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Web Exclusive

Morgan Stanley is thought to be negotiating a stand-still agreement with **UBS** to stem an exodus of oil and gas bankers to the Swiss bank's Houston office.

For the full story go to *PFR*'s Web site (www.iipower.com)

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DELTA POWER, MORGAN STANLEY FUND SET TO BUY BROOKLYN NAVY YARD

Edison Mission Energy is set to sell its 50% interest in the 315 MW Brooklyn Navy Yard Cogeneration Plant to Delta Power and its private equity backer, **Morgan Stanley Dean Witter Capital Investors**. **Dean Vanech**, president of Delta Power in Morristown, N.J., says he expects the deal to close next month, pending approval from the **Federal Energy Regulatory Commission**. A former bidder estimates the likely price tag will be some $650 million, including the assumption of roughly $600 million in debt. Vanech

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BEAR STEARNS, ARCLIGHT SEEN TARGETING AEP'S QF PORTFOLIO

Bear Stearns, **ArcLight Capital Partners**, **AIG Highstar Generation** and **Fortistar** are believed to be among bidders hoping to acquire **American Electric Power**'s ownership in a quartet of qualifying facilities. AEP put its ownership stakes in the four plants up for sale last fall and hired **Credit Suisse First Boston** to advise (PFR, 10/13). Calls to CSFB, ArcLight, AIG and Bear Stearns were not returned. **Mark Comora**, president of Fortistar in White Plains, N.Y., says the firm does not comment on pending

(continued on page 12)

ARCLIGHT SETS SIGHTS ON ITALIAN PLANTS

ArcLight Capital Partners is in talks to make its second acquisition in Europe. The Boston-based energy-focused private equity firm is in negotiations with Italian white goods giant **Merloni Elettrodomestici** about acquiring a pair of 150 MW cogeneration plants in the Campania and Emilia Romagna regions of Italy. At the tail end of last year ArcLight acquired a 103 MW gas-fired combined heat and power plant in northwest France from **Duke Energy International** (PFR, 12/15). *PFR* was unable to ascertain a likely sale price for

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<u>The Long Haul</u>

CREDITORS PREPARE TO TAKE CONTROL OF TECO PLANTS; SALE PROSPECTS DIM

Lenders, which last week agreed to take ownership of **TECO Energy**'s $2 billion Gila River and Union facilities, believe the prospects of selling the merchant power plants look bleak and anticipate retaining ownership well into next year or possibly longer. A major hurdle to any sale, say lenders, is the apparent unwillingness of regulators to allow utilities—which are the most likely buyers—to fold distressed assets into their rate base.

"We're calling around to see if anyone is interested," says a lender. "But that doesn't mean we plan on having a formal auction or hiring an investment bank."

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At Press Time

El Paso Looks To Offload Cedar Brakes Contracts

El Paso Corp. is reportedly looking to sell its Cedar Brakes I & II power plant offtake contracts, ground-breaking deals that were the first of their kind to use the public bond markets to securitize power purchase agreements. "My sense is that they don't want to be in any aspect of the generation business anymore," notes a hedge fund trader. **Mel Scott**, spokesman at El Paso, declined to comment.

According to company filings, Cedar Brakes I has a net book value of $126 million and carries $297 million of non-recourse debt. The contract is forecast to earn $25 million before interest and taxes for the past year. Cedar Brakes II carries $399 million of debt, has a $234 million book value and has forecast EBIT of $40 million.

While both contracts are in the money, they carry so much debt that one investor questions whether there is any equity left in the contracts. He suggests a good play might entail a well-rated commodity trading operation such as **Entergy-Koch Trading** or **Morgan Stanley** buying the contract and refinancing the bonds. Another official adds the contracts' annuity-linked revenue stream could interest players such as **Bear Stearns** or **Bank One**.

The Cedar Brakes contracts sell power from the 123 MW Newark Bay cogeneration plant, which El Paso has on the auction block, to **Public Service Electric & Gas**, a subsidiary of Newark, N.J.-based **Public Service Enterprise Group**.

CoBank Releases Head Project Financier As Slowdown Bites

Gail Nofsinger, v.p. and head of project finance at CoBank, is set to leave the Colorado bank, a departure reflecting the firm's desire to cut it project finance headcount. As part of its annual budget projections, the Denver-based player took a look at the expected deal flow in the power sector for this year and decided to scale back, explains **Jake Udris**, senior v.p. and head of CoBank's electric & water group. "The volume of activity just is not there," he reflects. Nofsinger will stay with the bank through mid-April.

Nofsinger was out of the office last week on a business trip and did not return calls.

CoBank expects to play a role in the soon-to-close $250 million loan for **Calpine**'s Rocky Mountain Energy Center (PFR, 1/12). It also took a $66 million slice of Calpine's $230 million non-recourse loan funding its 600 MW Riverside Energy Center (PFR, 11/27).

"We will be in the business," Udris says. But with thinner deal flow, less people are needed. From a peak flow of 15-20 deals in 2001, CoBank is now taking part in two to three power transactions a year, he adds. That slowdown has been reflected in a shrinking headcount for the project team. The team was once five strong, but now numbers two.

GE Sees Double-Digit Growth For New Unit

GE Energy Financial Services expects to see its energy investment portfolio grow by 10-15% each year and envisages its portfolio reaching the $20 billion mark by 2006. The operation is a new **General Electric Co.** business unit that combines **GE Structured Finance**'s energy investment unit—Global Energy—with a range of commercial finance businesses, covering markets such as equipment financing and real estate financing (PFR, 1/5).

Alex Urquhart, the ex-chief of Global Energy, who heads up the new entity as president and ceo, says combining the range of offerings under one shop allows GE to pitch to customers more effectively with staffers specialized in the sector. The approach also mean customers don't get calls from numerous people from within GE selling different services.

There is a basic synergy to combining the energy commercial finance and investment operations, Urquhart says. But also, there is a GE-wide move to bring together industry groups, after an earlier move to combine its healthcare operations proved a success.

Biting The Bullet

Calpine Pays Up To Take Down $2.3B Construction Revolver

San Jose, Calif.-based Calpine will likely have to swallow at least 150-250 basis points in additional borrowing costs as it looks to refinance a $2.3 billion non-recourse power plant construction revolver with a package of high-yield notes and an institutional term loan.

The so-called CCFCII revolver, which financed the IPP's construction of 14 U.S. power plants, is priced at LIBOR plus 150 basis points, but the new $1.3 billion first-lien term loan will likely require pricing in the range of 3-4% over LIBOR, say financiers. A $1 billion issue of second-priority notes is set for even higher funding costs, they add. **Katherine Potter**, spokeswoman at Calpine, says, "the facilities mature later this year and we just feel it is an optimal time to refinance."

Even with the hike, lenders say the deal makes compelling sense for Calpine. CCFCII was set to mature in November and the refinancing knocks out the uncertainty of getting this deal rolled over way ahead of schedule. "It's a big positive," says one CCFCII lender who will also be looking at the new term-loan. Pricing has not been set ahead of the investor road show slated for this week.

The financing, which is being arranged through the newly christened **Calpine Generating Co.**, is non-recourse to **Calpine Corp.** It is split between a $1.3 billion first-lien term loan and $1 billion of second priority notes, both of which are led by **Deutsche Bank**. There will also be a $200 million revolver led by **Bank of Nova Scotia**. A Deutsche Bank spokesman confirmed its role. Calls to Scotia were not returned.

Bankers say the loans are likely to be snapped up. There is high collateral coverage, given that the portfolio has around $3 billion of equity sunk into it, notes one banker, and offtake contracts will be attached to cover around half of the portfolio's capacity. "I think the deal will go over very well," he says.

The package will launch with a road show on Feb. 9, pricing is likely to occur Feb. 18. Calpine is looking to close financing by month-end.

RWE Hires El Paso Staffer

RWE Trading has hired **Warwick Cernoch**, formerly a senior v.p. at **El Paso Europe**, to cover gas origination for northwestern continental Europe. The appointment reflects RWE's desire to bolster its power and gas origination and deal structuring muscle following the integration of U.K. utility **Innogy**'s trading and marketing arm into RWE. Cernoch, who will be based in London, says he joined late last month.

Jeremy Ellis, RWE's head of European origination outside Germany, told *PFR* last month that the Essen, Germany-based energy giant is looking to hire a U.K. power originator, two gas structurers/commercial development managers and an energy sector market research analyst to its roughly 30-strong origination team (PFR, 1/26). Calls to Ellis were not returned.

Cernoch most recently focused on the LNG sector at El Paso. He left the U.S. merchant energy trader last year as it looked to wind down it London-based European operations.

CenterPoint Retains Citi To Advise On Texas Genco

CenterPoint Energy has retained **Citibank** to advise on the possible sale of **Texas Genco** (TGN). **Leticia Lowe**, spokeswoman at CenterPoint in Houston, says Citibank will work with the company over the next few months on the best strategies to montetize the $2.5 billion portfolio that carries very little debt.

A banker who bid for the advisory role says CenterPoint will likely refrain from selling the plants or extracting cash from them until March 31, when the **Public Utility Commission of Texas** will conduct an evaluation of the stranded costs associated with the portfolio that could be securitized.

CenterPoint, which owns an 81% stake in TGN, announced two years ago that TGN was not a core business when it de-merged its **Reliant Resources** affiliate, to become a dedicated wires infrastructure company (PFR, 1/4).

CSFB Seen Readying B Loan For Queens Project

Credit Suisse First Boston is looking at launching a roughly $600 million term loan in the institutional B market as part of the funding mix for a planned 500 MW gas-fired power plant in Queens, New York. One financier says the deal will surface shortly. He was unable to provide further details. A spokesman at CSFB declined comment.

The project is set to be developed by **Astoria Energy**, a subsidiary of Concord, Mass.-based **SCS Energy**. Initial indications were that an issue of $700 million of New York Liberty Bonds would fund the project (PFR, 1/26). One banker says that may still be in the cards to refinance the B loan once construction is complete.

The financing has had a stuttering gestation. A $900 million equity and debt package set to launch last summer (PFR, 7/14), failed to take root as private equity investors shied away from the deal. Some felt the 10-year offtake contract was weighted too heavily in favor of **Consolidated Edison Co. of New York**, which will buy the plant's output.

Innogy Seals Wind Farm Financing, Draws 13 Banks

RWE Innogy has closed a GBP400 million ($730 million) partial sale and refinancing of its **National Wind Power** renewable energy portfolio.

Mandated lead arrangers **ABN AMRO**, **Bank of Tokyo-Mitsubishi**, **BNP Paribas**, **Fortis Bank**, **HypoVereinsbank**, **Bank of Scotland** and **RBC Capital Markets** underwrote a GBP300 million non-recourse loan and each provided GBP26.3 million of debt, after agreeing to underwrite GBP42.8 million.

Royal Bank of Scotland, **Crédit Lyonnais**, **Helaba** and **KfW** took GBP22 million arranger slots and **Dexia Crédit Locale** and **KBC Bank** signed on at the GBP15 million co-arranger level.

The debt portion was divided into three tranches. A GBP63 million 10-year A tranche, covering Innogy's existing onshore wind farms, pays a coupon of 110 basis points over LIBOR in years one to five, 120 basis points for the following three years and a 140 basis point spread in years nine and 10.

A GBP180.2 million 18-year B tranche, covering yet-to-be-built wind farms, pays a 125 basis point spread over LIBOR in years one to five, 140 basis points in years six to 10, and a 155 basis point spread for the final eight years.

A GBP63.1 million C tranche covering Innogy's 60 MW North Hoyle wind park, the U.K.'s only operational large-scale off-shore wind farm, has a similar structure and pricing to the B tranche.

An HVB financier says the deal was nearly 50% over-subscribed. He attributes the strong demand in part to RWE's decision to remove any merchant risk from the deal and also to guarantee an Innogy offtake contract.

The U.K. utility signed a GBP100 million sale of 66% of the portfolio to **Englefield Capital** and **First Islamic Investment Bank** (PFR, 9/22) on Jan. 28 concurrently with signing a GBP300 million non-recourse loan with 13 banks.

<u>**Tick-Tock**</u>

LBO Firms Launch UniSource Financing

The leverage buyout firms acquiring **UniSource Energy** have launched a $410 million financing package under which lenders will pocket a 50 basis so-called "ticking" fee while the acquisition awaits the regulatory green light. One banker says the lead arrangers, **J.P. Morgan**, **Credit Suisse First Boston** and **Lehman Brothers**, are penciling in a six-month timeframe for approval, at which point the loan will be drawn, but that could stretch in to next year given the vagaries of the regulatory world. "Ticking" fees are a relatively common feature of the high-yield market when the funding of loans is conditional on external factors, says one financier.

The acquirers, **Kohlberg Kravis Roberts**, **JPMorgan Partners** and **Wachovia Capital Partners**, have established a holding company **Saguaro Utility Group** that is seeking a $360 million, seven-year term loan, and a $50 million, five-year revolver. Both facilities are priced at LIBOR plus 350 basis points, says one banker. Saguaro agreed to buy UniSource late last year.

Given a current excess of demand for paper in the high-yield market, financiers see the deal being snapped up. "It will go well. Absolutely," says one banker looking at the deal. The strong demand also explains why the acquirers are looking to set up the deal now and lock in competitive pricing.

Alongside the leveraged buyout, UniSource subsidiary **Tucson Electric Power Co.** is also refinancing some maturing loans with a $60 million revolver and a $340 million letter of credit facility. Both tranches have a five-year term and are priced at LIBOR plus 250 basis points. Lehman, Morgan and CSFB are also leading this transaction

Spokesmen at CSFB and J.P. Morgan declined to comment. Calls to Lehman were not returned.

Lehman Launches Lake Road Sale…

Lehman Brothers has launched the sale of **National Energy & Gas Transmission**'s (NEGT) Lake Road facility, a 780 MW merchant gas-fired plant in Connecticut that is being foreclosed on by its lenders. Calls to bankers at Lehman were not returned.

In a sales memo published last week, Lehman asked interested parties to make initial non-binding bids by mid-March and noted it hopes to conclude a three-round auction by June. Suitors are being asked to make both an all-cash offer for the plant and an all-cash plus debt offer. The memo adds that the creditor syndicate is prepared to leave in place some of the plant's debt.

The plant's creditors, led by **Citigroup**, hired Lehman last summer to handle the sale, but complications surrounding both NEGT's bankruptcy proceedings (PFR, 9/8/03) and a transfer in ownership of the plant has slowed the process, says a banker.

Lake Road

The **Federal Energy Regulatory Commission** authorized a transfer of Lake Road to its creditor syndicate on Dec. 16, but NEGT continues to retain possession and control of the project for the time being, "pending completion of the necessary bankruptcy court approval for the transfer in equity interest," explains the memo. It adds that foreclosure is expected to occur this quarter.

Natalie Wymer, spokeswoman to NEGT in Baltimore, says Lake Road will be transferred to lenders by July 31. She did not comment on the sales process.

… As NEGT Readies New England Sales Memo

National Energy Gas & Transmission (NEGT) and its advisor **Lazard Frères** are set to launch an auction of four New England thermal power plants imminently. A banker following the process says Lazard will publish a sales memo in the next two weeks that outlines the Massachusetts and Rhode Island plants. Calls to **Andrew Curtis**, director at Lazard who is believed to be working on the NEGT sale, were not returned.

The portfolio consists of Salem Harbor, a 745 MW coal and oil-fired plant, Pittsfield, a 173 MW gas-fired plant, Brayton Point Station, a 1,599 MW coal-fuelled plant, and Manchester Street Station, a 495 MW gas-fired facility.

The sales memo was originally slated to be published last fall (PFR, 9/8), but was delayed by NEGT's bankruptcy proceedings, explains a financier.

Corporate Strategy

ConEd Refinances With Tax-Exempt Bonds

Consolidated Edison Co. of New York has refinanced a portion of debt via a $245.3 million placement of tax-exempt notes issued by the **New York State Energy Research and Development Authority**. The Empire State public benefit corporation essentially acts as a conduit for tax-exempt financings in the energy sector, says **Jacqueline Jerry**, associate counsel at NYSERDA in Albany. The debt is repayable by ConEdNY in its role as the obligor.

The paper was placed Jan. 29 in a deal led by **Citigroup**, **J.P. Morgan**, **Morgan Stanley** and **Bank One Capital Markets**. On a present value basis, ConEdNY estimated the refinancing shaves $24 million off its interest bill versus the old paper, Jerry says. The new issue has three tranches expiring in 2032, 2035 and 2039.

NYSERDA's capital markets activity is focused on refinancing more expensive older debt, rather than raising fresh capital to fund new gas or power investments. Jerry explains that under Federal regulations, the amount of tax-exempt debt states can issue for private companies is capped by a formula reflecting population levels. New York state is using its capacity under that cap in areas other than gas and power, she says.

ConEdNY is owned by **Consolidated Edison Inc.** which also operates in the state through **Orange and Rockland Utilities** and **Rockland Electric**.

Generation Auction & Sale Calendar

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

Seller	Plants	Location	MW	Plant Type	Advisor	Status
AEP	Fiddler's Ferry	U.K.	2,000	Coal	Citi	Intention to sell.
	Ferry Bridge	U.K.	2,000	Coal	Citi	
	El Bajio	Mexico	600 (50%)	Gas	WestLB	
AEP (Contracted)	Mulberry	Fla.	120 (45%)	Gas	CSFB	Plans to pick preferred bidder by late Feb.
	Orange	Fla.	103 (50%)	Gas		
	Brush II	Colo.	68 (50%)	Gas		
	Thermo Cogen	Colo.	272 (50%)	Gas		
AEP (Central Texas)	Barney M. Davis	Texas	697	Gas/oil	CSFB	Launched sale process in June as part of deregulation of Texas market.
	E.S. Joslin	Texas	254	Gas/oil		
	J.L. Bates	Texas	182	Gas/oil		
	Laredo	Texas	178	Gas/oil		
	Lon C. Hill	Texas	559	Gas/oil		
	Victoria	Texas	491	Gas/oil		
	La Palma	Texas	255	Gas/oil		
	Nueces Bay	Texas	559	Gas/oil		
	Coleto Creek	Texas	632	Coal		
	Eagle Pass	Texas	6	Hydro		
	South Texas	Texas	630 (25%)	Nuclear		
AES Fifoots Point	Fifoots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant.
Allegheny Energy Supply	Armstrong	Penn.	356	Coal	J.P. Morgan	Ongoing.
	Hatfield	Penn.	1,600 (75%)	Coal	Citibank	
	Mitchell	Penn.	442	Coal	J.P. Morgan	
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention to sell.
Black Hills Energy	Pepperell	Mass.	40	Gas	-	Intention to sell.
CenterPointEnergy	Texas Genco portfolio (12 plants)	Texas	14,175	Variety	-	Reliant has passed up option to purchase portfolio.
CMS Energy	Ensenada	Argentina	128	Gas-fired	Not chosen	Announced intention to sell.
	CT Mendoza	Argentina	520	Gas-fired	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydroelectric	J.P. Morgan	
Citi-led bank group (NEG developed plants)	Lake Road	Conn.	840	Gas	Lehman Bros.	Seperate auction for each plant.
	La Paloma	Calif.	1,121	Gas	Lehman Bros.	
Delta Power	Lowell Power	Mass.	82	Gas	None	Actively pursuing a sale
Duke Energy	Hot Spring Energy Facility	Ark.	620	Gas	N/A	Is looking for an advisor to conduct sale
	Murray Energy	Ga.	1,240	Gas		
	Sandersville Energy	Ga.	640	Gas		
	Marshall Energy	Kty.	640	Gas/oil		
	Hinds Energy Facility	Miss.	520	Gas		
	Southhaven Energy	Miss.	640	Gas		
	Enterprise Energy	Miss.	640	Gas		
	New Albany Energy	Miss.	385	Gas		
Dynegy	Oyster Creek	Texas	424 (50%)	Gas	N/A	Ongoing
	Hartwell	Ga.	300 (50%)	Gas		
	Michigan Power	Mich.	123 (50%)	Gas		
	Commonwealth	Va.	340 (50%)	Gas		
Duke Energy North America	Lee Energy	Ill.	640	Gas	J.P. Morgan	-
	Bridgeport Energy	Conn.	480 (67%)	Gas		
	Grays Harbor (in construction)	Wash.	650	Gas		
	Deming Energy (in construction)	N.M.	570	Gas		
	Moapa Energy	Nev.	1,200	Gas		
	Griffith Energy (50%)	Ariz.	600	Gas		
	Maine Independence	Maine	520	Gas		

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
El Paso Europe	Enfield	U.K.	396 (25%)	Gas	No Advisor	Looking to exit Europe.
	EMA Power	Hungary	70	Coal		
	Kladna	Czech Rep.	350	Coal		
El Paso North America (Merchant assets)	Barstrop	Texas	543 (50%)	Gas	Citigroup	Final bids due.
	Bayonne	N.J.	171	Gas		
	Camden	N.J.	150	Gas		
	CDECCA	Conn.	58	Gas		
	Fulton	N.Y.	45	Gas		
	Newark Bay	N.J.	123	Gas		
	Pawtucket	R.I.	67	Gas		
	Rensselaer	N.Y.	79	Gas		
	San Joaquin	Calif	48	Gas		
El Paso North America (Contracted assets)	Midland Cogen	Miss.	1,500 (44%)	Gas	Citigroup	Set to sell remainder of QF portfolio to AIG.
	Prime	N.J.	66 (50%)	Gas		
Edison Mission Energy	Derwent	U.K.	214 (33%)	Gas	CSFB/Lehman	Looking to launch asset sale early in 2004.
	Dinorwig	U.K.	1,728	Pumped-storage		
	Ffestiniog	U.K.	360	Pumped-storage		
	ISAB Energy	Italy	512 (50%)	Waste		
	ICPV4	Italy	312 (50%)	Wind		
	Spanish Hydro	Spain	86	Hydro		
	Doga Energy	Turkey	180 (80%)	Gas		
	CBK	Philipinnes	728 (50%)	Pumped-storage		
	Clyde	N.Z.	432 (51%	Hydro		
	Kwinana	Australia	116 (70%)	Gas		
	Loy Yang B	Australia	1,000	Gas		
	New Plymouth	N.Z.	464 (51%)	Gas		
	Oakey	Australia	300 (12%)	Gas		
	Ohaaki	N.Z.	104 (51%)	Gas		
	Otahuhu A	N.Z.	45 (51%)	Gas		
	Otahuhu B	N.Z.	372 (51%)	Gas		
	Poihipi	N.Z.	55 (51%)	Steam		
	Roxburgh	N.Z.	320 (51%)	Hydro		
	Te Rapa	N.Z.	45 (51%)	Gas		
	Valley Power	Australia	300 (60%)	Gas		
	Wairekei	N.Z.	165 (51%)	Steam		
	Paiton	Indonesia	1,230 (40%)	Coal		
	Tri Energy	Thailand	700 (25%)	Gas		
Endesa	Conatillor	Chile	172	Hydro	N/A	Ongoing.
Energy East	Ginna	N.Y.	470	Nuclear	J.P. Morgan/Concentric	Agreed sale to Constellation Energy.
Entergy Asset Management	Crete	Ill.	320	Gas	Deutsche Bank	ArcLight is set to acquire Entergy's 50% stake.
	Robert Ritchie	Ark.	544	Gas/oil		Launched sale in September.
	Warren Power	Miss.	314	Gas		
	Top of Iowa	Iowa	80	Wind		
	RS Cogen	La.	425 (49%)	CHP		
	Roy S. Nelson	La.	550 (20%)	Coal		
	Harrison County	Texas	550 (70%)	Gas		
	Independence	Ark.	842 (15%)	Coal		
Ernst & Young Corporate Finance (representing secured creditors)	Bear Swamp	Mass.	599	Hydro	E&Y	Exploring Sale
Exelon	Mystic 8	Mass.	800	Gas	Lehman Bros.	Has shortlisted bidders. Looking to execute
	Mystic 9	Mass.	800	Gas		a quick sale.
	Fore River	Mass.	800	Gas		

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Fife Power	Fife	U.K.	115	Coal	KPMG (Administrator)	El Paso placed plant in administration.
HSBC-led creditor group	Attala	Miss.	526	Gas	HSBC	Ongoing.
InterGen	El Bajio	Mexico	600 (50%)	Gas	No Advisor	Ongoing
LG&E Power	Roanoke Valley	N.C.	178 (50%)	Coal	N/A	Sent out RFP in April.
	Gregory Power	Texas	550 (50%)	Gas		
	Palm Springs	Calif.	42 (50%)	Wind		
	Tyler	Minn.	27 (50%)	Wind		
	Van Horn	Texas	41 (33%)	Wind		
	Tarifa	Spain	30 (46%)	Wind		
Mirant	Kendall	Mass.	270	Oil	CSFB	Ongoing.
	Shady Hills	Fla.	474	Gas	BofA	
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538	Gas		
	Wichita Falls	Texas	77	Gas		
National Energy Gas & Transmission	Cedar Bay	Fla.	258 (64%)	Coal	Lazard	Ongoing.
	Panther Creek	Penn.	80 (55%)	Coal		
	Logan	N.J.	226 (50%)	Coal		
	Northampton	Penn.	110 (50%)	Coal		
	Indiantown	Fla.	330 (51%)	Coal		
	Carneys Point	N.J.	245 (51%)	Coal		
	Selkirk	N.Y.	345 (42%)	Gas		
	Altresco Pittsfield	Mass.	173 (89%)	Gas		
	Masspower	Mass.	267 (13%)	Gas		
	Scrubgrass	Penn.	87 (51%)	Coal		
	Colstrip Energy	Mont.	40 (17%)	Coal		
	Hermiston	Ore.	474 (25%)	Gas		
	Salem Harbor	Mass.	745	Coal & Oil		
	Pittsfield	Mass.	173	Gas		
	Brayton Point Station	Mass.	1,599	Coal		
	Manchester Street Station	R.I.	495	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 &	Ongoing.
	Lakeview	Ontario	1,140	Coal	Scotia Capital	
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
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		
TECO Energy	Gila River Power Station	Ariz.	2,300	Gas	N/A	Considering exiting the merchant energy business
	Odessa Power Station	Texas	1,000	Gas		
	Guadalupe Power Station	Texas	1,000	Gas		
	Frontera Power Station	Texas	477	Gas		
	Dell Power Station	Ark.	540	Gas		
	Union Power Station	Ark.	2,200	Gas		
	McAdams Power Station	La.	599	Gas		
	Commonwealth Chesapeake	Va.	315	Gas		
Tractebel North America	Chehalis	Wash.	520	Gas	N/A	Looking to sell or swap.

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

Weekly Recap

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

Asia & Australasia

• **Duke Energy** will decide by early April whether to sell its Australian unit or spin it off in a public offering. Divesting the assets is part of Duke's broader plan to get out of its non-core businesses, cut debt, and focus on modest but steady growth. CEO **Paul Anderson** said Duke would be ready to launch an IPO by April, but it has also received several bids to buy the unit (*Reuters*, 2/3).

Europe & Middle East

• **ScottishPower** plans to buy a gas-fired power station in England or Wales said CEO **Ian Russell** during a conference call. European utilities are building and buying gas-fired plants because a European Union program to cut carbon dioxide emission may make coal-fired plants too expensive (*Bloomberg*, 2/4).

• **British Energy** shares surged more than 45% early February after U.S. distressed debt hedge fund **Appaloosa Investment Management** acquired a 4.5% stake. The move prompted speculation that Appaloosa might try to reopen negotiations to pursue a better deal for shareholders under a U.K. government-backed rescue plan (*Financial Times*, 2/4).

Latin America

• **AES** has made a $90 million debt payment to Brazil's **National Development Bank** (BNDES), meeting a deadline set in a restructuring deal reached last month. "With this payment, plus the approval by **Aneel** (the power sector regulator) and Brazil's Central Bank, the debt restructuring contracts enter into force," the BNDES said in a statement (*Reuters*, 1/30).

• **FirstEnergy** completed the sale of its remaining stakes in overseas assets acquired as part of its merger with **GPU** in November 2001. The company sold its wholly owned unit **Guaracachi America**, its 28.67% stake in **Termobarranquilla,** which owns and operates a power plant in Colombia, and related units to **Darby Delaware** (*Reuters*, 2/2).

U.S. & Canada

• **American Electric Power** will sell its 7.8% stake in the Oklaunion Power Station to **Golden Spread Electric Cooperative** of Amarillo, Texas, for $42.75 million. AEP will use the proceeds to reduce debt. An AEP spokeswoman said the deal marks the first sale since the company said in December 2002 that it would sell all of the generation assets owned by its Texas Central subsidiary (*Dow Jones*, 1/30).

• **TECO Energy** has decided to exit its ownership of the Union and Gila River projects and to cease further funding of these plants. The decision is not dependent on reaching final agreement with the lenders for a consensual transfer. (*PRNewswire*, 2/5).

• **Wisconsin Energy** is continuing construction work on a 500 MW plant despite a court order rejecting earlier state regulatory approval for the facility. The Milwaukee-based utility doesn't believe the Dane County, Wis., Circuit Court determined that construction work should cease when it told the **Public Service Commission of Wisconsin** to reconsider its approval for the project. The Commission is reviewing the order, and hasn't yet determined whether it means work at the plant site should stop or continue (*Dow Jones*, 2/2).

• **Dynegy** has reached another agreement to divest its **Illinois Power** utility. **Ameren Corp.** is lined up as the acquirer in a $2.3 billion deal, which includes $1.8 billion of debt. A deal to sell the utility to **Exelon** collapsed in November when the Illinois General Assembly failed to pass legislation that would have speeded up the sale (*Houston Chronicle*, 2/3).

• U.S. Representative **Billy Tauzin** resigned as chairman of the House Energy and Commerce Committee and will step down Feb. 16. The next senior Republican on the committee is **Mike Oxley**, from Ohio, who is also chair of the Financial Services Committee (*Bloomberg*, 2/4).

• **Wisconsin Energy** has agreed to sell its **Wicor Industries** water systems, filtration and pool equipment unit to **Pentair** for $850 million. Proceeds from the sale, which is expected to close in the second or third quarter, will be used to pay down debt, fund the construction of new electricity generating and distribution facilities and repurchase about $50 million of common stock (*Reuters*, 2/4).

ARCLIGHT SETS

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the Italian assets. **Robb Turner**, director at ArcLight in New York, declined to comment, and calls to **Carmine Biello**, an electricity marketer at Merloni, were not returned.

Market watchers say Merloni has been looking to sell the two combined heat and power plants at Teverola near Naples and Ferrara in northeast Italy for two years and has held talks with, among others, Duke and London-based **International Power**. While these talks ultimately came to nothing, market watchers say negotiations with ArcLight are progressing well and forecast a deal could be sealed this spring. "ArcLight has a strong track record of executing deals and Merloni wants to sell," notes one official.

Former **Enron** COO **Joseph Sutton**, who advised ArcLight on its foray into France, also is thought to be working on the Merloni deal. Repeated calls to Sutton were not returned.

Merloni entered the power generation market in the early 1990s after the Italian government passed the "CIP 6" energy decree. Like the qualifying facility regime in the U.S., CIP 6 encouraged the development of environmentally efficient cogeneration facilities through the drawing up of above-market offtake arrangements or preferential dispatch arrangements with the grid.

Following the decree Merloni built two CIP 6 plants that sell power to the grid and steam to adjacent Merloni factories. "Merloni believed that they could find strong synergies between generation and their manufacturing business," explains one Italian banker. He says Merloni's interest has waned in recent years after it failed to buy any the plants being sold by **Enel**. "Management came to realize just how capital intensive this business is," he explains.

The electrical equipment manufacturer owns the *Hotpoint* and *Ariston* kitchen appliance brands and had a EUR2.48 billion turnover in 2002. —*Will Ainger*

CREDITORS PREPARE

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TECO announced last week that it plans to walk away from the Union (2.2 GW) project in El Dorado, Ark., and the Gila River (2.3 GW) facility located in Gila Bend, Ariz. Both facilities have failed to meet expected revenue projections. The plants were funded with a $1.4 billion bank loan led by **Citibank** and **Société Générale**. TECO is taking an impairment charge of up to $780 million. Calls to Citibank and SocGen were not returned.

A recent decision by the **Federal Energy Regulatory Commission** to hold a hearing on **OG&E Energy**'s proposed purchase of a distressed merchant plant developed by **NRG Energy** appears to have thrown the nascent secondary market for distressed merchants assets into turmoil. The FERC's determination to curb the market power of utilities could prevent OG&E putting the McClain facility into its regulated rate base, and therefore destroy the economics underlying the deal. Since vertically integrated power companies are viewed as the only investors with a serious appetite for merchant plants, a negative ruling on the McClain plant could derail the secondary market for distressed plants.

The two TECO plants have very different prospects, says **David Freeman**, president at consultant **Team Power & Associates**, which has been advising investors on acquiring power plants. Gila has access to southern Arizona, Nevada and southern California and the market structure there is heading toward a relatively competitive future. "Gila is a dirty diamond," he says.

Conversely, the Union plant is located in an area of massive oversupply, with some forecasts predicting equilibrium between supply and demand won't be achieved until 2020. Freeman sees **Entergy** as the only likely potential buyer. Calls to Entergy were not returned. *—Peter Thompson & N.S.*

BEAR STEARNS

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acquisitions. **Pat Hemlepp**, spokesman at AEP in Columbus, Ohio, declined comment.

The portfolio is likely to muster some $100-150 million, according to an official familiar with the process. AEP is hoping to present a preferred bidder at a board meeting later this month, he adds.

AEP set an aggressive timetable for the auction, with binding bids due late in December, apparently in an effort to piggyback off **El Paso Corp.**'s much larger auction of QFs. El Paso is the co-owner of two of the AEP facilities—the 120 MW Mulberry plant and the 103 MW Orange plant, both in Florida—and recently agreed to sell its stake in these and 23 other QFs to AIG Highstar Generation. Observers believe this may strengthen AIG's hand in its effort to acquire the remaining stakes.

AEP is also looking to sell its stakes in the 68 MW Brush II unit and the 272 MW Thermo Cogen facility, both in Colorado. Brush II is co-owned by **CTI II** and **Ark Energy** and Thermo Cogen is co-owned by **Kinder Morgan**. According to a sales memorandum, Ark Energy was looking to divest its 2.25% stake in Brush II as part of the transaction. Officials at CTI II could not be located and calls to Kinder Morgan were not returned.

Failure to clinch this deal is likely to raise questions about Bear Stearns' commitment to buying plants in the secondary market, according to market officials. While other **El Paso Merchant Energy** alumni at **Goldman Sachs**, AIG and **Rockland Capital** have all acquired power plants, Bear Stearns—which also hired a team of senior El Paso Merchant Energy officials last year to lead an acquisition effort (PFR, 5/26)—has yet to unveil its first deal.

—Victor Kremer

DELTA POWER

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declined comment on this point and **Kevin Kelley**, spokesman at EME's parent, **Edison International**, also declined to comment.

Vanech says the power and steam plant's attractions include its strategic location across the East River from downtown Manhattan and its 32-year electricity offtake contract with local utility **Consolidated Edison Co. of New York**. He adds the plant's preferential regulatory status as a qualifying facility makes it "simply irresistible."

A downside to the plant is that it requires significant capital expenditure, including the addition of new steam tubes, which can cost upwards of $12 million, says the former bidder. "It's a headache," he notes.

But Vanech explains that Delta Power, which owns an interest in 19 U.S. plants and opened an operations and maintenance division last year, is well placed to rectify the plant's ills. "We have some in-house talent that can deal with these things," he says. "Our plans are to improve the plant where possible, including reliability, output and efficiency...we found a great balance between risk and reward here in New York," he says.

Delta Power, a privately held company, will take operational control of the Brooklyn plant, says Vanech, adding Delta does not plan to buy out the 50% stake held by **B-41 Associates**, a partnership of **York Research**, a power development company based in Harrison, N.Y., and **Robert Beningson**, a private investor. Delta is thought to have little incentive to attempt to buy out B-41 because the existing ownership structure gives Edison management control, and the other partners are paid a nominal yearly fee. Calls to York Research were not returned.

Credit Suisse First Boston is brokering the deal between Delta and Edison.

—Nina Sovich

Quote Of The Week

"Gila is a dirty diamond."—**David Freeman**, *president at consultant* ***Team Power & Associates****, describing the prospects for the* ***TECO Energy*** *plant in Arizona that is being handed to its lenders (see story, page 1).*

One Year Ago In Power Finance & Risk

TransAlta was considering issuing equity to refinance its acquisition of a 50% interest in **CE Generation** from **El Paso Corp.** [The Calgary-based power generator sold 15 million common shares, raking in CAD240 million in a deal led by **CIBC World Markets** and **Scotia Capital** (PFR, 4/14).]