

# power finance & risk

The exclusive source for power financing and trading news

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## Reliant Plans Early Mini-Perm Redemption

**Reliant Resources** is looking to arrange an early take-out of \$1.9 billion of mini-perm project loans before they mature later this year.

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## The Price Of Junk

### MIRANT SEEKS TRADING PARTNER TO BOLSTER CREDIT STATUS

Atlanta-based Mirant is talking to other power players about a possible link-up as a way to firm up the credit rating of its trading, marketing and risk management operation, CEO **Marce Fuller** told analysts recently. The talks were prompted by its December rating downgrade to junk status that has so far required the posting of \$400 million in collateral to cover trading and marketing contracts. The IPP is also looking at other credit enhancement options, such as ring-fencing the operation or getting some form of credit wrap.

*(continued on page 12)*

### SOCGEN TO SECURITIZE PROJECT LOAN BOOK

**Société Générale** is looking to securitize a portion of its project finance loan book and bring the deal to market within the next few months. If successful, the French bank would join an exclusive club: only **Credit Suisse First Boston** and **Citibank**, of the major players, have managed to execute project finance-backed collateralized loan obligations (CLOs), say industry watchers. The geographical and sectoral mix of the loans could not be determined. SocGen officials declined comment.

Banks see project finance CLOs as a way of freeing up their balance sheets, allowing

*(continued on page 12)*

### CONSTELLATION PREPS \$1B BOND OFFERING

**Constellation Energy**, the parent company of **Baltimore Gas & Electric**, is looking to issue some \$1 billion in bonds this quarter to help repay \$955 million in commercial paper and has hired **Lehman Brothers** to lead the deal, says **Brian Stanton**, manager of investor relations at Constellation. The tenor and type of security to be issued has not yet been determined. Calls to bankers at Lehman Brothers were not returned.

According to Stanton, the \$955 million in commercial paper was originally used to fund Constellation's purchase of controlling stakes in two nuclear plants, Nine Mile Point

*(continued on page 11)*

### CALPINE EYES LEASE FINANCING PROGRAM

Calpine is evaluating establishing a \$1.2-1.3 billion lease finance program as a means to bolster liquidity and fund its generation expansion program. The San Jose, Calif.-based company's need for new money was highlighted in its year-end earnings, released late last month. In a conference call with investors and analysts the independent power producer projected a cash surplus of just \$76 million for this year, after including a \$500 million credit from the planned sale-leaseback of certain peaking plants.

Given the relatively small surplus, the company is evaluating ramping up the lease

*(continued on page 11)*

Check [www.iipower.com](http://www.iipower.com) during the week for breaking news and updates.



## CSFB Tops Research Poll

Credit Suisse First Boston's Roger Reynolds and Anlfonso Zuloaga have retained top spot for the utility sector in Institutional Investor magazine's *All-Europe Research Team*. Fund managers polled by the magazine said they particularly liked the analysts' recommendation to sell Vivendi Environment stock last summer. In the annual poll Schroder Salomon Smith Barney's Anthony White and UBS Warburg's Nicholas Pink took second and third place, respectively.

### Stay Of Execution

## Creditors Set To Give Developer A Temporary Reprieve

Embattled power provider Covanta Energy is likely to receive a stay of execution from its creditors later this month to give it more time to address its financial ills and raise capital. A member of Covanta's bank group says the syndicate will meet in the next few weeks and is likely to approve a two-month extension to a \$146 million bank line that came due Jan. 31. The Fairfield, N.J.-based IPP recently submitted a proposal to Bank of America and Deutsche Bank, the lead banks on the loan, to defer payment, says Louis Walters, manager of investor relations at Covanta. He declined further comment. Calls to BofA and Deutsche Bank were not returned.

Covanta's stock price, which was trading around \$13 in early November, has taken a beating since the collapse of Enron. The stock fell to \$3.92 on Dec. 24 after it announced it would not be able to repay its borrowings. Since the end of December the stock has fallen more than 50% to \$1.22 Thursday on concerns its creditors will force Covanta into bankruptcy.

Gary Schneider, analyst at Bear Stearns in New York, says the best way for Covanta to honor its debt obligations would be to put

itself on the block. Schneider explains that Covanta's problems have arisen because of a credit squeeze in the power sector following Enron's collapse. "If the large companies are having a problem getting financing then a small company like Covanta is going to have an even bigger problem. It should have put all of its ducks in order when its stock price was a lot higher than now," he says.

For a full version of the story, go to: [www.iipower.com](http://www.iipower.com)

## Deutsche Bank Hands Pink Slip To M&A Banker

Deutsche Bank two weeks ago laid off a mergers & acquisitions banker in its investment-banking utility team as part of an overall cut of 2,100 investment banking jobs at the firm. A spokesman says George Ordonez, whose primary focus was M&A in the utility sector, was let go, but declined further comment. At Deutsche Bank, Ordonez reported to Jim Denaut, co-head of the investment banking utility group in New York. Ordonez and Denaut did not return calls.

## Goldman Snags Enron Weather Head

Goldman Sachs has hired Paul Murray, head of weather derivatives at Enron in London. Murray could not be reached and calls to Goldman's press office were not returned. The bulge bracket firm is thought to be making a push into the European commodities market and recently transferred Richard Bronks, co-head of commodities in New York, to London (PFR, 1/28).

One weather derivatives official in London described Murray as a key player, noting that his involvement stretches back to working at market maker Castlebridge Partners in the U.S. prior to managing the weather desk at Enron, which was the largest in Europe.

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## Enron Is One-off Disaster, Says EEI Chief

Thomas Kuhn, president of the Edison Electric Institute, sought to calm analysts' fears that the collapse of Enron could signify a deeper malaise in the power industry at a New York Society of Security Analysts' meeting last Wednesday. Kuhn told about 130 Wall Street bankers and sell-side analysts that Enron's failure was not an indictment of competitive markets or the fault of electricity deregulation. "The Enron situation could have happened in any industry. It is more of an accounting story than an energy story."

In contrast, Kuhn argued that the collapse of Enron highlights the resilience of the power sector. The Enron ordeal has shown that even with the loss of a major player, power markets have continued to function, said Kuhn. "It's a testament to the industry that the electricity market fared so well considering that Enron comprised 25% of the market."

## NRG Looks To Double Revolver

NRG Energy is looking to arrange a \$1 billion one-year revolver shortly, double the size of an existing line that is about to mature. The Minneapolis-based company has selected ABN AMRO and Citibank to arrange the transaction and will launch syndication at a bank meeting on Feb. 19, says a banker familiar with the deal. A spokeswoman at NRG says the increase in size is to bolster liquidity and the funds will be used for general purposes.

ABN and Citi are planning to commit \$125 million a piece to the deal. Undrawn fees are 25 basis points and fully drawn fees are 175 basis points. Commitment fees on the deal are 75 basis points for a \$100 million ticket, 55 basis points for \$50 million, 40 basis points for \$35 million and 30 basis points for \$25 million.

## Barclays Snags 25-Strong Team

Barclays Capital is in the process of bringing on board a team of 25 former-Enron power and gas traders, marketers and support staff in London in an attempt to rapidly build from scratch an energy-trading business. Barclays is entering the European market later than other banks—such as Goldman Sachs, Morgan Stanley and Westdeutsche Landesbank—and is hiring a ready-made desk to catch up with the opposition, explains one recruitment consultant. It had to fight off bids from other banks to land the highly prized Enron trading team, adds another official.

Caroline Rouse, a spokeswoman at the U.K. bank, says Barclays is hiring such a big team in the belief that it can become one of the largest banks in the power and gas trading business. She declined to comment on who Richard Lewis, head of U.K. power and gas, and Joe Gold, head of continental power

and gas, are bringing with them from Enron in mid-March, noting that some have yet to sign contracts. Benoit de Vitry, Barclay's global head of commodities, did not return calls.

## Moody's Plans Power Accounting Paper

Moody's Investors Service is aiming to put out a report shortly tackling some of the opaque accounting practices in the power sector. Susan Abbott, managing director in New York, says one issue to be addressed is mark-to-market accounting of trading positions, adding the different ways it is applied can make financial statements confusing. She characterizes the paper as being educational, but notes when company results are questioned, or unclear, there is a rating impact. Abbott, who will author the note, says it will set out what the agency thinks should be done to clear up confusion.

The paper will follow a piece on rating criteria for power trading companies (PFR, 1/14), which should be released this week. The spurt of special reports from Moody's reflects the transition the sector is dealing with. "We are going through the first bust-cycle of the industry," Abbott reflects.

## Reliant Plots Early Take-Out Of Orion Mini-Perms

Reliant Resources is planning to pay off \$1.9 billion in mini-perm project loans before they reach maturity later this year and also is looking to tap the bond market to refinance its \$2.9 billion acquisition of Orion Power.

The Houston-based energy giant will inherit the mini-perms when final regulatory approval is given for the Orion takeover. The funds will come from a variety of sources, but all will be at the corporate level, says an official familiar with its plans. Reliant declined to comment.

Orion Power New York, a \$730 million facility maturing in December, and Orion Power Midwest, a \$1.2 billion loan that matures in October, were two of the first wave of mini-perms to be launched in the late 1990s (PFR, 2/4). Reliant has a preference for corporate-level debt and these two mini-perms are very expensive relative to the rates it can achieve as an investment-grade company, explains the official. He declined to reveal the rates on the loans.

Reliant is also preparing a bond offering to replace a \$2.2 billion, 364-day bridge loan it arranged to finance the Orion acquisition. The loan arrangers, Bank of America, Barclays Capital and Deutsche Bank, will also lead the bond deal, the timing of which is also dependent on the formal completion of the acquisition, says the official. The bond proceeds will not be used for the mini-perm refinancing, he adds.



## RWE Houston Trading Arm Adds Enron Duo

RWE Trading Americas, the Houston-based arm of Germany's RWE, has hired two staffers from Enron as it prepares to launch a full trading operation this year. **Claudio Ribeiro**, head of new product development in Enron's weather team, and **Eduardo Gil**, a trader, will focus on energy trading. Their new titles could not be determined.

Traders are keenly waiting to see what sort of impact RWE, headed by seasoned power trading manager **Bill Coorsh**, will have on the market, given its goal of becoming a big full-service shop. Coorsh confirmed the hires, declining to elaborate further.

Enron's weather team has been inactive since the company's December Chapter 11 filing (PFR, 1/28).

## Enron Aftermath Innogy Fills U.K. Trading Vacuum

Innogy, more than any other player, is filling the vacuum in the U.K. power-trading market created by the demise of Enron, say power traders. While the market's increased focus on bilateral credit exposure has encouraged trading shops to spread credit risk around a wider pool of counterparties, Innogy is picking up the largest slice of the market-making pie, they add.

**Brian Senior**, head of power trading at Swindon-based Innogy, says that since U.K. energy companies began cutting ties with Enron, volume traded at Innogy has swelled by some 50%. It is on target to trade 350 TWh of power in the year to September, he says, adding this figure likely makes Innogy the largest power trader in the U.K.

The bulk of this volume comprises short-dated trades with counterparties looking to balance their supply and demand contracts under NETA. Contracts covering the short end of the U.K. power curve was the primary source of **EnronOnline's** U.K. business, say traders.

Another trading shop prospering in the post-Enron environment is **TXU Europe**. Both Innogy and TXU have benefited because they are seen as safe credits backed by hard assets, notes Senior.

Unlike Enron, Innogy does not take large proprietary positions. While the company does make bets on the future direction of wholesale power prices, its value-at-risk is not allowed to exceed GBP40 million, says Senior.

**Christian Judge**, a spokesman at TXU, confirmed that the Ipswich-based power company had picked up trading business since the collapse of Enron, but was unable to provide volume details.



## Middle East & North Africa

### UAE Seeks Banks For Fujairah Project

The **UAE Offsets Group (UOG)**, an Abu Dhabi-based state-development agency, is currently talking to international and regional lenders about financing a \$1 billion gas-fired power and water desalination project in the easterly emirate of Fujairah. The UOG has already signed up state-owned **National Bank of Abu Dhabi** as a senior lender and is now looking to sign up at least one other lead arranger by the end of the quarter, says a Middle Eastern banker. As part of plans to develop the project on a fast-track basis, the loan will be structured as a corporate facility backed by the UAE, as corporate loans are the quickest deals to assemble, says the banker.

The pricing and fees on the facility are unlikely to appeal to international lenders. But some Western banks are considering submitting bids because the UOG plans to restructure the loan on a more lucrative non-recourse basis once the power plant is built, says the banker.

Last June the UOG awarded an \$802 million contract to develop the 620 MW power and 100 million gallon water desalination plant and a pipeline linking it westwards to Al Ain to South Korea's **Doosan Heavy Industries & Construction Co.**

**Taylor DeJongh**, a Washington, D.C.-based consultant, and **Allen & Overy**, a London law firm, are advising the UAE Offset Group on financing (PFR, 2/12). Calls to both firms were not returned.

## German Utility Considers Middle East Foray

RWE is considering entering the Middle Eastern IPP market for the first time, say market officials familiar with its plans. The Essen, Germany-based power and water leviathan is one of a large handful of international developers that have submitted initial requests for quotes with the **Abu Dhabi Water & Electricity Authority (ADWEA)** for its Um Al Nar project. **Bill McAndrews**, a RWE spokesman in Essen, declined to comment and calls to **Dean Hudson**, a banker at ADWEA's advisor **Credit Suisse First Boston**, were not returned.

Bankers say RWE's decision comes as a pleasant surprise. RWE has not shown any interest in the region before, but with many U.S. developers scaling back their international ambitions in the region, a well-heeled European player entering the fray is a welcome development, they say.

One London-based banker reasons that RWE may be



bidding for the Um Al Nar contract because it is both a power generation and water desalination project. This would fit in nicely with RWE's profile as both a power and water utility. Owning the project "would put RWE in a good position to run Abu Dhabi's water industry if and when the government decides to privatize it," reasons the banker.

ADWEA plans to sell Um Al Nar, a power and water

desalination provider near Abu Dhabi City, to an international developer and require the buyer to add extra capacity as part of the sale agreement. ADWEA wants to increase capacity to 1,750 MW and 150 million gallons of desalinated water a day, from its current load of 1,100 MW and 80 million gallons (1/27).

An official at AES Oasis in Dubai, says that it is also looking to bid for the Um Al Nar mandate.

## Arrangers Round Out Ras Lafan Deal

The lead arrangers of AES's \$572 million Ras Lafan non-

recourse loan closed retail syndication last

Wednesday with the

addition of 10 banks

committing some \$212

million. The 10 lead

banks had originally been

looking to sign up 15

banks for \$300 million,

(PFR, 12/3), but, despite

the shortfall, lenders says syndication was highly successful given the relatively difficult financing environment. Eight regional

lenders and two international banks—Bayerische Landesbank and Deutsche Industriebank—joined the roster during syndication, say bankers.

AES will use the proceeds from the 18-year loan to fund the construction of Ras Lafan, a 700 MW gas-fired power and water desalination facility in Qatar. Rohid Gokhale, business development manager at AES Oasis in Dubai, confirmed that syndication had closed but declined further comment.

Title	Bank	Ticket Size (\$mil)	Title	Bank	Ticket Size (\$mil)
Lead arranger	<b>Qatar National Bank</b>	36.25	Arranger	<b>Arab Bank</b>	34
Lead arranger	<b>ANZ Investment Bank</b>	36	Arranger	<b>Apicorp</b>	34
Lead arranger	<b>Barclays Capital</b>	36	Arranger	<b>Bayerische Landesbank</b>	34
Lead arranger	<b>International Bank of Japan</b>	36	Co-arranger	<b>Commercial Bank of Qatar</b>	25
Lead arranger	<b>Arab Banking Corp.</b>	36	Co-arranger	<b>National Bank of Dubai</b>	25
Lead arranger	<b>Gulf International Bank</b>	36	Lead manager	<b>Doha Bank</b>	15
Lead arranger	<b>Bank of Tokyo-Mitsubishi</b>	36	Lead manager	<b>National Bank of Abu Dhabi</b>	15
Lead arranger	<b>Société Générale</b>	36	Manager	<b>Deutsche Industriebank</b>	10
Lead arranger	<b>BNP Paribas</b>	36	Manager	<b>British-Arab Commercial Bank</b>	10
Lead arranger	<b>HSBC</b>	36	Manager	<b>Union National Bank</b>	10

## Middle East Power Plant Calendar

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

Sponsor	Project	Type	Size (MW)	Cost (\$mil)	Country	Advisor/Financier	Status
Abu Dhabi Water & Electricity Authority	Um Al Nar	Gas/Desalination	1,750	-	Abu Dhabi	CSFB	Is seeking IPPs to buy and expand the plant (see above).
AES	Ras Lafan	Gas/Desalination	700	572	Qatar	10 lead banks	Has closed syndication (see above).
Aramco Gulf Operations	Al Khafi	-	90	100	Saudi Arabia	-	Seven bidders are in the running to build the plants.
CMS & International Power	Al Shuweihat	Gas/Desalination	1,500	1,600	Abu Dhabi	-	Expects to launch retail syndication in January (PFR, 12/5).
CMS	Sadaf	Gas	220	-	Saudi Arabia	IBJ	Will syndicate loan this fall (PFR, 9/10).
Egyptian Electricity Authority	Cairo North	Gas	750	500	Egypt	-	Will tap development banks for funding (PFR, 8/6).
Energy & Mineral Resources Ministry	-	Wind	90	-	Jordan	-	Seeking bidders to develop three wind parks.
Gov't of Bahrain	Al Hidd	Gas/Desalination	750	350	Bahrain	White & Case	Has hired GIB (PFR, 10/7).
Gov't of Israel	Mishor Rotem	CCGT	350	400	Israel	-	Is seeking advisors (PFR, 7/30).
Israel Electric Corp.	Ashkelon	Coal	1,300	1,200	Israel	-	Has begun talking to banks about financing (PFR, 9/3).
Israel Electric Corp.	Beersheza	Gas/Interconnector	350	250	Israel	-	IEC is seeking banks (PFR, 4/23).
Gov't of Morocco	Tahaddart	CCGT	400	500	Morocco	-	Has selected Siemens and Endesa to build the plant (PFR, 8/6).
Mapna	Parch Sar	CCGT	900	-	Iran	-	Has approached advisors (PFR, 4/29).
PSEG	Salalah	Gas	200	232	Oman	BNP Paribas	Hopes to launch the deal before year-end (PFR, 10/15).
Saudi Royal Commission for Jubail & Yanbu	Jubail	Power/Desalination	80	-	Saudi Arabia	-	SRC will award a construction mandate shortly. Six firms have bid (PFR, 2/12).



**power finance & risk**

»»»» FEBRUARY »»»»

**PFR SEEKS**

**2001**

**AWARD**

**NOMINATIONS**



Power Finance & Risk will present its inaugural power project finance awards in April and we are seeking nominations from our readers for the best deals and lenders of 2001.

You can make nominations under five categories:

1. Best North American lender
2. Best North American deal
3. Best Latin American deal
4. Best European and the Middle East Lender
5. Best European and Middle East deal

Nominations must reach PFR by March 11. A shortlist of candidates will be announced in the March 18 issue.

Please send your nominations to [wainger@euromoneyplc.com](mailto:wainger@euromoneyplc.com).





## Latin America

### EdF And Mitsubishi Select Banks For Mexican Project

Electricité de France and Mitsubishi have selected Citibank and Fuji Bank to lead a \$200 million non-recourse loan for the construction of Altamira (495 MW), a combined-cycle gas turbine plant in northeastern Mexico, says a project banker involved in the financing. The Japanese Bank for International Cooperation will act as a senior co-arranger. The financier says syndication should close by the end of next month, but declined to name the banks approached or comment on fees, pricing, or tenor.

He says EdF and Mitsubishi will jointly provide \$100 million in equity financing.

Altamira will sell all of its output to the Commission Federal de Electricidad, Mexico's national power company, under a 25-year power purchase agreement. The CFE awarded

EdF and Mitsubishi the tender to build and operate the plant on May 1, last year.

### Consortium Chooses Citi

A consortium of companies including Companhia Vale do Rio Doce, Alcoa Aluminum, and Camargo Correa have selected Citibank to arrange \$700 million in non-recourse financing for the construction of Santa Isabel, a 1,087 MW hydroelectric plant in northeast Brazil. A financier familiar with the transaction says discussions regarding pricing, structure and tenor of the transaction are still at a preliminary stage.

The financier says the sponsors are in the process of obtaining a concession from the government to build and operate the plant. He adds they are also looking to secure an environmental license before construction can begin.

## Latin American Power Financing Calendar

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

Sponsor	Project	Project Type	Size (MW)	Cost (\$mil)	Country	Advisor/Financier	Status	PFR Issue
ABB	Thermo Bahia	Gas-fired	187	205	Brazil	-	IADB is considering financing a portion of the deal	6/4/01
Alcoa	Santa Isabel	Hydro	1,087	700	Brazil	Citi	Has hired Citi to lead deal	2/11/02
Ceran	-	Hydroelectric	360	111	Brazil	BNDES	Will launch the loan shortly	10/8/01
CFE	Rio Bravo III	Gas-fired	500	250	Mexico	-	Only EDF has bid for the BOO project	6/4/01
Companhia Energetica de Pernambuco	Termopernambuco	Gas-fired	520	403.5	Brazil	IADB/BBVA/BNDES	Syndication due in Feb	12/24/01
Corporacion Venezolana de Guyana	Tocoma Dam	Hydroelectric	-	2,100	Venezuela	-	Expects to bring project on line by 2006	6/25/01
Duke Energy International	-	Gas-fired	500	270	Brazil	-	-	4/2/01
El Paso	-	Gas-fired	700	600	Brazil	-	Expects to seal financing shortly	4/2/01
El Paso	-	Gas-fired	200	200	Mexico	-	Expects to bring project on line by 2003	4/16/01
Electricité de France	-	-	4,000	-	Brazil	-	Looking to increase capacity by 800 MW	4/16/01
Electricité de France	Altamira	Gas-fired	495	300	Mexico	Citi/Fuji	Prepped \$200M loan	2/11/02
Endesa	-	Interconnector	-	244	Brazil/Argentina	IDB, BSCH, Credit Agricole	Will syndicate the loan by November	10/8/01
Iberdrola	Vera Cruz	Gas-fired	800	700	Mexico	-	IADB has offered assistance to relaunch the stalled project	6/9/01
Iberdrola, Banco de Brazil, Previ	Termo Pernambuco	Gas-fired	540	350	Brazil	IDB, BBVA	Expects to bring project on line by 2002	3/26/01
InterGen	Carioba	Gas-fired	945	670	Brazil	-	Looking at a \$470M non-recourse loan. BNDES likely to lead the deal	4/23/01
InterGen	La Rosita I & II	Gas-fired	1,060	-	Mexico	Citibank, BNP Paribas, EDC, SocGen, KBC, ANZ	Considering financing both plants in Q4 as a portfolio loan	9/10/01
PSEG Global	SAESA	Distribution company	N/A	450	Chile	J.P. Morgan	Considering taking out a \$300M loan to fund the acquisition	9/24/01
PSEG Global	Electroandes	Hydroelectric	183	227	Peru	J.P. Morgan	Considering taking out a \$100M loan to fund the acquisition	9/27/01
Sempra Energy Resour	-	Gas-fired	600	350	Mexico	-	Considering a project-level bank loan or bonds	3/5/01
Union Fenosa	La Laguna II	-	450	-	Mexico	-	-	7/2/01
Union Fenosa	Tuxpan III & IV	Gas-fired	938	600	Mexico	Deutsche Bank BOTM	Expects to bring plant on line by 2003	6/4/01



## Corporate Strategies

### S.C. Utility Earmarks Funds For Plant Upgrade, High-Coupon Take-Out

South Carolina Electric & Gas is using the \$300 million it recently raised in first-mortgage bonds to pay down short-term debt used to upgrade its Urquhart plant, and also to take out older higher-coupon debt. SCE&G is converting the 150 MW coal-fired Urquhart facility to a 450 MW natural gas-fired plant, says **John Winn**, manager of investor relations. The 6.625% coupon bonds will also pay down \$150 million in an 8.875% series, due 2021. The switch to a lower coupon required the company to fork out a premium of 3.79% for the early redemption, he adds.

The SCANA subsidiary makes regular forays in the first-mortgage bond market when its short-term debt heads toward the \$150 million level, says Winn. The total cost of the plant re-powering and upgrade is \$180 million. He was unable to say what proportion of the latest issue will go to that project, noting that the funds will also be used for general corporate purposes.

The offering, priced at 99.201, was underwritten through a syndicate led by **UBS Warburg**, **Credit Suisse First Boston**, **Banc of America Securities** and **Wachovia Securities**. The utility has used each firm for financing before and views them as relationship banks. Winn says the 0.875% bank fee resulted from a negotiated deal, rather than a formal bidding process

for the mandate.

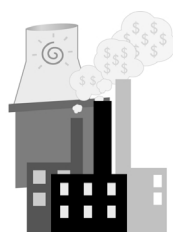
SCE&G last tapped the first-mortgage bond market in January last year, in a \$150 million deal through BofA and Wachovia. Proceeds were also used for general corporate purposes and to pay down short-term debt.

### Southern Bulks Up Issue Size

**Southern Co. Capital Funding**, a financing division of Atlanta-based **Southern Co.**, upsized a recent bond offering by \$100 million to \$400 million to take advantage of attractive interest rates and allow it to pay down more of its \$928 million commercial paper program, says **Karen Anderson**, an associate director at **Fitch** in Chicago.

Anderson says, "Southern got a really terrific spread of 103 basis points over Treasuries, and at those prices, it would be hard to pass up. Also, part of the company's plan is to pay down short-term debt, so by increasing the issue it takes away the risk of not getting good spreads down the road."

The A3/A- rated non-callable deal, which matures in five years, pays a coupon of 5.3% and was priced at 99.835 to yield 5.308%. The lead manager was **Goldman Sachs**. Co-lead senior managers were **Barclays Capital**, **Commerzbank**, **J.P. Morgan**, **Wachovia Bank** and **Williams**. The deal was priced on Jan. 29 and closed on Feb. 1.



## 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](mailto:wainger@euromoneyplc.com).*

Seller	Plants	Location	MW	Plant Type	Advisor	Status
American Electric Power/ Central and Southwest Corp.	Northeastern units 3 & 4	Okla.	300	Coal	N/A	Reviewing sale strategies.
	Lon C. Hill	Texas	546	Gas		
	Nueces Bay	Texas	559	Gas		
	Ennis S. Joslin	Texas	249	Gas		
ADWEA	Um Al Nar	Abu Dhabi	1,100	Gas & Water Desalination	CSFB	Expected to send out RFPs in December.
Central Hudson Gas & Electric	Syracuse	N.Y.	100	CHP	Navigant	Final bids due by late Nov.
	Beaver falls	N.Y.	100	CHP		
	Niagara falls	N.Y.	52	Coal		
CMS Energy	Loy Yang	Melbourne, Australia	2,000	Coal	Not chosen J.P. Morgan J.P. Morgan J.P. Morgan	Announced intention to sell.
	Ensenada	Argentina	128	Gas-fired		
	CT Mendoza	Argentina	520	Gas-fired		
	El Chocon	Argentina	1,320	Hydroelectric		
DPL	All plants	Ohio	3,500	N/A	Morgan Stanley	
Enel	Eurogen	Italy	7,008	Various	-	Having sold Elettrogen it will sell one of two other generation portfolios shortly.
	Interpower	Italy	2,611	Various	-	
Enron	Bahia Las Minas	Panama	355		PwC (administrator)	Intention to sell.
	Puerto Quetzal	Guatemala	110			
	POPLC	Guatemala	124			



## Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Enron	Margarita II	Nicaragua	70.5		PwC (administrator)	Intention to sell.
	EcoElectrica	Puerto Rico	507			
	Puerto Plata	Dominican Republic	185			
	Cuiaba	Brazil	480			
	Nowa Sarzyna	Poland	116			
	Sarlux	Italy	551			
	Trakya	Turkey	478			
	Chengdu Cogen	China	284			
	Northern Marianas	Guam	80			
	Bantagas	Philippines	110			
	Dabhol	India	2,184			
	Subic Bay	Philippines	116			
	Teesside	U.K.	1875			
	Wilton	U.K.	154			
IVO Energy	Brigg	U.K.	240	Gas	BNP Paribas	Preparing information memo.
	South Humber	U.K.	1,240	Gas		
	Grangemouth***	U.K.	130	Gas		
	Edenderry	Ireland	120	Peat		
Independent Energy	Various	U.K.	130	N/A	KPMG	KPMG is handling the asset sale after Independent Energy went into receivership.
MARCOR Remediation (A broker acting for an undisclosed seller)	-	Calif.	5.7	Wood	-	-
Niagara Mohawk Power	Nine Mile Point 1	N.Y.	1,614	Nuclear	N/A	Awaiting bids.
	Nine Mile Point 2	N.Y.	1,140	Nuclear	N/A	
North Atlantic Energy	Seabrook*	N.H.	408	Nuclear	N/A	Must be sold by Dec. 2003.
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	-	-
	Ghubratt	Oman	507	CHP		
	Wad Al-Jazzi	Oman	350	Gas		
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch & Scotia Capital-	Expects to sell Lennox and Lakeview shortly.
	Lakeview	Ontario	1,140	Coal		
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
	Mississagi River	Ontario	490	Hydro		
Pacific Gas & Electric	68 Plants	Calif.	3,800	Hydro	Morgan Stanley	Awaiting PUC approval. Expect sale to close shortly.
Public Service Co. of New Hampshire (Northeast Utilities)	Merrimack	N.H.	475.8	Coal	J.P. Morgan	Subject to approval for rate settlement by PUC and state legislature.
	Newington	N.H.	415	Oil/gas		
	Schiller	N.H.	146.6	Oil/gas		
	Lost Nation	N.H.	19.1	Diesel		
	Merrimack	N.H.	42.2	Diesel		
	Schiller	N.H.	18	Diesel		
	White Lake	N.H.	23	Diesel		
	Amoskeag	N.H.	17.5	Hydro		
Public Service Co. of New Hampshire (Northeast Utilities)	Ayers Island	N.H.	9.1	Hydro		Subject to approval for rate settlement by PUC and state legislature.
	Canaan	Vt.	1.1	Hydro		
	Eastman Falls	N.H.	6.5	Hydro		
	Garvins Falls	N.H.	12.1	Hydro		
	Gorham	N.H.	2.1	Hydro		
	Hoolsett	N.H.	1.95	Hydro		
	Jackman	N.H.	3.55	Hydro		
	Smith	N.H.	14.2	Hydro		
ScottishPower	Hazelwood	Victoria, Australia	1,600	Coal	CSFB	Final bids due shortly.
TXU	Lake Creek	Texas	323	Gas	Merrill Lynch	Reviewing sales strategy.
	Tradinghouse	Texas	1,340			
	River Crest	Texas	110			
	Mountain Creek	Texas	893			
	Parkdale	Texas	327			
	North Main	Texas	123			
	Monticello	Texas	1,900	Coal	Merrill Lynch	Is looking to sell an undisclosed number of its coal assets.
	Martin Lake	Texas	2,250			
	Big Brown	Texas	1,150			
	Sandow	Texas	545			
Wisconsin Energy	Bridgeport	Conn.	1,100 (combined)	-	-	Has put up for sale following collapse of NRG deal.
	New Haven	Conn.	1,100 (combined)			

\* North Atlantic Energy owns 34.8% of Seabrook

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



## 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

- **American Electric Power** has appointed **ABN AMRO Australia** to advise on the prospects for the divestment of **CitiPower**, its electricity distribution and retail sales subsidiary in Melbourne (*Reuters*, 2/3).

### Europe, Africa & Middle East

- Belgian tax authorities are pursuing **Tractebel** for a payment of EUR149 million (\$130 million) related to \$55 million paid to three officials close to Kazakh President **Nursultan Nazarbayev**. In 1996 Tractebel sealed a deal to supply the main Kazakh city of **Almaty** with power and heat. The \$55 million were consultancy fees, according to Tractebel, but the tax authorities claim they were illegal because they were made to unidentified persons. Under Belgian law, companies can face a tax penalty of up to 300% of the amount of questionable payments (*Dow Jones*, 2/4).
- **American Electric Power** has put **Seeboard**, its U.K. supply business, up for sale and retained **Schroder Salomon Smith Barney** and **ABN AMRO** to advise on the divestment. The move has been expected since AEP acquired Seeboard in June 2000 through its merger with **Central and South West Corp.** Seeboard sells power and gas to about two million customers and is expected to fetch GBP1.3-1.5 billion (*Financial Times*, 1/5).
- **Kenya Power & Lighting** is planning a \$24.90 million rights issue to support a restructuring plan. **KPLC** is the sole distributor of electricity in Kenya but has struggled since a severe drought in 2000 hit hydroelectric plants and forced it to start rationing electricity (*Reuters*, 2/5).

### U.S. & Canada

- **Niagara Mohawk** has turned over the keys to its New York utility business to U.K. transmission giant **National Grid**, wrapping up an \$8.9 billion merger that creates the eighth largest electric utility in the country. "This is a major step for us," said **Roger Urwin**, National Grid's ceo (*The Buffalo News*, 2/1).
- **Williams** may sell its Midwest oil-products pipeline as part of a plan to shed non-core assets and shore up its balance sheet. It also announced that former unit **Williams Communications** has been warned by its bankers it is in danger of defaulting on credit agreements (*Dow Jones*, 2/4).

- **Kenneth Lay**, the embattled former chairman of **Enron**, and two other former top company executives told lawmakers they won't testify as Congress begins much-anticipated hearings probing the company's collapse. In a letter sent Sunday to the **Senate Commerce Committee**, where Mr. Lay was scheduled to appear, his attorney, **Earl Silbert**, said the atmosphere surrounding the hearing had become "prosecutorial" (*The Wall Street Journal*, 2/4).

- **CalPERS**, the largest pension fund in the U.S. and a leading champion of corporate transparency, defended itself on Tuesday amid revelations that it knew early on about a problematic **Enron** partnership but did nothing to make that knowledge public. As the U.S. Congress investigates the energy giant's bankruptcy, CalPERS executives have acknowledged that in December 2000 they were solicited for investment in a private partnership offered by then-Enron cfo **Andrew Fastow**, but declined (*Reuters*, 2/5).

- **Progress Energy** has sold its **Strategic Resource Solutions Software Technologies** division to Tulsa-based **TMA Systems** for an undisclosed sum as part of a larger effort to shed money-losing divisions. (*The News & Observer*, 2/5).

- **Alliant Energy** and **Panda Energy International** are delaying construction on a 1,100 MW plant in Tallmadge Township, Mich., for an undetermined time due to costs and market uncertainty. The \$600 million plant was originally expected online in early 2004, with construction expected to start this year (*Dow Jones Newswires*, 2/5).

- Power generator and trader **Mirant** says the \$1.63 billion sale of its German utility will strengthen Mirant's balance sheet as it seeks to restore investor confidence in the wake of **Enron's** collapse. Atlanta-based Mirant said it received approval on Monday from the European Union for the sale of Berlin-based **Bewag** to Sweden's **Vattenfall** (*Reuters*, 2/5).

- **Alliant Energy** says its Iowa utility subsidiary plans to build a 500 MW power plant in the state after the company did not receive any bids on the project from other energy companies. **Interstate Power and Light** President **Eliot Protsch** says despite increased uncertainties in the power market, the company has an obligation to serve Iowa customers (*Reuters*, 2/5).



## Financing Record (JANUARY 31 - FEBRUARY 7)

### Bonds

Date	Maturity	Issuer	Amount (\$mil)	Price	Type of Security	Coupon (%)	Moody's	S&P	Book Manager(s)
01/31/02	01/31/04	Luz del Sur	9.5	Market	Bonds	6.438	-	-	Citicorp Peru
02/05/02	12/30/31	MidAmerican Energy	400	98.857	Sr Unsecurd Nts	6.75	A3	A-	CSFB
02/05/02	02/09/04	Pinnacle West Capital	215	99.865	Notes	4.5	Baa2	BBB	JPM

### M&A

Date Announced	Date Effective	Target Name	Target Country	Acquiror	Acquiror Country	Value (\$mil)
01/31/02	-	NVS Nordiska Varne Sana	Sweden	Investor Group	Sweden	40.359
01/31/02	-	Zhangzhou Jinfong Water Supply	China	DKLS Venture Sdn Bhd	Malaysia	-
02/05/02	02/05/02	Aguas de Lilen	Chile	Esval	Chile	0.797

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

## CALPINE EYES

(continued from page 1)

financing effort, according to analysts that listened to the call. **Bob Kelly**, head of finance at Calpine, and **Bill Highlander**, spokesman, did not return calls. The timing of the program and the sale-leaseback program could not be determined.

The move makes sense, says **Donald Howald**, analyst at **Credit Lyonnais Securities** in New York, given the company is hitting the peak of the construction cycle this year. "Access to capital is one of the biggest issues for it at the moment." He notes that under its scaled-back expansion plans, the IPP is still looking to complete 27 projects totaling 15,200 MW. It plans to increase its generation portfolio to 23,200 MW by year-end and 26,300 MW by the end of 2003.

Calpine secured a one-year \$1.4 billion corporate facility led by **Bank of Nova Scotia** and **Bayerische Landesbank** last month, allowing it to borrow up to \$350 million and providing it with a \$1 billion letter of credit. But the deal had a rocky ride in the wake of Enron's collapse. The credit line was delayed and scaled back from \$1.5 billion (PFR, 12/17).

—P.T.

## CONSTELLATION

(continued from page 1)

I & II, (1,757 MW). It acquired Unit 1 from **Niagara Mohawk Power Corp.** and 82% of Unit II from a consortium of New York state generators in November for \$762 million. The Baltimore energy concern also used the commercial paper to fund the \$334.8 million termination fee of its power services and software agreement with **Goldman Sachs** last quarter.

Commenting on Constellation's decision to issue bonds this quarter, Stanton says, "We are moving debt from the short-term to the long-term because interest rates are at an historical low. We are taking advantage of the current environment." Constellation's total debt includes \$2.7 billion in long-term debt and \$975 million in short-term debt. The company has assets totaling \$3.3 billion.

Despite the current historically low interest rates, a fixed-income analyst in New York who has spoken to the company about its strategy says it is a difficult time for power companies to tap the market. "In light of everything that has gone on recently with **Enron**, doing a bond issue of this size and in this sector might not be well received right now," he says.

—Amanda Levin Arnold

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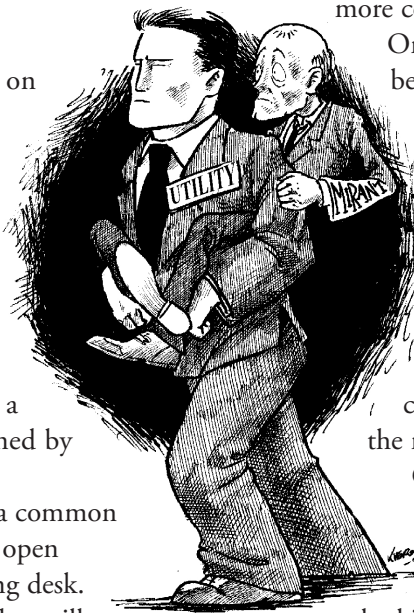


## MIRANT SEEKS

(continued from page 1)

The talks with power players are focused on companies that haven't developed a significant trading operation, Fuller explained in a conference call with analysts. Banks and insurers have also been targeted in the hunt for credit enhancement. "We are in discussions with all these different types of parties. We'll have to wait and see where that goes, but we are encouraged," Fuller explained. Calls to Fuller's office and a spokesman for the company were not returned by press time.

Periodic posting of collateral has become a common fixture in the power-trading market to cover open positions, says the head of a New York trading desk. However, contracts can have rating triggers that will dramatically increase the amount of collateral required should



either counterparty be downgraded. "It's becoming more and more common to have those clauses," he notes.

One option that a number of power traders have been exploring—but none have yet to sign up for—is setting up stand-alone derivative product companies (DPCs), says **Jerry Gluck**, managing director at **Moody's Investors Service**. Under this arrangement firms trade with counterparties through the DPC, which has a higher credit rating than the parent because it operates at arm's length and also has assets specifically in place to cover potential counterparty default, or market risk. That negates the need to post collateral.

Gluck says the work involved in setting up this sort of subsidiary means it would only make sense for a high volume power trader. "It's safe to say there are a number of entities looking at this," adds the New York power desk chief.

—*Peter Thompson*

## SOCGEN

(continued from page 1)

them to do more business, and also as a means of reducing credit exposure to particular sectors or names. Freeing up capital and specific credit lines to the power sector would certainly be beneficial to SocGen, as it has become one of the most active non-recourse lenders to the U.S. power sector during the construction boom of the past few years. In 2001 alone it arranged the first, third, and fourth largest non-recourse power deals of the year for **Teco Power Services/Panda Energy**, **PG&E National Energy Group** and **American National Power**, respectively (PFR, 1/7).

A number of banks have looked at issuing project finance CLOs but backed away after realizing the time and expense involved, says **John Kunkle**, senior director at **Fitch Ratings** in Chicago. "When banks start down that path they realize it's an incredibly time-intensive and expensive process," he notes. **Deutsche Bank** is among those to have stepped back, by shelving a planned \$500 million vehicle called **Odyssey Funding** (PFR, 12/17/00).

The chief expenses are the structuring and legal fees, and rating charges are also high, says **Sam Fox**, a senior director at Fitch. Another factor making the deals tough to place is they generally require a critical scale of \$1 billion to make the fees worthwhile. This size, and the fact some of the loans are sub-investment grade, means the equity tranche is larger than in a typical CLO. As a result, it can be tough to place all the equity, Cox adds.

## Calendar

**Risk Waters Group** will hold its fifth annual *Energy & Power Risk Management Congress* at the **Hilton**, Amsterdam, on May 28-29. Keynote speakers include **Andreas Schuler**, head of risk management at **Bewag**, and **G. Patrich Simpkins**, chief risk officer at **TXU**. For further information call 44 (0)20 7484-9898

## Quote Of The Week

"It should have put all of its ducks in order when its stock price was a lot higher than now."—**Gary Schneider**, an utility analyst at **Bear Stearns**, commenting on **Covanta's** fall from grace in the wake of **Enron's** collapse (see story, page 2).

## One Year Ago In Power Finance & Risk

U.K. power company **Innogy** was considering floating its tech arm, **Regenesys**, a battery storage developer, in an attempt to realize the business' high valuation potential. **Steve Cronin**, head of investor relations, said it planned an initial public offering because it's a "business dream that needs to be singled out." [Innogy put IPO plans on ice last summer because of weak stock market conditions, but reiterated its commitment to spin off Regenesys last November. The company is in the process of building two plants to manufacture the batteries in Cambridgeshire, U.K., and Tennessee.]