar

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

Sponsor	Project	Project Type	Size (MW)	Cost (\$mil)	Country	Advisor/Financier	Status	PFR Issue
ABB	Thermo Bahia	Gas-fired	187	205	Brazil	-	IADB is considering financing a portion of the deal	6/4/01
Ceran	-	Hydroelectric	360	111	Brazil	BNDES	Will launch the loan shortly	10/8/01
CFE	Rio Bravo III	Gas-fired	500	250	Mexico	-	Only EDF has bid for the BOO project	6/4/01
Compahnia Energetica de Pernambuco	Termopernambuco	Gas-fired	520	403.5	Brazil	IADB/BBVA/BNDES	Syndication due in Feb.	2/4/02
Corporacion Venezolana de Guyana	Tocoma Dam	Hydroelectric	-	2,100	Venezuela	-	Expects to bring project on line by 2006	6/25/01
Duke Energy International	-	Gas-fired	500	270	Brazil	-	-	4/2/01
El Paso	-	Gas-fired	700	600	Brazil	-	Expects to seal financing shortly	4/2/01
El Paso	-	Gas-fired	200	200	Mexico	-	Expects to bring project on line by 2003	4/16/01
Electricité de France	-	-	4,000	-	Brazil	-	Looking to increase capacity by 800 MW	4/16/01
Endesa	-	Interconnector	-	244	Brazil/Argentina	IDB,BSCH, Credit Agricole	Will syndicate the loan by November	10/8/01
Iberdrola	Vera Cruz	Gas-fired	800	700	Mexico	-	IADB has offered assistance to relaunch the stalled project	6/9/01
Iberdrola, Banco de Brazil, Previ	Termo Pernambuco	Gas-fired	540	350	Brazil	IDB, BBVA	Expects to bring project on line by 2002	3/26/01
Inepar	Usina Termoelectrica de Sepetiba	Coal-fired	1,377	1,000	Brazil	-	-	3/26/01
InterGen	Carioba	Gas-fired	945	670	Brazil	-	Looking at a \$470M non-recourse loan. BNDES likely to lead the deal	4/23/01
InterGen	La Rosita I & II	Gas-fired	1,060	533	Mexico	Citibank, BNP Paribas, EDC, SocGen, KBC, ANZ	Expects to close syndication in February.	1/28/02
PSEG Global	SAESA	Distribution company	N/A	450	Chile	J.P. Morgan	Considering taking out a \$300M loan to fund the acquisition	9/24/01
PSEG Global	Electroandes	Hydroelectric	183	227	Peru	J.P. Morgan	Considering taking out a \$100M loan to fund the acquisition	9/27/01
Sempra Energy Resour	-	Gas-fired	600	350	Mexico	-	Considering a project-level bank loan or bonds	3/5/01
Union Fenosa	La Laguna II	-	450	-	Mexico	-	-	7/2/01
Union Fenosa	Tuxpan III & IV	Gas-fired	938	600	Mexico	Possibly WestLB, First Union & Citi	Expects to bring plant on line by 2003	6/4/01



Middle East & North Africa

Quartet Win Al Hidd Mandate

Bank of Bahrain and Kuwait, BNP Paribas, HSBC and Bank of Tokyo-Mitsubishi have won the mandate to finance the Al Hidd power and water desalination project in Bahrain and hope to close the transaction later this month. Bankers involved in the transaction say the non-recourse loan will be underwritten on a club basis and is unlikely to be syndicated among other banks.

The decision of Bahrain's Ministry of Finance to select the quartet over a rival bid from **Gulf International Bank** and **Citibank** surprised one official uninvolved in the transaction. He notes GIB provided a \$350 million six-month bridge loan to the project last fall at very tight pricing to put it in a strong position to lead the project loan. According to one banker GIB agreed to lend at a spread over 12.5 basis points over LIBOR, while other international lenders were pitching bridge financing at between 15-25 basis points (PFR, 10/8). Calls to **Shahriar Khoshabi**, a banker GIB in Abu Dhabi, and Citi financiers were not returned.

The Bahrain authorities will use the proceeds from the

upcoming \$300 million project loan to expand Al Hidd from a 240 MW, 4.7 million gallon facility to a 750 MW, six million gallons power and water desalination plant.

Salalah Underwriters Ready Bank Meeting

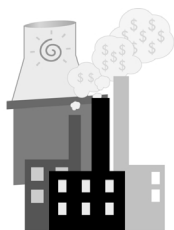
Lead arrangers **BNP Paribas** and **Westdeutsche Landesbank** will hold a bank meeting in London on Feb. 12 to launch syndication of the \$225 million Salalah project loan. A banker close to the transaction says the leads are looking to raise some \$80 million during a one-round syndication effort and are hoping to bring six or seven more banks into the deal. Interested parties must respond by Feb. 22, he adds.

The non-recourse loan is being sponsored by the **Dhofar Power Consortium**, a joint venture between **PSEG Global**, **Shell** and a handful of local contractors. Proceeds will be used to construct a 200 MW natural gas-fired plant at Salalah, a port on the southern coast of Oman. Syndication was originally scheduled to be launched last September, but was put on the back burner following the Sept. 11 terrorist attacks (PFR, 9/17).

Middle East Power Plant Calendar

*Following is a directory of upcoming Middle Eastern power projects. To report new projects, please call **Will Ainger**, Managing Editor, at (44-20) 7303-1735 or email: wainger@euromoneyplc.com*

Sponsor	Project	Type	Size (MW)	Cost (\$mil)	Country	Advisor/Financier	Status
Abu Dhabi Water & Electricity Authority	Um Al Nar	Gas/Desalination	1,750	-	Abu Dhabi	CSFB	Will seek bids from developers shortly (PFR, 1/28).
AES	Ras Lafan	Gas/Desalination	700	572	Qatar	10 lead banks	Has launched retail syndication (PFR, 1/21).
Aramco Gulf Operations	Al Khafi	-	90	100	Saudi Arabia	-	Seven bidders are in the running to build the plants.
CMS & International Power	Al Shuweihat	Gas/Desalination	1,500	1,600	Abu Dhabi	-	Has launched retail syndication (PFR, 1/28).
CMS	Sadaf	Gas	220	-	Saudi Arabia	IBJ	Will syndicate loan shortly (PFR, 9/10).
Egyptian Electricity Authority	Cairo North	Gas	750	500	Egypt	-	Will tap development banks for funding (PFR, 8/6).
Energy & Mineral Resources Ministry	-	Wind	90	-	Jordan	-	Seeking bidders to develop three wind parks.
Gov't of Bahrain	Al Hidd	Gas/Desalination	750	350	Bahrain	BNP, HSBC, BOTM, BBK	Hopes to seal financing this month (see above).
Gov't of Israel	Mishor Rotem	CCGT	350	400	Israel	-	Is seeking advisors (PFR, 7/30).
Israel Electric Corp.	Ashkelon	Coal	1,300	1,200	Israel	-	Has begun talking to banks about financing (PFR, 9/3).
Israel Electric Corp.	Beersheza	Gas/Interconnector	350	250	Israel	-	IEC is seeking banks (PFR, 4/23).
Gov't of Morocco	Tahaddart	CCGT	400	500	Morocco	-	Has selected Siemens and Endesa to build the plant (PFR, 8/6).
Mapna	Parch Sar	CCGT	900	-	Iran	-	Has approached advisors (PFR, 4/29).
PSEG	Salalah	Gas	200	232	Oman	BNP, WestLB	Will launch syndication in Feb. (see above).
Saudi Royal Commission for Jubail & Yanbu	Jubail	Power/Desalination	80	-	Saudi Arabia	-	SRC will award a construction mandate shortly. Six firms have bid (PFR, 2/12).



Generation Auction & Sale Calendar

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

Seller	Plants	Location	MW	Plant Type	Advisor	Status
American Electric Power/ Central and Southwest Corp.	Northeastern units 3 & 4	Okla.	300	Coal	N/A	Reviewing sale strategies.
	Lon C. Hill	Texas	546	Gas		
	Nueces Bay	Texas	559	Gas		
	Ennis S. Joslin	Texas	249	Gas		
ADWEA	Um Al Nar	Abu Dhabi	1,100	Gas & Water Desalination	CSFB	Expected to send out RFPs in December.
Central Hudson Gas & Electric	Syracuse	N.Y.	100	CHP	Navigant	Final bids due by late Nov.
	Beaver falls	N.Y.	100	CHP		
	Niagara falls	N.Y.	52	Coal		
CMS Energy	Loy Yang	Melbourne, Australia	2,000	Coal	Not chosen J.P. Morgan J.P. Morgan J.P. Morgan	Announced intention to sell.
	Ensenada	Argentina	128	Gas-fired		
	CT Mendoza	Argentina	520	Gas-fired		
	El Chocón	Argentina	1,320	Hydroelectric		
DPL	All plants	Ohio	3,500	N/A	Morgan Stanley	
Enel	Eurogen	Italy	7,008	Various	-	Having sold Elettrogen it will sell one of two other generation portfolios shortly.
	Interpower	Italy	2,611	Various	-	
Enron	Bahia Las Minas	Panama	355		PwC (administrator)	Intention to sell.
	Puerto Quetzal	Guatemala	110			
	PQPLLC	Guatemala	124			
	Margarita II	Nicaragua	70.5			
	EcoElectrica	Puerto Rico	507			
	Puerto Plata	Dominican Republic	185			
	Cuiaba	Brazil	480			
	Nowa Sarzyna	Poland	116			
	Sarlux	Italy	551			
	Trakya	Turkey	478			
	Chengdu Cogen	China	284			
	Northern Marianas	Guam	80			
	Bantagas	Philippines	110			
	Dabhol	India	2,184			
	Subic Bay	Philippines	116			
	Teesside	U.K.	1875			
	Wilton	U.K.	154			
IVO Energy	Brigg	U.K.	240	Gas	BNP Paribas	Preparing information memo.
	South Humber	U.K.	1,240	Gas		
	Grangemouth***	U.K.	130	Gas		
	Edenderry	Ireland	120	Peat		
Independent Energy	Various	U.K.	130	N/A	KPMG	KPMG is handling the asset sale after Independent Energy went into receivership.
MARCOR Remediation (A broker acting for an undisclosed seller)	-	Calif.	5.7	Wood	-	-
Niagara Mohawk Power	Nine Mile Point 1	N.Y.	1,614	Nuclear	N/A	Awaiting bids.
	Nine Mile Point 2	N.Y.	1,140	Nuclear	N/A	
North Atlantic Energy	Seabrook*	N.H.	408	Nuclear	N/A	Must be sold by Dec. 2003.
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	-	-
	Ghubratt	Oman	507	CHP		
	Wad Al-Jazzi	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		
	Mississagi River	Ontario	490	Hydro		
Pacific Gas & Electric	68 Plants	Calif.	3,800	Hydro	Morgan Stanley	Awaiting PUC approval. Expect sale to close shortly.
Public Service Co. of New Hampshire (Northeast Utilities)	Merrimack	N.H.	475.8	Coal	J.P. Morgan	Subject to approval for rate settlement by PUC and state legislature.
	Newington	N.H.	415	Oil/gas		
	Schiller	N.H.	146.6	Oil/gas		
	Lost Nation	N.H.	19.1	Diesel		
	Merrimack	N.H.	42.2	Diesel		

Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Public Service Co. of New Hampshire (Northeast Utilities)	Schiller	N.H.	18	Diesel		Subject to approval for rate settlement by PUC and state legislature.
	White Lake	N.H.	23	Diesel		
	Amoskeag	N.H.	17.5	Hydro		
	Ayers Island	N.H.	9.1	Hydro		
	Canaan	Vt.	1.1	Hydro		
	Eastman Falls	N.H.	6.5	Hydro		
	Garvins Falls	N.H.	12.1	Hydro		
	Gorham	N.H.	2.1	Hydro		
	Hoolsett	N.H.	1.95	Hydro		
	Jackman	N.H.	3.55	Hydro		
	Smith	N.H.	14.2	Hydro		
Reliant Resources	Reliant Energy Power	Netherlands	3,476	Mixture	Merrill Lynch	Is looking to seal sale imminently
	Generation Benelux Argener	Argentina	160	CHP	-	-
ScottishPower	Hazelwood	Victoria, Australia	1,600	Coal	CSFB	Final bids due shortly.
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			
	Monticello	Texas	1,900	Coal	Merrill Lynch	Is looking to sell an undisclosed number of its coal assets.
	Martin Lake	Texas	2,250			
	Big Brown	Texas	1,150			
	Sandow	Texas	545			
Wisconsin Energy	Bridgeport	Conn.	1,100 (combined)	-	-	Has put up for sale following collapse of NRG deal.
	New Haven	Conn.	1,100 (combined)			

* North Atlantic Energy owns 34.8% of Seabrook

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

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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

- Germany's two electricity exchanges, **Leipzig Power Exchange** (LPX) and Frankfurt-based **European Electricity Exchange** (EEX), will merge on March 1. The supervisory boards of both exchanges gave the go-ahead for the merger last October in a bid to pool liquidity in Europe's biggest power market (*Dow Jones*, 1/30).
- **Sempra Energy** has bought the London-based metals trading arm of **Enron** for \$145 million. The deal is the third significant disposal to be negotiated in the U.K. since Enron's European operations were put into administration at the end of November. It will give Sempra a dominant role on the **London Metal Exchange** for substantially less than the GBP300 million paid by Enron 18 months ago (*Financial Times*, 1/30).
- **Mirant** is pulling out of European electricity and gas trading and closing its Berlin office. The move is part of plans to reduce capital spending by \$1.5 -2.6 billion this year. **Barney Rush**, European ceo, says the Atlanta-based IPP expects to save \$50 million a year from halting European energy trading (*Financial Times*, 1/31).
- **Daniel Scotto**, fixed-income energy analyst at **BNP Paribas** in New York, says he was forced out of the French securities firm because he told his clients in August that **Enron** securities "should be sold at all costs and sold now." That warning came about two weeks after Enron ceo, **Jeffrey Skilling**, suddenly quit and a couple of months before Enron began the plunge that ended in federal bankruptcy court on Dec. 2 (*Wall Street Journal*, 1/29).
- The **Montana Public Service Commission** has approved the sale of **Montana Power's** utility business to **NorthWestern** for \$1.1 billion. Under the deal, Northwestern will pay \$602 million in cash, and assume \$488 million of Montana Power debt. Montana Power expects the sale to close in 2-4 weeks (*Dow Jones*, 1/29).
- **Williams** is delaying year-end and fourth-quarter earnings reports to allow it to assess obligations to **Williams Communications**, which was spun off last year. The company may be liable for \$1.4 billion of Williams Communications debt, and it may also owe \$750 million in William Communications fiber-optic leases (*WSJ Online*, 1/29).

U.S. & Canada

- More than one-third of the 29 new power plant projects announced in Texas have been shelved or put on ice as electricity prices have declined and financing has dried up. With so many projects canceled or delayed, worries are now emerging about whether Texas will have enough power to meet its future needs (*Houston Chronicle*, 1/27).
- A South Dakota legislative committee has endorsed two routes to providing tax relief on wind generation. One would allow firms erecting wind turbines to stretch construction taxes over five years. The second bill, sent to the full Senate, would refund the 2% contractor's excise tax on power facilities using the wind, sun, geothermal or biomass to make electricity (*Dow Jones*, 1/28).
- **UBS Warburg** hopes to have a renamed **EnronOnline**, the bustling energy-trading system once at the center of **Enron's** empire, back on line in February. "We hope to close the deal in early February. We want to have the operation up and running as soon as possible after that," said UBS Warburg spokesman **David Walker** (*Reuters*, 1/28).
- **Enron** has appointed **Stephen Cooper** as interim ceo and chief restructuring officer. The reorganization expert takes over from **Kenneth Lay**, who resigned following pressure from the company's creditors committee. Cooper is a managing principal at **Zolfo Cooper**, a 20-year-old consulting firm specializing in bankruptcy reorganization. The company is continuing to search for a new chairman (*WSJ Online*, 1/29).
- Nearly 100 **Merrill Lynch** officials invested more than \$16 million of their own money in a partnership the firm was selling for **Enron**. The personal investments were part of a total of \$22 million Merrill and its officials committed to invest in **LJM2 Co-Investment LP**. Among the officials was **Schuyler Tilney**, head of energy investment-banking (*Wall Street Journal*, 1/30).
- The **Federal Energy Regulatory Commission** approved the proposed \$180 million purchase of the 506 MW Vermont Yankee nuclear station by **Entergy**. The agency dismissed concerns the deal would have adverse consumer rate effects and also ruled the transaction wouldn't have any adverse effects on competitive power markets or regulation (*Dow Jones*, 1/30).

Financing Record (JANUARY 24 - JANUARY 31)

Bonds

Date	Maturity	Issuer	Amount	Price	Type of Security	Coupon (%)	Moody's	S&P	Book Manager(s)
01/24/02	01/24/04	Edelnor	8.3	Market	Bonds	6.5	-	-	Continental/Citicorp Peru
01/24/02	02/01/04	SCANA	150	100	MTNs	Floats	A3	A-	UBS /BofA/CSFB/Wachovia
01/24/02	02/01/12	SCANA	250	99.545	MTNs	6.25	A3	A-	UBS /BofA/CSFB/Wachovia
01/24/02	02/01/32	South Carolina Elect & Gas	300	99.201	Fst Mtg Bonds	6.625	A1	A	UBS /BofA/CSFB/Wachovia
01/24/02	02/01/07	Virginia Electric & Power	650	99.559	Senior Notes	5.375	A3	A	CSFB
01/29/02	02/01/12	Vivendi Environnement	215.6	98.824	Fxd/Straight Bd	5.875	A3	BBB	BNP Paribas/NBP
01/29/02	07/01/07	Southern Company Cap Funding	400	99.835	Notes	5.3	A3	A-	GS

M&A

Date Announced	Date Effective	Target Name	Target Country	Acquiror	Acquiror Country	Value (\$mil)
01/25/02	01/25/02	Geosa	Nicaragua	Coastal	U.S.	11.300
01/25/02	-	Stredoslovenske Energeticke	Slovak Rep	Investors	Unknown	-
01/25/02	-	Vychodoslovenske Energeticke	Slovak Rep	Investors	Unknown	-
01/25/02	01/25/02	WindWelt	Germany	Solarworld	Germany	-
01/25/02	-	Zapadoslovenske Energeticke	Slovak Rep	Investors	Unknown	-
01/28/02	-	Enbridge Services	Canada	Centrica N America(Centrica)	Canada	620.800
01/28/02	-	Hofors Energi	Sweden	NYA Birka Energi	Sweden	1.718
01/29/02	-	Kernkraftwerk Leibstadt AG	Switzerland	Aare-Tessin fuer Elektrizitaet	Switzerland	-

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

PROJECT FINANCIERS

(continued from page 1)

blossomed, because it was meant to allow developers to get plant construction out of the way before refinancing the outstanding principal at a lower rate in the bond market. But the bond market currently isn't a place where merchant risk would find many takers. "One thing that could impact the ability to refinance in the bond market is that many of the mini-perm financings do not have ratings," says **Don Kyle**, managing director in syndications at **Société Générale** in New York. "The fact the [forward] power curves have [flattened] means the projection on ratings could change." The expectation of getting an investment-grade rating was one of the assumptions underpinning the planned bond-market take out, he adds.

Pat Kunkel, v.p. project finance at **Erste Bank** in New York, says the issue will come into much sharper focus over the next couple of years. "Mini-perms were hot and heavy in '98-'99 and most were in the five-seven year maturity range." However, he notes that the long lead-in time gives structurers the opportunity to get creative and opportunistic. "A lot can change for the better over the next two years." **Mike Pepe**, head of project finance at **IntesaBci**, agrees. "Investment bankers are brilliant at finding windows in the market," he says, citing the current trend for issuing convertibles.

In addition, says SG's Kyle, many issuers will look to refinance mini-perms ahead of time, or may simply extend the loan.

However, a fault line may appear between the bigger sponsors and the mid-tier players, says **Tom Murray**, director, syndications at **Credit Suisse First Boston**, noting that the big players are not necessarily tied to non-recourse refinancing. A classic example is

Calpine's acquisition of the remaining 50% of two CCGT plants in New England in 2000. The deal was financed with cash and a stock issue, which Calpine used to take out the mini-perm non-recourse financing, says another banker. "Bigger guys have several access to many facets of the capital markets, says Murray."

For smaller players that do get locked into non-recourse financing, extending the loans should be an option, but at a price. But if books get bloated with this sort of credit, then banks risk hitting a saturation of exposure to the sector, which might put the breaks on new business, warns **IntesaBci's** Pepe.

—Peter Thompson

U.K. UTILITY

(continued from page 1)

the sale, reasons **Innogy's** decision to exit the U.S. wind power business may reflect the heavy financial burden of developing the projects.

Innogy's inability last year to float **Regenesys**—a power storage business valued at some GBP1 billion during the power tech boom (PFR, 2/11)—is probably crimping its ability and willingness to invest heavily elsewhere, he argues. The Bush administration's seemingly lukewarm support for renewable energy, may also have encouraged **Innogy** to seek greener pastures. When **NWP** began developing the projects, the Clinton administration was looking for wind power to provide 5% of the country's power needs by 2020.

Calls to **John Wilkinson**, a spokesman at **Innogy** and **Kristina Freris**, a spokeswoman at **NWP**, were not returned. Morgan bankers declined to comment.

—Will Ainger

AIG PLOTS

(continued from page 1)

geographical coverage and whether it will be active in pool trading. "The one thing they do bring is a good balance sheet," says one trader, referring to the triple-A rating of the AIG parent. That could be good for the wider market, as well as AIG, because it might alleviate the skittishness about credit that some counterparties are displaying following the collapse of **Enron**, he adds.

AIG has been out of the market since selling its 90-strong energy trading operations to predecessors of **Sempra Energy**. Along with the \$190 million price tag it pocketed when the deal was completed at the end of 1997, AIG became subject to a non-compete clause. The term of the non-compete ended last January.

One trader estimated that a 15-strong front-end team would be needed to become active across the market.

XCEL ENTERS

(continued from page 1)

company is looking at these options, but declined to elaborate.

Xcel, a utility serving 12 states in the Midwest and Southwest, has a market capitalization of \$9.2 billion. A tie up with TXU would create a \$23 billion behemoth given current stock market valuations. Merging with Entergy or FirstEnergy would create a company with a combined value of \$18 billion or \$21 billion, respectively. Any of the above combinations would create the largest U.S. power utility, as ranked by customers served.

Analysts say the radical moves reflect the downturn in the energy markets, resulting in slower earnings growth, and the need to shore up corporate balance sheets in the wake of the **Enron** collapse.

Ralph DiNicola, a spokesman at FirstEnergy, Carol Peters, a spokeswoman at TXU, and Yolanda Pollard, a spokeswoman at Entergy, declined to comment. Meredith Moore, a spokeswoman at NRG, did not return calls.

David Parker, a utility analyst at Robert W. Baird in Tampa, Fla., says that Xcel has synergies with all three of the targeted companies, but notes that Entergy would be a particularly good fit because of its parallel business model and desire to grow via a merger. "Entergy tried, but failed to complete a \$7.6 billion merger with FPL Group last April, so we know it is looking to get bigger," he says. Parker adds Xcel also has a track record of growing through mergers. The company was formed in August 2000 through the merger of Denver-headquartered **New Century Energies** and Minneapolis-based **Northern States Power**.

Analysts reason that Xcel is seeking a merger offering large synergies, as this would allow it to cut costs and bolster earnings.

Dan Ford, head of utility research at **Lehman Brothers** in New York, noted in a research report last week that the driver for Xcel's performance in prior years has been merger synergies and strong profit contributions from NRG. However, the collapse of the IPP sector in the past two months has turned NRG into a drag on earnings rather than a fillip. Fearing this, **Fitch** placed Xcel on negative watch in December in anticipation that NRG would require further funding from its parent.

In December Xcel agreed to invest \$300 million of equity capital in NRG to strengthen its balance sheet amid heightened scrutiny from the rating agencies.

The move to re-acquire NRG follows a similar initiative from **UtiliCorp**. Last month it repurchased the 20% of its IPP affiliate, **Aquila**, which is sold via an IPO.

—Amanda Levin Arnold

Calendar

The New York Society of Security Analysts is sponsoring a presentation by the **Edison Electric Institute** in New York City on Feb. 6 at the **City Athletic Club**. Speakers include EEI executives **Thomas Kuhn**, president, and **David Owens**, executive v.p. For more information call 202-508-5496.

Quote Of The Week

"Investment bankers are brilliant at finding windows in the market." —Mike Pepe, head of project finance at **IntesaBci**, commenting of the likely ability of banks to refinance the glut of mini-perms that are coming to maturity (see story, page 1).

One Year Ago In Power Finance & Risk

Greene Point Development, a subsidiary of **Central Hudson Energy Services** in Poughkeepsie, N.Y., was on the hunt for generation assets in the New England, New York, Pennsylvania, New Jersey and Maryland markets. **Lincoln Bleavens**, v.p., estimated the company could invest over \$200 million in generation acquisitions in the next three years. [Alan Page, president of **Greenpoint Development** and **CH Energy Group**, says it decided to abandon its acquisition plans because it believed the generation market in the Northeast would be depressed for some time. It signed a definitive contract last December with **WPS Power Development**, a wholly-owned subsidiary of **WPS Resources**, to unload its generation portfolio for \$61 million. It sold two 100 MW combined-cycle plants in Beaver Falls, and Syracuse, N.Y., as well as a 50 MW coal-fired plant at Niagara Falls. Instead, Page says the company has decided to focus on its retail oil supply and natural gas businesses.]