

power finance & risk

The exclusive source for power financing and trading news

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Creditors Take Control Of NRG Plant

A **Bank of America**-led syndicate has taken control of the 680 MW Killingholme power plant in the U.K. from **NRG Energy**. It's the second U.K. plant to fall into its lenders' hands in the last month.

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NEG PUTS 6 GW PORTFOLIO ON THE BLOCK

PG&E National Energy Group is looking to divest its 6 GW New England portfolio—valued at approximately \$1.6 billion—and has hired **Lehman Brothers** to advise on the sale. A New York banker close to the situation says the embattled power producer, which is being squeezed to the brink of collapse by its limited access to the capital markets, needs to raise cash to help restructure its debts with key lenders and bondholders. The portfolio consists of nine plants primarily situated in Massachusetts (see table, page 8).

Commenting on the potential sale, **Joan Goodman**, an analyst at **Credit Suisse First Boston** in Chicago, says, "The company needs to sell assets to keep it financially viable,

(continued on page 8)

Stand-Off

BRITISH ENERGY RESTRUCTURING TALKS GO TO THE WIRE AS LENDERS PUSH FOR BETTER TERMS

Negotiations between the U.K. government, British Energy and its creditors over the restructuring of the embattled nuclear power generator's debt obligations are expected to go down to the wire this week with a group of project lenders pushing hard for better terms than those on offer.

If an agreement to restructure BE's GBP1.2 billion (\$1.95 billion) debt load is not reached by a government-imposed deadline this Friday, then the government has

(continued on page 8)

FPL PLOTS \$2B POWER PLANT EXPANSION

FPL Energy, the unregulated generation arm of FPL Group, is on the prowl for power plants in the Northeast and Midwest quadrants of the U.S. and has reportedly earmarked up to \$2 billion to fund deals with distressed sellers.

A New York banker close to FPL Energy says the Juno, Fla.-based IPP has been looking for assets for a few months and wants to strike this year while asset valuations remain depressed. He notes it is looking at a variety of asset types and is willing to take on merchant risk. FPL Energy does not intend to hire a bank to advise on acquisitions as

(continued on page 8)

TRANSALTA PLANS \$210M STOCK SALE

TransAlta is considering issuing at least \$210 million of new shares to refinance its recent acquisition of a 50% interest in **CE Generation** from **El Paso**. The deal, which was completed Jan. 29, calls for TransAlta to pay El Paso some \$240 million. **Marvin Waian**, v.p. and treasurer, says the Calgary-based power generator has yet to select banks to underwrite the secondary stock offering and has not determined a timeframe for launching the deal. TransAlta will continuously monitor the equity markets for a favorable financing window, he says.

(continued on page 2)

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

Asset Sale Bolsters AES

AES Corp.'s term loans got a shot in the arm last week from the long-awaited \$1.4 billion sale of **Cilcorp**, an AES utility, to **Ameren**. In the secondary loan market AES' "A" piece debt rallied a point to 97-98 and the "B" and "C" tranches were said to be half a point stronger in the 94-95 1/2 range. AES received roughly \$500 million in net equity, \$250 million of which was used to pay down the company's bank debt.

While the sale proceeds were distributed among the term loans on a pro rata basis, the \$550 million "A" term loan received a larger portion.

CIBC Launches KKR Wires Financing

CIBC World Markets last week launched syndication of a \$325 million credit facility backing **Kohlberg Kravis Roberts** and **Trimaran Capital Partners'** \$610 million all cash buyout of **DTE Energy's International Transmission Co.** (ITC) subsidiary. The credit line includes a \$200 million loan at the operating company level divided into a \$185 million "B" loan and a \$15 million revolver. Price talk is in the LIBOR plus 250 basis point range, says an official familiar with the situation. At the holding company level, there is a \$125 million loan priced at LIBOR plus 350-400 basis points, he adds. CIBC bankers and a Trimaran spokeswoman did not return calls by press time. A KKR spokeswoman declined to comment on the structure and status of the deal.

The acquisition plans were announced last December, but were under review by the **Michigan Public Service Commission** and required approval by the **Federal Energy Regulatory Commission** (FERC). ITC comprises a system of nearly 3,000 miles of high-

voltage electric transmission lines and associated facilities. DTE's **Detroit Edison** electric utility subsidiary was the former owner and operator of these assets. However, Michigan and federal regulators had been pushing utilities to relinquish control of their transmission businesses to step up competition among power generators and marketers.

TRANSALTA PLANS

(continued from page 1)

Daniel Pigeon, TransAlta's director of investor relations, says the company will use \$30 million of cash recently released from letter of credit obligations to partly fund the CE Generation deal. It will tap the stock market to fund the remainder of the acquisition's costs and could issue even more shares if there's enough investor appetite, says Pigeon. TransAlta is avoiding a debt offering in order to keep its debt-to-total capital ratio at the 50% level, he explains.

Stock market sentiment also will dictate whether the offering is made on the Toronto or New York stock exchanges. TransAlta is listed on both.

While TransAlta has not selected any underwriters yet, **Waiaand** says it typically enlists the services of blue chip Canadian banks such as **CIBC**, **RBC Capital Markets** or **Scotia Capital** as part of a larger syndicate. TransAlta did not use an advisor to handle the 50% stake acquisition in CE Generation.

The CE Generation acquisition marks TransAlta's second power plant purchase in less than a month. In January it completed a \$256 million debt-financed purchase of a 50% stake in a coal-fired power plant in Alberta from **Epcor Utilities**.

—Kasey Wehrum

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WestLB Readies Pipeline Deal

Westdeutsche Landesbank is looking to launch an approximately \$200 million project loan toward the end of next month to part finance the \$380 million acquisition of a gas pipeline by an investment affiliate of **American International Group**. An official close to the deal says WestLB already has closed bridge financing and is now considering bringing on board a small number of arrangers to refinance the bridge facility.

Highstar, a private equity fund owned by **AIG**, announced in September that it was acquiring the Central Pipeline from **Williams Cos** for \$380 million. The 6,000-mile pipeline transports natural gas from Kansas, Oklahoma, Texas, Wyoming and Colorado to markets in the mid-continent.

HVB Project Banker Joins KfW

Björn Domke, a syndicate banker in **HypoVereinsbank's** Munich-based project finance group, has joined **KfW Group** in Frankfurt as v.p. to fire up its non-recourse loan syndication effort. Domke joined last week in a new position after almost two months in between posts.

KfW is beefing up its syndication effort as part of a broader plan to privatize much of the state-run development bank's corporate finance business, including project finance, says Domke. He notes the split is scheduled to take place in three years. As a private institution it will be increasingly important for KfW to take lead arranger roles—to enhance returns—and have the ability to sell down the project debt it underwrites, explains Domke.

Domke was most recently involved in syndicating an HVB-arranged EUR211 million project facility for Eurovento, a Spanish wind farm joint venture between **Terranova Energy** and **Tomen** (PFR, 11/4). Syndication closed last December.

CL Beefs Up Weather Marketing

Credit Lyonnais is planning to hire a weather derivatives marketer over the next few weeks to meet strong demand from, among others, wind farm developers.

The French bank hired **Peter Brewer**, a structurer in **Aquila's** London weather derivatives team, last May (PFR, 5/20) to build up its presence in the weather market. Brewer notes Credit Lyonnais has seen sufficient demand for weather derivatives products to warrant hiring a marketer dedicated solely to the effort. Currently, weather contracts are sold through marketers that sell a wide range of derivatives, he explains.

Brewer says that one of the more flourishing areas of activity is the development of wind-related derivative contracts. These are increasingly being embedded in project loans tied to wind farms to mitigate the impact of low wind speeds on generation output. Brewer notes Credit Lyonnais' willingness to offer

contracts out to 12 or more years makes them effective hedges for long-dated wind farm project loans.

Spanish Wind Deal Slated For Q2

A roughly EUR425-450 million project level loan financing **Grupo Dragados'** 1 GW of wind farm projects in Spain could hit the bank market as early as April, say bankers close to the deal. Financing had originally been slated for the last quarter of 2002 but difficulties in obtaining construction permits for the projects around Castilla La Mancha, Leon and Madrid pushed back the timetable, notes one banker.

However, permit problems have now been resolved and Dragados is looking to seal financing in short order, notes one banker. The financing is being arranged by Barcelona-based **La Caixa**, **Dexia Crédit Local** and **Westdeutsche Landesbank** (PFR, 9/30).

Lorenzo Cooklin Diaz, director of communications at Dragados in Madrid, says its **Urbaenergia** subsidiary is developing the company's wind farm development program, but was unable to provide comment on its financing by press time.

Banks Take Ownership Of Killingholme

A 20-strong banking syndicate has taken control of the 680 MW Killingholme power plant in the U.K. after **NRG Energy** relinquished ownership Jan. 31. The exchange took place following roughly three months of protracted negotiations between NRG and a **Bank of America**-led syndicate about how best to restructure the debt after a sharp fall in U.K. electricity prices left NRG unable to cover its borrowings. Calls to **Lesa Beda**, an NRG spokeswoman, were not returned.

Stuart Jackson, head of NRG's U.K. operations, has been retained by the creditors as ceo of **Killingholme Power Group**, the new corporate entity that will run the gas-fired plant and its associated assets. **John Mappleback**, a veteran financier, who was involved in some of the earliest U.K. power plant project loans while at **National Westminster Bank**, becomes non-executive chairman. **David MacMillan**, v.p. at **InterGen**, has been appointed a non-executive board member (PFR, 1/27).

Jackson says that following the hand-over the banks are presently working out how best to restructure the debt to make interest cover more manageable. He adds the plant is still generating power and is not being mothballed.

Killingholme is one of two U.K. plants being operated by its non-recourse lenders. At the turn of the year Entergy handed over the keys to Damhead Creek to its creditors (PFR, 1/13). A number of other plants including Fifoots Point, Fife and Lakeland have been placed in receivership.



Middle East & North Africa

IP Draws In Banks For Abu Dhabi Financing

An **International Power**-led consortium has pulled together a team of six banks and is looking to add at least a couple more lenders as mandated lead arrangers to provide project-level financing for its prospective 1.7 GW Um Al Nar power and water desalination project in Abu Dhabi.

The IP, **Mitsui** and **Tokyo Electric Power Co.** venture originally was backed by a four-strong lending group comprising **Bank of Tokyo-Mitsubishi**, **ING**, **Sumitomo Bank** and **WestLB**. Since filing the highest bid with Abu Dhabi's power authority to develop the project late last year (PFR, 12/2) **HSBC** and **Gulf International Bank** have joined the roster, note City financiers. Officials at IP did not return calls, and project bankers involved in the financing declined comment.

The decision to employ a large underwriting roster reflects both the hefty size of the non-recourse financing—the loan is likely to exceed \$1 billion—and banks' unwillingness to take on significant underwriting risk given growing political tensions in the Middle East and the poor performance of existing power project loans across Europe, note the City financiers. One banker says the lead arrangers will also employ a comprehensive syndication process to sell down their commitments.

The **Abu Dhabi Water & Electricity Authority** awarded

preferred bidder status to the IP consortium to acquire and develop the Um Al Nar facility at the beginning of this month. One banker says final contractual terms of the project should be sealed by March and financing could occur in the second quarter.

SG Undercuts Rival On Omani Deal

Société Générale has emerged as the frontrunner to land the latest Omani independent power and water desalination project advisory mandate, after filing the most competitive bid late last month.

City financiers say SocGen's offer—filed on Jan. 20—comprehensively outstripped rival bids from two consortia led by **HSBC** and **ABN AMRO** and this puts it in a strong position to land the mandate to advise Oman's Ministry of Electricity and Water on the tender of its upcoming 800 MW Sohar IWPP. HSBC put in the most expensive bid, says a HSBC financier. An SG official confirmed the French bank is well placed to land the advisory role, but says pricing is only one of many criteria.

The Omani government has yet to announce whether it will seek clarification on the bids or when it will announce a winner with no further consultation. **ABN AMRO** advised Oman on its last large scale IWPP, the 425 MW Barka power plant. **AES** is in the process of building Barka.

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SEMPRA BUYS GAS TRADING BIZ FROM CMS

Sempra Energy Trading, the Stamford, Conn.-based energy trading arm of **Sempra Energy**, has agreed to purchase a portion of the natural gas trading book of **CMS Marketing Services & Trading** in Houston for approximately \$17 million. **Doug Kline**, director of public relations at **Sempra Energy** in San Diego, says the purchase "Further strengthens **Sempra Energy Trading's** natural gas business in the United States." The purchase price is subject to adjustment at closing, which is expected by year-end, he adds. **Jeff Holyfield**, a **CMS** spokesman in Jackson, Mich., declined comment.

None of **CMS'** remaining eight-strong gas trading employees are expected to be offered jobs at **Sempra**, according to an official familiar with the deal. **Sempra** also considered buying **CMS'** power trading operation but balked at the price tag, the official says. or

REUTERS
.COM

January 16

CMS sells natural gas trading book for \$18 mln
Midwestern utility **CMS Energy Corp.** (**CMS.N**) said on Thursday it closed the \$18 million sale of its wholesale natural gas trading book to **Sempra Energy** (**SRE.N**) as part of its plan to exit gas and power trading.

The Dearborn, Michigan company, which has been embroiled in investigations over false energy trades, first announced the sale last



Latin America

Brazilian Creditor Eases Eletropaulo Debt Worries

Brazil's development bank is set to give AES's cash-strapped Brazilian utility Eletropaulo Metropolitana Electricidade de Sao Paulo some crucial breathing space by not calling in a \$231 million loan. An official close to the negotiations says the **National Bank for Economic and Social Development** (BNDES) does not have any immediate plans to exercise the option, which became callable recently after Eletropaulo defaulted on debt. **Kiko Brito**, an Eletropaulo spokesman, declined comment and calls to BNDES were not returned.

Jason Todd, an analyst at **Fitch Ratings** in Chicago, was unaware of the BNDES decision, but says it makes sense, given that it's not in BNDES' best interest to push the utility into liquidation. He notes that if the loan had been called, other lenders would have followed suit, bringing the company to its knees. He adds, "BNDES hasn't come out and said it won't call the loan, but we believe it is not in the lender's best interest. Many of the problems plaguing Brazil and other countries in Latin America are short-term issues. There is long-term value and financing solutions aside from liquidation."

Eletropaulo originally took out the \$231 million loan because

of the rationing program in Brazil. Todd says BNDES has the right to call the loan now because Eletropaulo's parent AES ELPA defaulted on an \$85 million loan, due Jan. 31.

BNP Wins Mexican Infrastructure Mandate

Argentine contractor **Techint** has retained **BNP Paribas** to arrange a two-year, \$127 million project loan to finance the construction of three substations and two transmission lines in northeastern Mexico.

Mark Wisniewski, a BNP spokesman in New York, confirmed the mandate and says BNP already has installed two other banks, **Fortis Bank** and **NordLB**, as arrangers. He adds BNP will launch general syndication within the next weeks.

Buenos Aires-based Techint is building the projects in the states of Coahuila, Nuevo Leon, San Luis de Potosi and Tamaulipas for the **Comision Federal de Electricidad**, Mexico's national power company. The projects are expected to take approximately 18 months to complete.

Techint has put in place a special purpose company, **Elina del Golfo**, to finance the projects. Bankers at BNP were not available for comment by press time and calls to Techint was not returned.

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 **Kasey Wehrum**, Reporter, at (212) 224-3226 or email: kwehrum@iineews.com*

Sponsor	Project	Project Type	Size (MW)	Cost (\$mil)	Country	Advisor/Financier	Status	PFR Issue
Alcoa	Santa Isabel	Hydro	1,087	700	Brazil	Citi	Is planning \$385m in loan and bond financing	1/27/03
CEMIG/CVRD	Aimores & Funil	Hydro	330/180	300	Brazil	Citi	\$235m in financing slated for March	1/27/03
EdF, Mitsubishi	Altamira	Gas-fired	495	300	Mexico	Citi/Fuji	Has wrapped up syndication, but yet to release funds	2/3/03
Electricite de France	Rio Bravo III	Gas-fired	500	290	Mexico	SocGen	Arranging a \$217M project loan	8/26/02
El Paso	Araucaria	Gas-fired	469	340	Brazil	Dresdner	Financing delayed until Q4	7/4/02
El Paso	Macae	Gas-fired	400	700-800	Brazil	SocGen	Financing due shortly	7/9/02
Iberdrola	Vera Cruz	Gas-fired	800	700	Mexico	-	Will finance with equity	8/26/02
Iberdrola	La Laguna II	-	500	-	Mexico	-	Looking to tap the bank market in 2003	13/23/02
Iberdrola/Petrobras	Termoacu	Gas-fired	340	-	Brazil	IDB	IDB plans to approve loan	11/11/02
InterGen	Carioba	Gas-fired	945	670	Brazil	Citi	Has put financing on hold	12/9/02
Petrobras	Ibiritermo	Gas-fired	200	200	Brazil	BNP	Expects to sell loan in 2003	12/16/02
PSEG Global	SAESA	Distribution company	N/A	450	Chile	J.P. Morgan	Considering taking out a \$300M loan to fund the acquisition	9/24/01
PSEG Global	Electroandes	Hydroelectric	183	227	Peru	BBVA Banco Continental/ Banco de Credito	Is planning \$100m in loan and bond financing	7/27/01
Sempra Energy Resources	Mexicali	Gas-fired	600	350	Mexico	SocGen	In the process of arranging a corporate loan	3/11/02
Tractebel/Alcoa	Estreito	Hydro	1,087	700	Brazil	None	Is planning \$650m in loan and bond financing	1/27/03
Union Fenosa	Naco Nogales	Gas-fired	300	-	Mexico	Citi	Seeking equity partner	10/21/02
Union Fenosa	Tuxpan III & IV	Gas-fired	938	600	Mexico	Deutsche Bank/BOTM	Banks have provided bridge loan	10/21/02

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.

Australasia

- Seven companies including **International Power** and Hong Kong generator **CLP Power**, have expressed interest in acquiring Victorian generator **Southern Hydro**. Final bids are due mid-March. Southern Hydro is being sold by **Alliant Energy** and has been valued at between AUD400 million (\$236 million) and A\$450 million. Southern Hydro owns 10 power stations with a combined capacity of 500 MW (*Reuters*, 2/4).

Europe & Middle East

- **British Energy**, the embattled nuclear generator, has recruited **Mike Alexander**, coo at **Centrica**, to become chief executive. He replaces **Robin Jeffrey**, who was ousted as chairman and ceo in November (*Financial Times*, 2/5).
- U.K. energy regulator **Ofgem** will ask the European Commission to examine **E.ON's** EUR10 billion takeover of Germany's top gas importer **Ruhrgas** (*Reuters*, 2/5).
- Germany needs to add some 40 GW of generation capacity between 2010-2020, according to **VdEW**, the country's electric industry association. The investment requirements reflect the German government's plan to phase out nuclear power over the next 20 years (*Dow Jones*, 2/5).

Latin America

- Brazil's power sector regulator **Aneel** authorized electricity tariff hikes of as much as 29.35% to 13 distributors serving one million consumers in five states (*Dow Jones*, 2/5).
- **Comision Federal Electricidad**, Mexico's state-owned power utility, has begun accepting bids to build a 198-242 MW CCGT and solar-power facility at Mexicali, Baja California. The company that submits the winning bid will get a 25-year franchise to manage the plant and a \$49.35 million subsidy from **Global Environment Facility**, a unit of the **World Bank**, to develop a 25 MW solar plant (*Comtex*, 2/5).

U.S. & Canada

- The **California Department of Water Resources** has filed a breach of contract lawsuit against an affiliate of **Allegheny Energy** alleging Allegheny's attempt to assign its long-term energy contract to a newly-formed subsidiary are in violation of the contract's provisions (*Reuters*, 1/30).

- The **Federal Energy Regulatory Commission** approved a settlement with **Reliant Resources** that calls for the energy-services company to pay \$13.8 million to settle charges that it withheld wholesale power in California on two days in 2000. Reliant was ordered to pay the settlement to **California Power Exchange** customers to compensate for allegedly restricting supply to the exchange on June 21 and June 22, 2000 (*The Wall Street Journal*, 2/3).

- **Dynegy** restated more than three years of earnings for a second time and reported a \$423 million fourth-quarter net loss, dragged down by restructuring costs. The company's loss included an \$82 million preferred stock dividend payment that resulted from Dynegy's failed bid to acquire rival **Enron**. Dynegy said the restatements could affect its ability to comply with certain credit agreements. It owes \$1.3 billion in credit lines that are due in April and May, and another \$1.5 billion to **Chevron Texaco** in November to repay a loan that financed the failed Enron merger in November 2001 (*Reuters*, 2/3).

- **Allegheny Energy** said two of its units have received a fourth extension in less than two months on waivers from bank lenders under their credit agreements. The consortium of banks includes **J.P. Morgan**, **Citigroup** and **Bank of Nova Scotia** (*Reuters*, 2/3).

- The Quebec government is considering selling a 10% stake in **Hydro-Quebec** to the power utility's 20,000 employees, said a spokesman for Quebec Premier **Bernard Landry**. Hydro-Quebec said it was surprised by Landry's comments (*Reuters*, 2/3).

- **Alliant** has completed the purchase of a 309 MW natural gas-fired power plant in Neenah, Wis., for \$109 million from **Mirant**. The purchase was made through **Alliant Energy Resources**, the company's non-regulated subsidiary. Alliant will continue selling the plant's output to Milwaukee-based **WE Energies** through 2008 (*Milwaukee Journal Sentinel*, 2/4).

- **Salt River Project** has begun a three-year project to add an 825 MW expansion to its Santan power plant in Arizona. SRP is a public agency that manages water and energy along the Colorado River. The Santan gas-fired plant currently produces 360 MW (*Reuters*, 2/5).

Bonds

Issue Date	Maturity	Issuer	Amount (\$ mil)	Offer Price	Type of Security	Coupon (%)	Spread to Benchmark	Moody's	S&P	Bookrunner(s)
1/31/03	11/15/12	Hydro One	197.5	101.093	MTNs	5.77	-	-	-	BMO Nesbitt Burns/CIBC
1/31/03	1/31/34	Hydro One	131.7	99.919	MTNs	6.35	-	-	-	BMO Nesbitt Burns/CIBC
1/31/03	2/14/33	RWE	811.7	98.67	MTNs	5.75	-	A1	A+	ABN AMRO/HVB//Morgan Stanley
2/3/03	3/3/11	Kraftwerke Oberhalsi	88	100.18	Fxd/Straight Bd	2.625	-	NR	AA-	Zuercher

M&A

Date Announced	Date Effective	Target	Target Advisors	Target Country	Acquiror	Acquiror Advisors	Acquiror Country	Deal Value (\$mil)
1/30/03	1/30/03	Acque	-	Italy	Investor Group	-	Italy	20.757
1/30/03	-	Gaselwest	-	Belgium	Electrabel Customer Solutions	-	Belgium	-
1/30/03	-	Igao	-	Belgium	Electrabel Customer Solutions	-	Belgium	-
1/30/03	-	Imewo	-	Belgium	Electrabel Customer Solutions	-	Belgium	-
1/30/03	-	Intergem	-	Belgium	Electrabel Customer Solutions	-	Belgium	-
1/30/03	-	Iverlek	-	Belgium	Electrabel Customer Solutions	-	Belgium	-
1/30/03	-	Iveka	-	Belgium	Electrabel Customer Solutions	-	Belgium	-
1/30/03	1/30/03	Caribbean Utilities	-	Cayman Islands	Fortis	-	Canada	45.979
1/31/03	-	BayCorp Holdings	-	U.S.	BayCorp	-	United States	105.778
1/31/03	-	Concord Power	-	Germany	E.on	-	Germany	-
1/31/03	-	Fortum-Power Plant, Germany	-	Germany	E.on	-	Germany	-
1/31/03	-	Fortum Distribution Smaland	-	Sweden	E.on	-	Germany	-
1/31/03	-	Fortum-Power Plant,Ireland	-	Ireland-Rep	E.on	-	Germany	-
1/31/03	-	Fredrikstads Energi	-	Norway	Fortum	-	Finland	-
1/31/03	1/31/03	Gerecsegaz	-	Hungary	Tigaz	-	Hungary	-
1/31/03	-	Hafslund	-	Norway	Fortum	-	Finland	-
1/31/03	-	Lenenergo	-	Russian Fed	Fortum	-	Finland	-
1/31/03	1/31/03	Mol-Gaz	-	Hungary	Tigaz	-	Hungary	-
1/31/03	-	Ostfold Energi Kraftsalg	-	Norway	Fortum	-	Finland	-
1/31/03	-	Ostfold Energi Nett	-	Norway	Fortum	-	Finland	-
1/31/03	1/31/03	Turulgaz	-	Hungary	Tigaz	-	Hungary	-
1/31/03	1/31/03	Zsamberkgaz	-	Hungary	Tigaz	-	Hungary	-
2/5/03	-	Labuan Water Supply Sdn Bhd	-	Malaysia	Investor	-	Malaysia	28.963

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

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FPL PLOTS

(continued from page 1)

it has put in place an in-house team to conduct the search, says the banker. **Steve Stengel**, a company spokesman, says FPL Energy is selectively looking at potential acquisitions, but declined further comment.

FPL Energy's robust balance sheet and strong liquidity cushion mean it's extremely well placed to take advantage of the industry downturn bedeviling the U.S., reasons the New York banker. He notes FPL Group's relatively strong and stable share price—its stock closed last Thursday at \$57.04 against a 12-month high and low of \$65.31 and \$45—further highlights its strong position. This view is backed up by credit analysts. Last November **Standard & Poor's** affirmed FPL Group's A rating.

The banker notes that FPL has built up this strong position through being a prudent dealmaker in the past. "[FPL] hasn't been able to make as many acquisitions as it would have liked because it thought prices were too high. Prices have come down considerably in recent months so management thinks it's a good time to make a move to grow the company."

FPL Energy has nearly 7,251 MW of generation capacity in operation and 4,116 MW either under construction or in advanced development in the U.S. Its fuel mix consists of gas (58%), wind (19%), oil (8%) and the remaining 6% is hydro, coal and solar.

—A.L.

NEG PUTS

(continued from page 1)

but it's going to be a tough sell because it's a buyer's market."

Goodman says it makes sense to divest the New England assets in particular, as they are recent additions to NEG's portfolio. It needs to become a smaller company to survive and these are good assets to sell because they are not part of its core set of West Coast power plants, she explains.

NEG New England Portfolio			
Plant	Size (MW)	Location	Fuel-type
Bear Swamp	599	Mass.	Hydro
Masspower	267	Mass.	Gas
Salem Harbor	745	Mass.	Coal & Oil
Millennium	360	Mass.	Gas
Pittsfield	173	Mass.	Gas
Brayton Point Station	1,599	Mass.	Coal
Manchester Street Station	495	RI	Gas
Lake Road	840	Conn.	Gas
Athens Generating	1,080	NY	Gas

Source: NEG's Web site

One issue that could undermine a quick sale is the potential unwillingness of project-level creditors to accept losses on loans secured against plants that are being sold. Given the sharp fall in power plant valuations, the sale prices may not cover individual

plant's debt levels. However, the New York banker forecasts that lenders may be willing to take slight haircuts to offload the loans. "If the creditors see value in a sale, they'll likely approve it," he argues.

Joe Sauvage and **Frank Napolitano**, co-heads of the power group at Lehman, and **Emily Knight**, a Lehman spokeswoman, did not return calls by press time. Repeated calls to **Natalie Wymer**, an NEG spokeswoman in San Francisco, also were not returned.

NEG maintains interests in 27 generating facilities around the country with 7,269 MW of capacity. The generation mix includes gas (60%), coal (27%), hydroelectric and wind (13%).

—Amanda Levin

BRITISH ENERGY

(continued from page 1)

threatened to withdraw a GBP650 million emergency loan and force the generator into administration.

The BE restructuring talks have hit an impasse over the terms offered to the dozen or so project banks that provided some GBP600 million of non-recourse financing in 2000 to fund BE's acquisition of the 2 GW Eggborough coal-fired plant from **National Power**. These non-recourse lenders, along with BE's bondholders and other creditors, have been offered a pro rata share of a new GBP425 million bond as well as equity in the restructured business. Such a deal would mean an immediate 65% writedown for the Eggborough creditors, a haircut they're loath to accept.

The Eggborough lenders, led by a steering group comprising **Abbey National Treasury Services**, **Barclays Capital**, **Lloyds TSB** and **Royal Bank of Scotland**, argue they should get better terms than the bondholders—as their loan is secured against the Eggborough power plant—and have threatened to play hardball if they don't get their way. "The banks are looking to achieve a position that is equitable given that they are the only secured piece in the mix," notes a member of the steering committee.

The financier stresses that the banks are looking to achieve an amicable compromise with the other parties, but adds that their control of Eggborough gives the lenders a powerful bargaining chip. "Eggborough is crucial to BE's nuclear fleet. Irrespective of whether it goes into administration, BE needs the flexibility that Eggborough provides."

If push comes to shove the banks could end up taking ownership of the coal-fired plant.

—Will Ainger

Quote Of The Week

"It's going to be a tough sell because it's a buyer's market."—**Joan Goodman**, an equity analyst at **Credit Suisse First Boston** in Chicago, commenting on **PG&E National Energy Group's** plan to divest its 6 GW New England generation portfolio (see story, page 1).