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Duke Weighs JV For DENA

Duke Energy will decide by the end of the year whether to form a joint venture partnership for **Duke Energy North America**, grow the business organically or sell the assets, says CEO **Paul Anderson.**

See story, page 7

M&A Biggies At Lazard, Barclays Quit

Dennis Mahoney, director of M&A for the power group at **Barclays Capital** in New York, has left the firm. Separately, **Peter Marquis**, v.p. of M&A for **Lazard Frères & Co.**, has left to pursue other interests.

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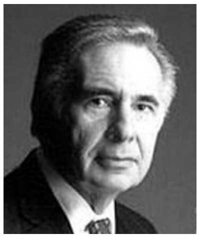
ICAHN, FRANKLIN FORCE TECO AFFILIATES INTO CHAPTER 11



Carl Icahn

Objections by **Icahn Associates Corp.** and **Franklin Mutual Series** to an out-of-court reorganization for **Teco Panda** forced the lenders to pursue a Chapter 11 restructuring for the power-project plants. Teco had proposed an out-of-court restructuring but required 100% approval from the 40-member syndicate. Icahn, with approximately $19 million and Franklin with $24.6 million, hold 10% principal of the project debt.

(continued on page 7)

King Coal

PLAYERS FIRE UP U.S. COAL TRADING EFFORTS

Banks, power companies and hedge funds are gearing up to take advantage of the financially-settled coal derivatives market. Major players, including **Merrill Lynch**, **Goldman Sachs** and **Sempra Commodities**, are boosting their resources.

Steve Nesis, a managing director who heads **Evolution Markets**' coal desk in White Plains, N.Y., says financially-settled trading volumes could easily quadruple this year. "The new players entering the market are interested in financials." Last year financially-settled trades accounted for around three million tons of coal, less than 2% of the U.S. market

(continued on page 8)

MACQUARIE, PARTNER SCOPE VANCOUVER PLANT FUNDING

Duke Point Power Limited Partnership, a joint venture between **Macquarie Essential Assets Partnership** and **Pristine Power**, a Calgary-based power project developer, will seek project debt to partially fund the $280 million, 252 MW Duke Point gas-fired plant on Vancouver Island, British Columbia. **Alina Osorio**, head of the Macquarie Essential Assets, says the JV is having discussions with several banks to underwrite the debt portion and hopes to have the financing in place by the end of the month. She declined to offer details

(continued on page 8)

Rare Bird

CHENIERE JUICES UP SABINE LNG LOAN LEVERAGE

Cheniere Energy is jacking up leverage on the financing for its liquefied natural gas facility in Sabine Pass, La., a move that underscores the heavy demand among banks looking for a piece of the originally pitched $750 million loan. Increasing the amount of debt is a rare move for non-recourse deals, notes **Pat Kunkel**, director at **Erste Bank**, who was unable to recall the last time this happened. He adds shifting debt between tranches and decreasing spread mid-syndication are more commonplace. David Castaneda, spokesman at Cheniere

(continued on page 8)

Barclays Power M&A Boss Departs

Dennis Mahoney, director and head of power mergers and acquisitions at **Barclays Capital** in New York, has left the firm. The reason for his departure could not be ascertained. Calls to **Mike Brennan**, managing director, were not returned. A call to Mahoney's corporate cell phone indicated it had been disconnected and a secretary fielding calls at his office says he left two weeks ago. It could not be determined whether Mahoney has or will be replaced.

Mahoney joined Barclays in 2002 as the firm looked to build up its power sector advisory business with hires from rival banks, including **JPMorgan Chase** (PFR, 3/11/02). He reported to Brennan. Barclays decided to ramp up its power group after seeing new opportunities to advise on acquisitions as sector restructuring heated up, bankers say.

FirstEnergy Plots $244M Loan Refinancing

FirstEnergy is looking to arrange two loans totaling $244 million, via lead banks **Barclays Capital** and **Union Bank of California**, for subsidiaries **Cleveland Electric Illuminating Company** and 800 MW nuclear plant **Beaver Valley Power Station**. The Akron, Ohio, company is seeking a $195 million letter of credit for Cleveland Illuminating and a $49 million loan for the nuclear facility, one banker says. The debt will provide credit support for the units and, specific to Beaver Valley, offers a backstop to a similar amount in tax-exempt pollution-control bonds. The leads are pitching five-year maturities, both carrying pricing of LIBOR plus 100 basis points. Commitments are due next Tuesday. **Richard Marsh**, cfo at First Energy, did not return repeated calls while bank officials involved declined to comment.

Lazard I-Banker Quits

Peter Marquis has left **Lazard Fréres** as v.p. of power sector mergers and acquisitions in New York after three years with the firm. One official, who has spoken directly with Marquis, says he wanted to take a break from the hustle and bustle of M&A and might be contemplating a career switch. "You may see him again in corporate banking but I doubt it," says the source. Additional details could not be ascertained. **George Bilicic**, managing director and head of the global energy and power group at Lazard, declined to comment. Marquis, who left late last month, could not be reached.

Marquis was developing a strong track record at the bank and was poised to become a managing director by the year-end, says the official. Lazard does not plan to search externally for candidates to replace Marquis because its energy team is sufficiently staffed and can assume Marquis' workload.

Lazard hired Marquis in 2002 to fill a new position covering power M&A (PFR, 4/22/02). He was formerly v.p. in the global power and utilities group at **Morgan Stanley** in New York.

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Do you have questions, comments or criticisms about a story that appeared in *PFR*? Should we be covering more or less of a given area? We welcome your feedback. Feel free to contact **Mark DeCambre**, managing editor, at 212-224-3293 or mdecambre@iinews.com.

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Institutional Investor NEWS
INTELLIGENCE FIRST

Conn. Utility To Retool LNG Debt

Yankee Gas Services Company, a utility subsidiary of **Northeast Utilities**, plans to refinance about $108 million of commercial paper used to fund an LNG storage facility under construction in Waterbury, Conn. Yankee Gas hopes to convert the paper to long-term debt by mid-summer, pending approval from state regulators, says **Patricia Cosgel**, assistant treasurer in Berlin, Conn. Details of the long-term debt have yet to be determined, Cosgel says. Yankee Gas has not yet selected banks to lead the deal.

The project site, which Yankee Gas has owned for several years, was chosen based on its proximity to interstate pipelines and highways for truck deliveries.

Yankee Gas decided to develop the LNG project to address Connecticut's gas supply needs and mitigate energy price volatility. It broke ground late last month after receiving regulatory approval, and the storage tank is expected to be completed by winter 2007.

Cleco Preps Revolvers Revamp


Kathleen Nolen

Cleco Corp. is planning to rework two unsecured credit facilities totaling $275 million arranged last April. The Pineville, La., holding company obtained a three-year $150 million line and, via its subsidiary **Cleco Power**, a $125 million 364-day revolver but believes that it could net lower pricing in today's market while extending the tenor, says **Kathleen Nolen**, treasurer. Terms of the new credit line have yet to be worked out but the company is discussing details with leads **Bank of New York**, **JPMorgan Chase** and **WestLB**. It hopes to have a new line in place in the next few months.

Cleco Power's short-dated line bears pricing of LIBOR plus 100 and expires in April while the holding company's revolver is priced at LIBOR plus 165. Officials at WestLB declined to comment. Calls to JPMorgan Chase and BoNY were directed to spokesmen who were unable to comment.

In The Grid

Helaba Plugs Back Into North American Financing

After a more than yearlong hiatus, **Helaba** has decided to jump back into the U.S. project financing market. The German landesbank has decided the merchant overdevelopment of the past two or three years has abated sufficiently to warrant a reentry, says **Erica Egan**, v.p. in New York. The bank, which is said to be eyeing **Cheniere Energy**'s Sabine Pass liquefied natural gas terminal financing, is moving gingerly and has not set a quota for the number of projects. "We like to evaluate each opportunity on its face value," she adds. She declined to disclose specific deals.

Helaba's exodus from the project circuit resulted in the departure of industry veteran **Didi Lacher**, senior v.p. and head of the group, as well as **John Gregory**, v.p. on the new business side (PFR, 12/15/03). **David Leech**, v.p. and current head of the group, was out of town and unavailable for comment.

Previously, Helaba focused on power projects and gas pipelines but it is looking to broaden its scope to include oil, gas, coal and LNG, says Egan, citing an increase in commodity prices as a catalyst. The lender will be eyeing deals specifically on contracted projects that provide a greater a certainty of cash flow, she says.

Debt Line

Neptune Financing Inches Toward Close

Neptune Regional Electric Transmission is close to wrapping up a project loan to finance the construction of a $600 million, 600 MW undersea transmission cable between New Jersey and Long Island. Bankers say the Pittsfield, Maine, operation is garnering thin pricing due to the paucity of quality project deals in play. One financer tracking the development places pricing in the 125-150 basis point ballpark but declined to give specifics or detail the loan's structure. Neptune is looking for debt representing about 70-80% of the project price tag.

Christopher Hocker, v.p. of planning at Neptune, reached on his cell phone, says the company is still hammering out terms. "Nothing definitive has been done in terms of structure," he says. "Our target is to have the debt in place and to start construction in late spring," he adds. Completion is set for June 2007. **Roger Bredder**, head of project finance at **Société Générale** in New York, which is leading the debt, did not return calls for comment.

Supporting the construction of the 67-mile line is **Long Island Power Authority**'s plan to tap into all or a portion of the transmission line but a contract has not yet been finalized.

Sprott Considers Energy Fund

Sprott Asset Management, one of the largest players in the Canadian hedge fund space, is considering developing a long/short energy fund. The Toronto-based firm, which manages $1.7 billion across hedge and mutual funds, already runs a long-only energy fund with over $265 million in assets, says **James Fox**, v.p. of sales.

Sprott launched a long/short gold fund in Dec. 2003, having already been running a long-only version of this strategy; this could potentially be the template for developing an energy long/short fund. "Once you have the infrastructure in place, it's a case of determining if the area is one where you can add value with a long/short structure," says Fox, stressing that the decision to prepare such a vehicle has not been made. The firm already makes energy plays in its broader long/short equity fund, which makes large sector-calls and is overweight energy, he adds.

Corporate Strategies

Brascan Preps Funding For Power Plays

Brascan Power Corporation has issued $50 million of unsecured bonds, slating the proceeds for future purchases. **Donald Tremblay**, v.p. and cfo at Brascan, says investments have not been specifically identified but adds the Gatineau, Quebec-based hydroelectric company wants to have cash on hand as opportunities emerge. It is heavily reliant on project finance and uses unsecured bond offerings serving as a secondary financing strategy, he notes.

The bonds, which carry a coupon of 4.65 % and mature Dec.16, 2009, were underwritten by **RBC Capital Markets**, **CIBC World Markets**, **TD Securities**, **Scotia Capital**, **BMO Nesbitt Burns** and **HSBC Securities**. The offering is rated BBB by **Dominion Bond Rating Service** and BBB by **Standard & Poor's** and is guaranteed by parent **Brascan Power Inc**.

Recent purchases for Brascan Power include $250 million deal to acquire six plants in Brazil. The power producer is also expanding heavily in New England announcing six acquisitions located in Connecticut, Maine, Massachusetts and Pennsylvania in the past seven weeks including a 15.4 MW on the Kennebec River in Winslow, Maine for $12 million. Tremblay says the moves plays logically into the company's overall investment strategy given that it already has a stronghold in the Northeast and Canada.

El Paso Preps Euro Bond Repurchase

El Paso Corp. plans to buy back up to EUR550 million ($700 million) of notes due 2006, most likely as part of a long-term effort to reduce high-cost debt incurred during the market turmoil of 2001, says one analyst, declining to be identified. **Kim Wallace**, a spokeswoman for El Paso, did not return calls for comment.

The five-year notes, which carry a 5.75% coupon, totaled EUR550 million and were issued to fund pipeline infrastructure. El Paso intends to repurchase the notes, which were rated Caa by **Moody's Investors Service** and CCC+ by **Standard & Poor's**, at 15 to 35 basis points over the German OBL 137 bond.

HypoVereinsbank and **SG Corporate and Investment Banking**, which led the original debt offering, will also lead the redemption. **BNP Paribas** and **Citigroup** will act as tender agents. Bondholders will be able to tender their notes until Feb. 25.

The bond issue, which was launched in 2001, was unique in that it tapped the European debt markets instead of the U.S. market, says the analyst. "I think this was a case of them looking to obtain debt wherever they could find it," says the analyst.

Alliant Wipes Out $100M In Bonds

Alliant Energy Resources has redeemed $100 million of unsecured notes due 2009 as part of a long-term debt reduction plan. The Madison, Wis.-based holding company decided to redeem the notes because they represented a significant amount of high-rate debt it wanted to wipe out, says **Eliot Protsch**, cfo. He declined to say whether the notes would be replaced with lower-rated securities down the road.

The notes, which carry a 7.38% coupon, were issued five years ago to repay commercial paper associated with investments in non-utility assets. Alliant's investments in such ventures totaled $1.4 billion between 1999 and 2001. Under pressure from regulators and ratings agencies, it also has jettisoned many of its non-regulated assets, including gas marketing and energy management services businesses after the fall of **Enron Corp**.

Alliant, which conducted the redemption in house rather than using a bank, redeemed the notes at par or make-whole plus 20 basis points. As of early last week, the notes were trading at 112.65. Originally, they were issued as part of a $250 million series, of which $150 million remains outstanding.

Calgary Investment Trust Bags $225M Revolver

Calgary, Alberta-based **Viking Energy Royalty Trust** obtained a C$225 million credit facility, consolidating two existing credit lines resulting from its merger with **Calpine Natural Gas Trust**. Viking and Calpine had, respectively, C$170 million and C$100 million facilities and combining meant cheaper overall cost of funds, says **John Zahary**, ceo. He was unwilling to disclose details about the current or previous pricings other than to say it is lower. "We're still comparing the three different facilities," he says.

Canadian Imperial Bank of Commerce is lead arranger and **Bank of Nova Scotia** is syndication agent. Zahary says Viking has dealt with both lenders in the past and selected them because of their familiarity with the day-to-day operations of the trust. Snaring the most attractive pricing also factored into the selection process, he adds.

Viking was given C$25 million as an operating credit facility and another C$145 million extendable revolving term credit facility that was ramped up to C$200 million when the Calpine deal closed last Tuesday. The line matures June 30, 2005 and the company has annual extension options.

Viking has repaid C$30 million of its previous credit facilities and approximately C$70 million was used to pay down existing Calpine revolvers.

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 **Mark DeCambre**, managing editor, at (212) 224-3293 or e-mail mdecambre@iinews.com.*

Seller	Plants	Location	MW	Plant Type	Advisor	Status
AES	Wolf Hollow	Texas	730	Gas	N/A	Transferred to KBC-led creditor group.
	Termomamonal	Colombia	90	Gas	None	Ongoing.
	Ottana	Italy	140	Gas		
Allegheny Energy Supply	Armstrong	Penn.	356	Coal	J.P. Morgan	Ongoing.
	Hatfield	Penn.	1,600 (75%)	Coal	Citibank	
	Mitchell	Penn.	442	Coal	J.P. Morgan	
Aquila	Racoon Creek	Ill.	340	Gas	Not chosen	Intention To Sell.
	Goose Creek	Ill.	340	Gas		
	Crossroads	Miss.	340	Gas		
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention To Sell.
Black Hills Energy	Pepperell	Mass.	40	Gas	-	Intention To Sell.
BNP -led bank group	Mystic River 7	Mass.	560	Oil/Gas	Lazard	Ongoing.
(Exelon developed plants)	Mystic River 8	Mass.	832	Gas		
	Mystic River 9	Mass.	832	Gas		
	Fore River	Mass.	832	Gas		
Citi & SocGen-led creditor group	Union	Ark.	2,200	Gas	Goldman	Ongoing.
(TECO Energy developed plants)	Gila River	Ariz.	2,300	Gas		
CMS Energy	Ensenada	Argentina	128	Gas	Not chosen	Announced Intention To Sell.
	CT Mendoza	Argentina	520	Gas	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydro	J.P. Morgan	
Citi-led bank group	Lake Road	Conn.	840	Gas	Lehman Bros.	Cargill Bought Dept Portion. (PFR, 12/27)
(NEG developed plants)	La Paloma	Calif.	1,121	Gas	Lehman Bros.	
Delta Power	Lowell Power	Mass.	82	Gas	None	Actively Pursuing A Sale.
El Paso Europe	Enfield	U.K.	396 (25%)	Gas	None	Ongoing.
	EMA Power	Hungary	70	Coal		
	Kladna	Czech Rep.	350	Coal		
El Paso North America	Berkshire	Mass.	261 (56.41%)	Gas		Final Bids Due.
(Merchant assets)	CDECCA	Conn.	62	Gas		
	Eagle Point	N.J.	233	Gas		
	Fulton	N.Y.	45	Gas		
	Pawtucket	R.I.	67	Gas		
	Rensselaer	N.Y.	79	Gas		
	San Joaquin	Calif	48	Gas		
EnCana	Cavalier	Alberta	106	Gas	HSBC	Launched Sale In April. Looking To
	Balzac	Alberta	106	Gas	HSBC	Exit Generation Business.
	Kingston	Ontario	110 (25%)	Gas	HSBC	
Energy Investors Fund	Multitrade	Va.	79.5 (60%)	Biomass	None	Intention To Sell.
	Crockett	Calif.	240 (24%)	Gas		
Entergy Asset Management	Robert Ritchie	Ark.	544	Gas/oil	None	Ongoing.
	Warren Power	Miss.	314	Gas		
	RS Cogen	La.	425 (49%)	CHP		
	Harrison County	Texas	550 (70%)	Gas		
EPRL	Glanford	U.K.	14	Poultry Litter	Rothschild	Ongoing.
	Thetford	U.K.	39	Poultry Litter		
	Ely	U.K.	13	Poultry Litter		
	Westfield	U.K.	10	Poultry Litter		
	Elean	U.K.	38	Straw		

Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Ernst & Young Corporate Finance	Bear Swamp	Mass.	599	Hydro	E&Y	Exploring Sale.
HSBC-led creditor group	Attala	Miss.	526	Gas	HSBC	Ongoing.
InterGen	Larkspur Energy	Calif.	90	Gas	Citi	Ongoing.
	Indigo	Calif.	135	Gas	Citi	
	El Bajio	Mexico	600 (50%)	Gas	N/A	
KBC-led creditor group	Milford	Conn	542	Gas	Lazard	Ongoing.
Mirant	Shady Hills	Fla.	474	Gas	BofA	Ongoing.
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538	Gas		
	Wichita Falls	Texas	77	Gas		
Morrow Power	Boardman	Ore.	28	Gas	Marathon Capital	Evaluating Bids.
Nations Energy	Bayport	Texas	80	N/A		Considering Liquidation.
	Mungo Junction	Ohio	32			
	Southbridge	Mass.	7			
National Energy Gas & Transmission (USGen New England)	Salem Harbor	Mass.	745	Coal/Oil	Lazard	Dominion Has It Under Contract.
	Brayton Point	Mass.	1,599	Coal		
	Manchester St.	R.I.	495	Gas		
	Connecticut River	N.H.	479	Hydro		
	Deerfield River	Mass.	89	Hydro		
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	-
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Reliant Energy	Carr Street	N.Y.	95	Oil	Goldman	Ongoing.
	Astoria	N.Y.	1,276	Gas		
	Gowanus	N.Y.	549	Gas		
	Narrows	N.Y.	281	Gas		
Royal Ductch /Shell Group	La Rosita	Mexico	1,100		Citigroup	Closing In OnBuyer.
	Redbud	Okla	1,220			
	Cottonwood	Texas	1,235			
	Magnolia	Miss.	900			
	Bajio	Mexico	600			
	Termocali	Columbia	235			
	Rocksavage	U.K.	748			
	Spalding	U.K.	860			
	Coryton	U.K.	732			
	Rjinmond	Netherlands	820			
	Knapsack	Germany	790			
	Catadau	Spain	1,200			
	Meizhou	China	724			
	Island Power	Singapore	750			
	Quezon	Philippines	460			
	Callide C	Australia	920			
	Millmerran	Australia	880			
SG-led bank group (NEG developed plants)	Athens	N.Y.	1,080	Gas	Blackstone	Assessing Bids.
	Covert	Mich.	1,170	Gas		
	Harquahala	Ariz.	1,092	Gas		
	Millennium	Mass.	360	Gas		
STEAG	Iskenderun	Turkey	1,320	Gas	Morgan Stanley	Ongoing.
	Dell Power Station	Ark.	540	Gas		
	McAdams Power Station	La.	599	Gas		
Tractebel North America	Chehalis	Wash.	520	Gas	N/A	Looking To Sell Or Swap.
United Utilities	Landfill Generation Portolio	U.K.	50 MW	Landfill	RBC Capital Markets	Set To Launch Sale In May.

Duke Eyes JV, Or Sale For DENA

As **Duke Energy** plots a sale of its massive **Duke Energy North America** assets, company officials say the Charlotte-based generation company also has feelers out for a joint venture partnership. CEO **Paul Anderson**, speaking during an analyst conference call last week, declined to comment on the news—first reported in last week's *PFR*—that it is planning to divest DENA and has tapped **Credit Suisse First Boston** and **Goldman Sachs** to lead the sale. But, he did say it is pursuing the idea of a JV and is in discussions with unnamed industry players. Anderson says Duke is giving itself until yearend to find a match.

In response to a question, Anderson indicated that Duke will consider selling DENA if plans for a JV do not prove viable or if DENA cannot be made profitable without a JV. "My goal for the year is to either come up with a transaction and implementation plan that is approved by the board or to come up with a plan for DENA organically that at least produces a break even for 2006," he said.

Julie Dill, v.p. of investor and shareholder relations, says Duke expects a segment earnings before interest and tax loss of $150 million for DENA in 2005 if a transaction does not occur. Dill was speaking on behalf of CFO **David Hauser**, who was ill at the time. Through a JV, Duke could diversify DENA's generation assets and spread overhead costs across more facilities, she explains. Direct calls to Anderson were directed to a spokesman.

ICAHN, FRANKLIN

(continued from page 1)

Carl Icahn did not return calls and **Mike Embler**, v.p. of the distressed-investment group at **Franklin Mutual Advisors** declined comment.

"Apparently the primary issues were ownership limitations on the plant," a source familiar with the situation said, adding the two lenders "wanted to buy as much as they wanted." There were other issues with voting limitations and the post-restructuring debt. "The plan values the two plants at $1.1 billion, while the plan then saddles them with a face amount of at least $1.3 billion in debt and that on its base is just a non-starter," he noted. The pricing on that debt was another issue for the two holdouts, a source close to the situation said. Another lender added that **Citigroup**, the agent, put limitations on ownership of more than 20% of the debt and attempted to put in place a poison pill provision that the two lenders were opposed to. A banker at Citi declined to comment.

Teco paper is part of a larger bank financing that was put in place during the summer of 2001 to support the construction and operation of the Union and Gila River plants. Last month the **Federal Energy Regulatory Commission** granted consent for the transfer of ownerships of the plants to the lenders.

Interest on the name, which is quoted at 66-68, is likely to continue. "Part of what's propping the interest is that there are continuing good indications that the Gila plant has pretty good fundamentals and the story for the Unions plants has been regulatory reform in the Entergy region," said **Stephen Moyer**, director of research at Beverly Hills investment bank **Imperial Capital**. "The bankruptcy is a double-edged sword," said Moyer. "On the one hand it releases one level of uncertainty, but [on the other] some institutions are adverse to holding positions in a bankruptcy situation," he noted.

Joff Mitchell a managing director at **Kroll Zolfo Cooper** and future ceo of the two plants when they emerge from bankruptcy, referred calls to Citi.

—Michelle Sierra Laffitte & Mark DeCambre

Financing Record (FEBRUARY 5)

Debt

Issue Date	Issuer	Business Description	Amount ($ Mil)	Coupon (%)	Type of Security	Maturity	Offer Price	Offer Yield To Maturity (%)	Spread	S&P	Moody Rating	Fitch Rating
2/2/05	Detroit Edison Co (DTE Energy)	Electric and gas utility	200	4.8	Fst Mtg Bonds	2/15/15	99.66	4.843	68	BBB+	A3	BBB+
2/2/05	Detroit Edison Co (DTE Energy)	Electric and gas utility	200	5.45	Fst Mtg Bonds	2/15/35	99.58	5.478	87	BBB+	A3	BBB+

M&A

Date Announced	Date Effective	Target Name	Target Nation	Acquiror Name	Acquiror Nation	Rank Value of Deal ($Mil)
1/28/05	1/28/05	Energie Baden-Wuerttemberg AG	Germany	Investor Group	France	
1/28/05		Wenshan Malutang Power	China	Wenshan Zhenxing Resources	China	1.808
1/31/05	1/31/05	Bear Brook Village Water	United States	Aqua New Jersey Inc	United States	0.175
1/31/05		Fukushima Pref-4 Power Plants	Japan	Tousei Kougyo Co Inc	Japan	28.621
2/1/05	2/1/05	Endesa Italia	Italy	ASM Brescia SpA	Italy	207.979
2/1/05	2/1/05	NNG Financial Corp-Solar(3)	United States	Investor Group	United States	3
2/1/05	2/1/05	Prevalent Power Inc	United States	Empyrean Holdings Inc	United States	
2/1/05	2/1/05	SEGS-30 MW Assets(5)	United States	Investor Group	United States	

MACQUARIE

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before the financing is wrapped or name the banks involved.

The plant will provide power to the **British Columbia Hydro and Power Authority** for distribution throughout Vancouver Island. BC Hydro decided to seek proposals for generation projects from private companies after the **British Columbia Utilities Commission** struck down an earlier 265 MW gas-fired project proposed by the authority, ruling that the $370 million plant was not cost effective. The JV, which was selected in November from among 11 bidders, expects to complete the project in May 2007.

The Macquarie Essential Assets Partnership, an energy fund launched by Toronto-based **Macquarie North America** in 2003, closed in May with $372 million in cash. The vehicle has been active in transmission companies, mostly notably buying *a 36% stake* in Ann Arbor, Mich.-based **Michigan Electric Transmission Company**. Prior to the Duke Point project, the fund's capital commitments totaled about $92 million. *—Christine Burma*

PLAYERS FIRE UP

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volume, according to the brokerage's estimates. "We have nearly matched that volume in the first month of 2005," he says, adding price volatility is the biggest driver of the growing market.

Tom Hiemstra, v.p. in the coal services group at Evolution in New York, explains demand for coal has risen because it was cheap relative to other energy commodities, but supply has not, leading to a tremendous surge in price. Hedge funds have entered the market because of the arbitrage opportunities, he says. He adds some energy companies used to hedge on the physical side with long terms contracts and have been prevented from doing so because of deregulation. They are now hedging their exposure from a financial standpoint, he explains. Banks are being brought more coal financing projects because the demand for coal has increased and they are looking to hedge their exposure, he says.

Last month, Merrill hired **Matt Schicke**, previously with Detroit-based **DTE Coal Services**, to build up a Houston coal trading desk. Schicke confirms his arrival, but referred further questions to a spokeswoman who declined to elaborate. **J. Aron**, the commodities trading arm of Goldman Sachs, is looking for a dedicated U.S. coal trader, according to an official. **John Bertuzzi**, a managing director on Goldman Sachs' energy desk in New York, declined comment. Sempra Commodities, a Stamford, Conn.-based subsidiary of **Sempra Energy**, recently hired its first a coal trader, but a spokeswoman declined to explain the company's plans. *—Kristel Halter*

CHENIERE

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in Houston, declined to comment.

The debt will now represent about 80% of the funding, up from 75%, according to observers. Some 50 banks are interested in getting in on the project deal (PFR, 1/24).

Kunkel says he doubts many of the interested parties will be deterred by the slightly riskier move and can see other sponsors with similar strong contracts aping Cheniere.

Lenders will most likely grin and bear it because there are few similar deals headed to the market and a bevy of project lenders jostling to find fresh business, according to an industry official. A relatively small developer, Cheniere is capitalizing on this.. "It's a very borrower friendly market," Kunkel says.

Leads **HSBC** and **Société Générale** are pitching a 10-year loan with pricing in the sub-LIBOR plus 150 basis-point range, decreasing to LIBOR plus 125 through the life of the debt. **Mike Whalen**, lead banker on the deal at HSBC, declined to comment and **Roger Bredder**, head of project finance at SocGen, did not return calls. *—Raquel Pichardo*

Quote Of The Week

"It's a very borrower friendly market."—**Pat Kunkel**, director at **Erste Bank**, *explaining why **Cheniere Energy** was able to boost leverage in mid-syndication on a loan for its Sabine Pass liquefied natural gas terminal in Sabine, La. (see story, page 1).*

One Year Ago In Power Finance & Risk

Rumors were floating among market watchers that Dallas-based **TXU Corp** was set to appoint **Greg Brenneman**, former ceo of **PwC Consulting**, and before that, coo of Houston-based **Continental Airlines** as its new chief executive. [The company ultimately tapped **John Wilder**, former executive v.p. and cfo of **Entergy**, in late February.]