

power finance & risk

The exclusive source for power financing and trading news

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Web Exclusives

Wind Farm developer **Fred Olsen Renewables** is in talks with several City lenders about financing two wind farms in Scotland through a sale-and-leaseback deal.

IDACORP has launched a \$350 million loan facility with a three-year maturity for itself and its principal subsidiary, a move aimed at extending the duration of its debt portfolio.

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

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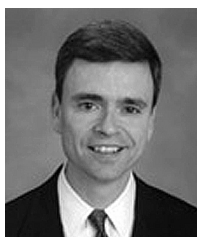
AES COURTS GERMANY'S STEAG, PREPS INT'L EXPANSION

AES has begun courting STEAG, Germany's largest IPP with over 7 GW of capacity, and is also about to put Edison Mission Energy's 6.65 GW international generation portfolio in its crosshairs.

While most U.S. generation concerns have retreated to the safety of their domestic market and are still focused on consolidation and de-levering, Arlington, Va.-based AES believes it has the resources to acquire a swath of generation across Western and Eastern Europe, Australia

(continued on page 12)

CINERGY CONSIDERS MIDWEST TIE-UP



James Turner

Cinergy is back in acquisition mode after a two-year hiatus and is eager to merge with a contiguous Midwest utility. **James Turner**, executive v.p. and ceo of Cinergy's regulated utility assets, told delegates at UBS' annual *Natural Gas & Electric Utilities Conference* in New York last week that among other targets Cinergy is weighing up mergers with LGE Energy's Louisville Gas and Electric, DPL Energy's Dayton Power & Light and AES subsidiary AES IPALCO. *PFR* was unable to ascertain whether Cinergy has entered negotiations with any of its targets.

It is at least the second time Cinergy has sought a regional merger in recent years

(continued on page 12)

ALLEGHENY TAPS INSTITUTIONAL LOAN MARKET WITH \$1.6B REFINANCING

Allegheny Energy has launched a \$1.6 billion loan package that will target institutional investors because its corporate credit rating is submerged in junk territory. "It's just too down-market for most utility [bank] lenders," says one financier. But, with high-yield investor demand for paper so strong, the deal is likely to be snapped up, bankers say. **Guy Fletcher**, a spokesman at Allegheny, declined comment.

The loans will refinance debt at Allegheny and Allegheny Energy Supply and carry ratings

(continued on page 11)

UNITED UTILITIES PUTS RENEWABLE ASSETS ON THE AUCTION BLOCK

U.K. wires and water utility United Utilities is set to put part of its green energy business up for sale and recently retained **RBC Capital Markets** to advise on selling all of its operational renewable generation assets.

Market watchers say RBC is expected to launch a sales process early next month. **Jennifer Ware**, spokeswoman at the Warrington, Cheshire-based FTSE-100 company declined comment. Officials at RBC in London also declined comment.

(continued on page 11)

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



At Press Time

Dublin Developer Preps Scottish Wind Deal

Airtricity, a Dublin-based joint venture between U.K. infrastructure concern NTR plc and Future Wind Partnership, is set to appoint **Barclays Bank** to arrange financing for a yet-to-be-built 100 MW Scottish wind farm. City financiers says Airtricity has charged Barclays with putting together a club of five or six banks to provide roughly GBP100 million of financing on a "best efforts" basis. **Manus O'Donnell**, a finance official at Airtricity in Dublin, referred calls to spokeswoman **Majella Walsh**, who says financing details have yet to be arranged. Calls to **Steve Read**, a renewable energy financier at Barclays in London, were not returned.

The bank club is likely to include **Royal Bank of Scotland**, **HBOS**, **Bank of Ireland** and **Bank of Tokyo-Mitsubishi**.

Airtricity, which focuses on developing wind farms in the Republic of Ireland and Scotland, will use the project loan to fund the construction of **Braes O Doune**, a wind farm in Stirlingshire, central Scotland (PFR, 1/5).

Morgan Analyst Joins Lazard I-Banking Group

J.P. Morgan's U.S. power sector equity analyst **Jim von Riesemann** left the Wall Street firm last week to join **Lazard Frères** as v.p. in its power & energy investment banking group. **George Bilicic**, head of Lazard's power group, says von Riesemann's experience as a sell-side analyst will come in use. "Jim will give the firm an even better perspective on helping our clients communicate effectively with the marketplace."

Von Riesemann joined J.P. Morgan three years back after a three-year stint as a utility analyst at **Morgan Stanley**. According to a banker at J.P. Morgan, the firm is looking for someone to fill von Riesemann's position. Calls to von Riesemann at Lazard were not returned by press time.

AEP Withdraws Sale Of Houston Pipe Line

American Electric Power is set to retain its Houston Pipe Line (HPL) business, a 4,200 mile pipeline network running along Texas' Gulf Coast, which it put up for sale last summer through **Goldman Sachs** (PFR, 8/2).

CFO **Susan Tomasky** told *PFR* on the sidelines of UBS's annual Natural Gas & Electric Utilities Conference in New York last week that newly installed CEO **Michael Morris** is inclined to keep HPL, given, in part, his previous experience of running gas companies. She adds the Columbus, Ohio-based energy giant would like to transform the merchant pipeline into a more stable asset backed by long-term contracts and predictable buyers.

A conference participant speculates another motive behind AEP's retention of HPL is an unresolved lawsuit between AEP and some **Enron** creditor's over the ownership rights to gas within Enron's Bammel storage facility that feeds into HPL (PFR, 7/28). Uncertainty surrounding the outcome of this lawsuit has undermined AEP's ability to sell the roughly \$500 million pipeline, says the participant. Tomasky declined to comment on the lawsuit.

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EDITORIAL

TOM LAMONT
Editor

STEVE MURRAY
Deputy Editor

VICTOR KREMER
Executive Editor [London]
(44 20) 7303-1748

WILL AINGER
Managing Editor [London]
(44 20) 7303-1735

PETER THOMPSON
Senior Reporter [Chicago]
(773) 525-6978

NINA SOVICH
Associate Reporter [New York]
(212) 224-3226

ARADHNA DAYAL
Hong Kong Bureau Chief
(852) 2912-8009

STANLEY WILSON
Washington Bureau Chief
(202) 393-0728

ROCHELLE BRETON
Editorial Assistant

JANA BRENNING, KIERON BLACK
Sketch Artists

PRODUCTION

DANY PEÑA
Director

LYNETTE STOCK, DEBORAH ZAKEN
Managers

MICHELLE TOM, ILIJA MILADINOV, MELISSA ENSMINGER, PHILIP CHIN
Associates

JENNY LO
Senior Web Production Designer

TIMOTHY O'SHAUGHNESSY
Web Production Designer

MARIA JODICE
Advertising Production Manager
(212) 224-3267

ADVERTISING

MIKE McCAFFERY
Publisher, Director of Advertising Sales
(212) 224-3534
mmccaffery@iineus.com

NAZNEEN KANGA
Publisher
(212) 224-3005
nkanga@iineus.com

PAT BERTUCCI, MAGGIE DIAZ, KRISTIN HEBERT, TAMARA WARD
Associate Publishers

JENNIFER FIGUEROA
Media Kits
(212) 224-3895

PUBLISHING

GUY A. CROSSLEY
Group Publisher

ELAYNE GLICK
Director of Marketing & Circulation
(212) 224-3069

STACEY FINK
Marketing Manager (212) 224-3099

MEREDITH SHELLEY
Renewals Manager (212) 224-3096

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Account Executive [London]
(44-20) 7779-8998

ADI HELLER
Account Executive [Hong Kong]
(852) 2842-6929

GROUP SUBSCRIPTIONS/ELECTRONIC LICENSES

GEORGE WITTMAN
Client Development Manager
(212) 224-3019

REPRINTS

AJANI MALIK
Reprint Manager (212) 224-3205
amalik@iinvestor.net

CORPORATE

CHRISTOPHER BROWN
Chief Executive Officer

DAVID E. ANTIN
Director of Finance and Operations

ROBERT TONCHUK
Fulfillment Director

Customer Service: PO Box 5016,
Brentwood, TN 37024-5016.
Tel: 1-800-715-9195. Fax: 1-615-377-0525
UK: 44 20 7779 8704
Hong Kong: 852 2842 6950
E-mail: customerservice@iineus.com

Editorial Offices: Nestor House,
Playhouse Yard, London, EC4V 5EX,
England. Tel: (44 20) 7303-1735
Email: wainger@euromoneyplc.com

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Institutional Investor NEWS
INTELLIGENCE FIRST

**NOTICE OF SALE
OF
AN ELECTRIC GENERATING FACILITY**

HSBC Bank USA, in its capacity as Lease Indenture Trustee and upon the instruction of certain noteholders, has authorized the sale of its indenture estates, which including the following assets:

- A 526 MW, nominally rated (ISO conditions) natural gas-fired combined cycle electric generating facility located in Attala County, Mississippi (approximately seven miles from the town of Kosciusko). The Facility consists of:
 - a “two on one” combined cycle arrangement, including two 170 MW GE Frame 7FA advanced combustion turbine generators
 - two heat recovery steam generators fitted with selective catalytic reduction
 - a 190 MW GE steam turbine electric generator
 - steam surface condenser
 - cooling towers and necessary pumping, piping and auxiliaries for a complete power production facility
 - interconnection equipment; the natural gas pipeline; necessary intake and discharge structures, pipelines and pumping stations; a septic system; and a potable water pipeline.
- Related leasehold interests in real estate, easements, fixtures and improvements.
- Certain project documents, including, without limitation, a Long Term Service Agreement for the turbine generators, a Fuel Interconnection Agreement for the gas pipeline, an Electric Interconnection and Operating Agreement for interconnection with the electrical transmission system, and additional documents, contractual rights, licenses, permits, general intangibles, inventory, accounts, rents and revenues.
- Certain claims against National Energy & Gas Transmission, Inc. (formerly PG&E National Energy Group, Inc.) and Attala Energy Company under a terminated Tolling Agreement entered into with Attala Energy Company, LLC and a related Guarantee by National Energy & Gas Transmission, Inc. (formerly PG&E National Energy Group, Inc.).

The sale of the indenture estates will be on the 5th day of March, 2004, beginning at 11:00 A.M., or as soon thereafter as practicable, at a public auction to the highest and best bidder for cash. The indenture estates may be sold in their entirety or in one or more separate lots or parcels, through one or multiple sales. The sale and conveyance of the indenture estates will be made without warranty, express or implied. A successful bidder can obtain title to the indenture estates by executing a purchase and sale agreement and obtaining the required approval of the Federal Energy Regulatory Commission under Section 203 of the Federal Power Act.

Persons interested in receiving additional information about the Facility, other assets or claims of the indenture estates, or the terms of sale, should contact Substitute Trustee, J. Clifford Harrison, Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Post Office Box 22567, Jackson Mississippi 39225-2576, Tel: (601) 948-5711 or Vince Hahn at R.W. Beck., Inc., The Corporate Center, 550 Cochituate Road, Framingham, MA 01701; Tel: (508) 935-1864; email: vhahn@rwbeck.com.

El Paso Launches Pipeline Loan

El Paso Corp. has launched a \$278 million non-recourse loan to finance construction of its Cheyenne Plains pipeline project, but the deal is only being pitched to relationship banks. Several lenders say they have made reverse inquiries, but were told by lead arranger **WestLB** there is little chance of them being offered the paper. "It's a good quality pipeline. You're secured by the contract on the pipeline and the fact there are other buyers who would buy the asset," says one lender, referring to the hot market for pipeline assets. Calls to WestLB were not returned.

The deal, which launched Feb. 6, is a five-year loan with a 70:30 debt-to-equity split. The deal pays 225 basis points over LIBOR (PFR, 1/26). Commitments of \$50 million will land a 50 basis point fee.

Cheyenne Plains is a 380-mile natural gas pipeline project that will run from Cheyenne, Wyo., to Greensburg, Kan. It is scheduled to come into service early in 2005.

Delta Reportedly Looks To Exit Pair Of East Coast Plants

Privately-held **Delta Power** is looking to sell an 82 MW combined-cycle merchant plant in Massachusetts and may also consider divesting its stake in a 46.5 MW cogeneration facility in New Jersey. **Rich Albosta**, senior advisor in Morristown, N.J., says Delta is actively pursuing a sale of the Lowell Power plant, but declined comment on the company's plans for its stake in the 46.5 MW Vineland Cogeneration facility, which it jointly owns with **Conectiv Energy**. **Tim Brown**, a Conectiv spokesman, did not return calls by press time.

Delta purchased Lowell Power from **United American Energy Corp.** in December as part of a portfolio of assets and is looking to sell the plant because its location and status as a



Lowell Power

merchant facility does not fit the company's long-range plans, Albosta explains. It is not using an advisor, he adds.

Delta and Conectiv are believed to be looking to sell or close the Vineland Cogeneration plant because it has been operating as a

merchant since the City of Vineland, N.J., exited a long-dated PPA in November. The city considered buying the plant but has elected instead to enter a long-dated 25 MW PPA that ultimately is with **Sempra Energy**, and is planning to build a 100 MW power plant to replace aging oil-fired plants, according to an official familiar

with the plans. **Paul Yatcko**, director of Vineland's municipal electric utility, says exiting the Vineland Cogeneration PPA is saving the city some \$200,000 per month. He declined comment on whether the city considered buying the Vineland plant.

The Vineland Cogeneration plant is jointly owned by **Conectiv** and **Javelin Energy**, a partnership consisting of **ArcLight Capital Partners**, Delta and **John Hancock Financial Services**, according to Delta's Web site. Calls to ArcLight were not returned. An official at John Hancock declined comment.

Fortis Lands Maine Wind Farm Mandate ...

Fortis Capital is set to lead the non-recourse financing for Maine's first large-scale wind farm, a 50 MW facility sponsored by Newton, Mass., developer **UPC Wind Partners**.

The relative difficulty of procuring suitable land in the New England state, compared to siting in the Midwest and the West, has meant there has been little wind farm development in the upper Northeast, notes one wind farm financier. "It's a novelty deal, if you will," he adds. Calls to **Paul Naumann**, head of project finance at Fortis in Stamford, Conn., and **Peter Gish**, managing director at UPC, were not returned.

The project is expected to cost \$68 million, according to the *Bangor Daily News*, which first reported the development Jan. 27. The paper says the plan is for 33 **General Electric** turbines to be erected on Mars Hill Mountain in Aroostook County. UPC is still going through the permitting process and the financing is also contingent on the re-introduction of federal production tax credits.

... As Wind Financier Departs

Fortis Capital has reduced its project finance headcount in Stamford, Conn., with the recent departure of V.P.

Mohammed Alam. A switchboard operator at Fortis had no listing for Alam last week and **Paul Naumann**, managing director and head of the U.S. power and infrastructure business, did not return calls.

Alam worked on the origination side of the business and worked on two of Fortis' recent high-profile wind farm deals for **American Electric Power**: the \$74.25 million Trent Mesa loan (PFR, 11/17) and the \$120.7 million Desert Sky financing (PFR, 11/18/02).

While the reason for Alam's departure could not be ascertained, one financier notes that Fortis' Stamford project finance team is well stocked with originators on the wind side.

Naumann, the ex-head of **Deutsche Bank**'s New York project finance team, was brought on board last fall (PFR, 9/29).

NiSource Readies Scaled-Back Loan

NiSource is set to launch a \$1.25 billion loan, split between a 364-day revolver and three-year facility, underscoring the scaled back borrowing needs of the Merrillville, Ind.-based player. The original facility set up three-years ago comprised a \$1.25 billion revolver and \$1.25 billion three-year loan. Over the last few years the company has been reducing its dependence on short-term debt and also re-fashioning itself as a regulated utility, says one financier.

The facility will launch with a bank meeting in New York City on Wednesday. Ahead of the meeting pricing could not be determined. **Barclays Capital** is lead arranger and sole bookrunner and **Credit Suisse First Boston** is co-lead, says a financier, who notes both have been leads in the facility for several years. Officials at Barclays declined comment.

AES Puts Plants Up For Sale, Foreclosure Could Follow

AES's announcement last week that it intends to sell its 730 MW Wolf Hollow and 720 MW Granite Ridge merchant plants in Texas and New Hampshire, respectively, may just be the precursor to a hand-over of the assets to the plants' bank creditors later this year.

The combined-cycle gas-fired facilities, which came on line less than a year ago, carry heavy debt loads and a sale likely depends on the goodwill of the lending banks to take a haircut on the debt.

AES has accounted for the plants as "discontinued operations" on its balance sheet, explains an official close to the IPP. He adds that if the Arlington, Va.-based company does not succeed in selling the assets within six months it will be forced to hand them over to the banks to avoid accruing further accounting penalties. **Scott Cunningham**, spokesman at AES, did not return calls.

Wolf Hollow is thought to have a single creditor, **KBC Bank**. The Belgian bank was believed to be unable to syndicate the loan when the financing was put in place, according to one market watcher. Though the plant sells half of its output to **Exelon Generating** under a 20-year offtake contract (PFR, 10/15/01), the remainder is sold into Texas' spot market.

The construction of Wolf Hollow was financed via a \$285 million mini-perm loan that matures this year. AES has already written down its \$160 million equity investment in the plant. Calls to **Wim Verbraeken**, head of project finance at KBC in New York, and **Viviane Huybrecht**, spokeswoman in Brussels, were not returned.

AES funded Granite Ridge with a \$300 million project loan

arranged by **ABN AMRO** and syndicated to roughly a dozen banks (PFR, 6/4/01). Calls to **Patrick Phalon**, spokesman at ABN AMRO, were not returned.

Goldman Finds Takers For Cogentrix B Loan

Goldman Sachs has slashed the price on its \$215 million term loan for **Cogentrix Energy** in the face of strong demand for the paper, according to industry officials. One official says the deal is at least twice oversubscribed and so the price talk is now in the LIBOR plus 225 basis point range, rather than the LIBOR plus 250 basis point figure floated earlier. The deal will refinance a chunk of existing debt at the Charlotte, N.C.-based IPP, which Goldman recently acquired in a \$2.4 billion deal (PFR, 2/2).

The five-year term loan is expected to close within the next week or so.

The power sector has been looking to take advantage of the favorable demand and supply dynamics in the B loan market over recent weeks. The buyout firms acquiring **UniSource** also have a \$360 million, seven-year term loan in the market (PFR, 2/9) and **Calpine** is also throwing B loans in to the mix for the refinancing of its mammoth \$2.3 billion CCFC II facility (PFR, 2/9). Bankers are expecting strong support across the board for the deals.

Goldman paid \$115 million and assumed \$2.3 billion in debt to land Cogentrix's 26 plant portfolio.

Citibank Prepares CenterPoint Book

CenterPoint Energy and its advisor, Citibank, will likely send out a sales book this week detailing the Houston utility's 81% stake in **Texas Genco**. A banker familiar with the sale process says CenterPoint is looking for a single buyer to acquire its \$2.5 billion stake in Texas Genco and sees a utility or a power company with retail operations in Texas as a likely buyer. "They are the only ones with deep enough pockets," says the banker. A sale of the whole package would thwart several financial players' who are thought to be looking to cherry pick certain plants in the 11 plant Texas Genco package.

Reliant Resources, which turned down an option to buy Texas Genco last month, is also seen to be interested in picking up certain gas-fired peaking plants. Calls to bankers at Citi were not returned. **Leticia Lowe**, spokeswoman at CenterPoint, declined to comment, as did **Richard Wheatley**, spokesman at Reliant.

According to the **Public Utility Commission of Texas'** Web site, nearly 70 companies are accredited to sell electricity to retail customers in Texas. Of those, Dallas-based **TXU**, **Reliant**, **Centrica**, and **First Choice Power**, a retail affiliate of Fort Worth-based **Texas-New Mexico Power**, are among the biggest players.

Reliant Backtracks On Big Apple Disposal

Reliant Resources has put the brakes on plans to sell a portfolio of lucrative gas-fired power plants in New York City, says a market watcher. The decision marks a rapid u-turn for the Houston energy concern, say officials, noting it only hired **Goldman Sachs** to conduct the sale last month. **Richard Wheatley**, spokesman at Reliant, and **Andrea Rachman**, spokeswoman at Goldman Sachs, declined to comment.

A potential bidder, who's in touch with Reliant's top brass, says senior management has opted to conduct an informal process to sell a portfolio of some 70 small hydro plants in upstate New

York, but will retain the 2 GW Big Apple business for the time being at least. "They were actively considering it, but decided this wasn't something they needed to move on fast," says a banker.

The New York City plants are part of the **Orion Power** portfolio that Reliant bought from Goldman and **Constellation Energy** in February 2002 for \$2.9 billion and the assumption of \$1.8 billion in debt.

Reliant's Empire State portfolio includes the 1,265 MW Astoria power plant in Queens, the 500 MW Gowanus plant and the 280 MW Narrows plant in Brooklyn, the 100 MW Carr Street cogeneration facility in East Syracuse and a package of hydroelectric plants scattered throughout upstate New York with a total gross capacity of 650 MW.

Corporate Strategies

AES Looks To Refinance Chilean Subsidiary

AES is planning a broad restructuring of its Chilean subsidiary, **AES Gener**, this month, which will include a partial sale of its 98% stake, the refinancing of \$400 million in debt and the elimination of a \$300 million inter-company loan. "This is all being done to stabilize the balance sheet, improve liquidity and bring in Chilean investors," says **Chee Mee Hu**, an analyst at **Moody's Investors Service** in New York.

"We like the Chilean company and believe it has the chance for good long-term growth, so we're refinancing the bonds to push out the maturities," explains **Scott Cunningham**, an AES spokesman in Arlington, Va. He adds the restructuring will result in a net infusion of capital for Gener.

The restructuring is set to begin this month when AES pays off an inter-company loan to Gener, a move that will shave roughly 30% off Gener's \$1 billion debt burden.

Gener will then refinance \$400 million in debt followed by a sale of between \$100-200 million of equity to Chilean pension funds and individual investors. Proceeds will be used to pay down Gener debt and for general corporate purposes. **Deutsche Bank** will handle both the bond refinancing and the equity issuance.

Standard & Poor's rates Gener's senior unsecured debt a below investment-grade B, but placed the company on credit watch positive last November in anticipation of future restructuring. Moody's rates Gener at B2 with a neutral outlook, however, Hu cautions, "The restructuring has been retooled so many times and put off, we're just waiting to see what happens."

Gener's generation portfolio includes a hydroelectric plant,

two combined fuel plants, one biomass facility and one gas-fired plant with a total capacity of 1,452 MW.

MidAmerican Refinances Geothermal Venture

MidAmerican Energy Holdings has tapped the bond market with a \$250 million offering of 5% unsecured notes as part of a strategy to redeem \$136.4 million of higher coupon 7.475% notes issued by an affiliated geothermal joint venture. **Karen Anderson**, credit analyst at **Fitch Ratings** in Chicago, says the redeemed notes relate to debt guaranteed by MidAmerican at **Salton Sea Funding Corp.**, which forms part of the group of subsidiaries involved in geothermal and zinc recovery projects in southern California.

The new 144a deal was led by **Credit Suisse First Boston**, which has long maintained tight links with MidAmerican. The notes are due Feb. 15, 2014, against an expiry of Nov. 30, 2018 for the redeemed paper. Anderson says the credit rating of MidAmerican reflects the solid stand-alone credit profiles of its regulated subsidiaries and the support provided by principal shareholder **Berkshire Hathaway**. Those regulated pipelines and utilities provide MidAmerican with strong predictable cash flows, she says. Fitch rated the new notes BBB.

Salton Sea Funding is an indirect subsidiary of **CE Generation**, which is in turn owned by MidAmerican and **TransAlta USA**. The vehicle has developed 10 geothermal generating plants in Imperial Valley, producing 330 MW from naturally occurring geothermal steam. In the same region, the company has developed a zinc recovery project, which harvests metals from high-temperature geothermal brine.

Allan Urlis, director of media relations at MidAmerican in Des Moines, Iowa, declined comment.

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

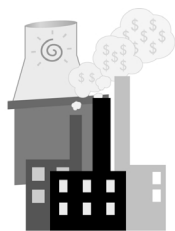
- Indonesia's state electricity company, **PT Perusahaan Listrik Negara**, has awarded **Mitsubishi Heavy Industries** a \$354 million contract to build a 740 MW gas-fired power plant in West Java. The move is aimed at easing a generation shortfall in the world's fourth most populous country, where annual electricity demand is estimated to be growing by around 10% per annum. A 240 MW initial phase is expected to come on line later this year. The project is expected to be concluded in 2005 (*Reuters*, 2/10).

Europe & Middle East

- Four bidders have lined up to acquire a 51% stake in the German utility **Kiel**, being sold by insolvent **TXU Europe**. The city of Kiel, which holds the other 49% and has to approve the sale, said the four suitors are **Deutsche Essent**, **Macquarie Bank**, **MVV Energie** and **Terra Firma Capital Partners**. Germany's **HSH Nordbank** may also join the tender as a fifth bidder. The sale is expected to raise around EUR100 million (\$125.4 million) (*Reuters*, 2/6).
- A U.K. government watchdog has accused the Department of Trade and Industry of not keeping a careful watch over **British Energy** after the privatization of the nuclear generating company. The department's monitoring of the newly company was "light touch", and it relied on the fact that the company was continuing to pay dividends to reassure itself that billions of pounds of taxpayer liabilities would not fall on the public purse, the report says (*The Times*, 2/6).
- AES Silk Road**, a unit of **AES Corp.**, and Russia's **Inter RAO UES** have submitted bids to buy stakes in two of Moldova's power distribution companies. Moldova has announced privatization tenders to sell 75% plus one share in two distribution companies later this year. The government sold three distribution companies to Spain's **Union Fenosa** in 2000 (*Reuters*, 2/10).
- British Energy** has appointed **John Delucca**, cfo of **REL Consultancy**, as an independent non-executive director. Under the terms of its proposed restructuring, the nuclear generator is looking to appoint two further non-executive directors from candidates proposed by the ad hoc committee of bondholders (*Financial Times*, 2/11).

U.S. & Canada

- Malyn Malquist**, senior v.p. at **Avista**, will assume responsibility for the treasury function in addition to his role as cfo. **David Brukardt**, v.p. and treasurer, will be leaving Avista later in the quarter, after helping to assure a smooth transition (*Dow Jones*, 2/9).
- Stephen Baum**, chairman and chief executive of **Sempra Energy**, warns that the lack of visibility on whether the Public Utility Holding Companies Act will be repealed has cooled the impetus for utility sector mergers. He said several companies—including **Sempra**—were mulling mergers or acquisitions, but the uncertainty over utility ownership laws have put those plans on ice (*Dow Jones*, 2/9).
- The inability of the transmission system to ensure power companies comply with grid operating guidelines allowed violations to go undetected and triggered North America's biggest blackout last summer, according to the **North American Electric Reliability Council**. NERC drew the conclusion as part of its investigation into the events of Aug. 14, and recommended more than a dozen changes to both its operations and those of the power companies it oversees. The most controversial one would allow NERC to audit companies' performance and give federal regulators a supervisory role in the process (*Dow Jones*, 2/9).
- Wisconsin Energy** has selected **Gale Klappa** to take over as chairman and chief executive May 1. Klappa, who joined Wisconsin Energy in April from **Southern Co.**, replaces **Richard Abdoo**, who is retiring (*Dow Jones*, 2/11).
- Calpine** has signed power-sales contracts to supply about 350 MW to five New England-based electric distribution companies. The contracts are for delivery in 2004 and range from three to six months. The distribution companies are **Massachusetts Electric**, **Fitchburg Gas & Electric Light**, **Narragansett Electric**, **Bangor Hydro Electric** and **Central Maine Power** (*Dow Jones*, 2/10).
- The **Federal Energy Regulatory Commission** has given preliminary approval to a new power grid organization in the Southwest. **Southwest Power Pool** plans to form a regional grid group of eight states and has 48 members, including investor-owned utilities, cooperatives and independent power producers (*Reuters*, 2/10).



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		
	Coletto Creek	Texas	632	Coal		
	Eagle Pass	Texas	6	Hydro		
	South Texas	Texas	630 (25%)	Nuclear		
AES	Wolf Hollow	Texas	730	gas	N/A	Ongoing
	Granite Ridge	N.H.	720	gas		
	Termomamonal	Colombia	90	gas		
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		
	Southaven 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	Philippines	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. Launched sale in September.
	Robert Ritchie	Ark.	544	Gas/oil		
	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 a quick sale.
	Mystic 9	Mass.	800	Gas		
	Fore River	Mass.	800	Gas		
Fife Power	Fife	U.K.	115	Coal	E&Y (Administrator)	El Paso placed plant in administration.

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
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		
Merloni Elettrodomestici	Teverola	Italy	150	gas	N/A	Is in talks with ArcLight.
	Ferrara	Italy	150	gas		
Mirant	Kendall	Mass.	270	Oil	CSFB BofA	Ongoing.
	Shady Hills	Fla.	474	Gas		
	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 & Scotia Capital	Ongoing.
	Lakeview	Ontario	1,140	Coal		
	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

Financing Record (FEBRUARY 4 - FEBRUARY 11)

Bonds

Issue Date	Maturity	Issuer	Country	Amount (\$ mil)	Offer Price	Type of Security	Coupon (%)	Spread to Benchmark	Moody's	S&P	Bookrunner(s)
2/9/04	2/1/14	Consolidated Edison	U.S.	200	99.82	Debentures	4.7	65	A1	A	Citigroup/Merrill Lynch
2/9/04	2/10/34	Consolidated Edison	U.S.	200	99.731	Notes	5.701	80	A1	A	Citigroup/Merrill Lynch
2/9/04	2/14/14	MidAmerican Energy	U.S.	250	99.517	Notes	5	99	Baa3	BBB-	CSFB/Lehman/Lehman Brothers
2/10/04	2/10/14	AES	U.S.	500	98.288	Senior Notes	7.75	390	B3	B-	Citigroup/Deutsche Bank
2/10/04	2/15/19	Alabama Power	U.S.	200	99.535	Notes	5.125	107	A2	A	Barclays/Wachovia

M&A

Date Announced	Date Effective	Target Name	Target Advisors	Target Country	Acquiror Name	Acquiror Advisors	AcquirorCountry	Deal Value (\$mil)-
2/5/04	2/5/04	Tenaga Nasional	-	Malaysia	PETRONAS	-	Malaysia	-
2/6/04	-	Gas de Portugal	Citigroup/Goldman Sachs	Portugal	ENI	-	Italy	-
2/6/04	-	Gas de Portugal	Citigroup/Goldman Sachs	Portugal	EDP	UBS Investment Bank	Portugal	-
2/6/04	-	Hidroelectrica de Cahora Bassa	-	Mozambique	Mozambique	-	Mozambique	-
2/7/04	-	SNET	-	France	Gaz de France	-	France	-
2/11/04	2/11/04	Fersa Energias Renovables	-	Spain	Mytaros	-	Netherlands	-

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

UNITED UTILITIES

(continued from page 1)

United Utilities is looking to divest roughly 50 MW of generation fired by landfill gas and 20 MW of small-scale hydroelectric capacity scattered across the Pennines moorland in northwest England. The assets, which are funded on the utility's balance sheet, are contracted to the U.K. government under long-term non-fossil fuel obligation (NFFO) contracts. The utility will retain its large wind farm development portfolio, which consists of roughly 100 MW of onshore wind farm projects and the 90 MW Scarweather Sands project off the coast of Wales.

The move resembles **RWE Innogy's** recent sale of a 66% stake in its U.K. renewable portfolio to Bahrain investment fund **First Islamic Investment Bank** and London-based **Englefield Capital** (PFR, 9/21). "Both deals are means of extracting money from existing assets to fund the rollout of new projects," notes one financier, adding that wind farm construction is so capital intensive that it is a compelling strategy to "churn your asset base." Unlike Innogy, United Utilities is looking to sell full ownership of its operational assets and this could encourage trade buyers as well as private equity firms to bid.

The strategy also makes sense to United Utilities as it sees itself as more of a developer than owner of assets. At a recent investor presentation in London, **Gordon Waters**, managing director, said, "In the future we're likely to become progressively focused on asset development management and operational services, rather than long-term ownership. By refinancing and re-deploying capital from our existing mature assets, we can focus on elements of the value chain where we can add most value."

—Will Ainger

ALLEGHENY TAPS

(continued from page 1)

higher than the B minus corporate mark because of their secured nature. "In the current market conditions, every institutional loan can be sold at a price so long as the credit is solid," say **Thomas Murray**, managing director at **WestLB** in New York. Murray says so much money is flowing into institutional funds that the supply of B loan paper just cannot keep pace.

The debt package comprises an \$800 million, seven-year first-lien term loan B priced at LIBOR plus 325 basis points; a \$500 million, 7.25-year first-lien second priority term loan C priced at LIBOR plus 450 basis points; and a \$300 million, three-year unsecured revolver priced at LIBOR plus 300 basis points, according to a banker tracking the deal.

Leads **Citigroup** and **Bank of America** are looking to land commitments by Feb. 20 and wrap the deal by Feb. 29. An official at BofA says the firm doesn't comment on individual deals and officials at Citi declined comment.

The deals are aimed at giving the Hagerstown, Md., player more breathing room under its bankruptcy-avoiding \$2.4 billion refinancing package set up 12 months ago. Lenders signed up for those loans only after making many of the tranches secured and also setting a stiff amortization schedule, say bankers. Allegheny has to make repayments of \$470 million this year and \$1.7 billion next year, according to a recent research note by **Lehman Brothers**. With the B loan market demand/supply dynamics strongly in favor of borrowers, Allegheny is looking to tap into that and extend maturity to the looming debt, according to one financier.

—Peter Thompson

CINERGY CONSIDERS

(continued from page 1)

(PFR, 4/16/02). Turner explains that earlier talks were undermined by market volatility following the collapse of **Enron** and a swath of credit downgrades. "As you know, things have come to a screeching halt over the past couple of years because of [the Public Utility Holding Company Act] and other uncertainties in the marketplace."

Speaking to a handful of investors at a conference breakout session, Turner stressed that executing a merger is the Cincinnati-based company's number one priority. "I can guarantee you this. [CEO **James**] **Rogers** gets up every day thinking first and foremost about this," he quipped.

IPALCO, which owns 3 GW of coal-fired generation and serves 433,000 customers in and around Indianapolis, is an especially attractive target, but could be hard to pry from AES. "AES seems dead set on keeping it, as it produces good cash

for them," said Turner.

A banker close to Cinergy agrees that IPALCO would prove particularly attractive. "We tried to wrest it away," he says. "But AES refused." He adds the other potential acquisitions could prove equally tough to pull off. DPL's share price would have to come down substantially to justify a purchase, and its financial portfolio, which includes investments with **Kohlberg Kravis Roberts**, muddies the transaction, he says. LG&E Energy's parent, **E.on**, would likely be reluctant to part with its U.S. arm, he says.

Cinergy has not hired a bank to advise on the merger, says the banker.

Cinergy had also been seen eyeing a merger with Decatur, Ill.-based **Illinois Power**, though the prospects of such a deal were struck down earlier this month when **Ameren** announced it would acquire the **Dynegy**-owned utility.

Chip Keeling, LG&E spokesman, did not return calls. **Scott Cunningham**, spokesman at AES, and **Jim Prendergast**, spokesman for DPL Energy in Chicago, declined comment. —N.S.

AES COURTS

(continued from page 1)

and New Zealand, says a senior AES executive. The IPP will dip into its \$1 billion of cash reserves to fund any acquisitions and may also issue new stock or team up with a private equity player to boost its acquisition firepower. **Scott Cunningham**, spokesman at AES, and **Kevin Kelley**, spokesman at Edison Mission, declined comment.

Market watchers say AES retained **Dresdner Kleinwort Wasserstein** at the beginning of this year to work on a bid for STEAG. The portfolio consists of 5 GW of coal-fired capacity in Germany—mostly contracted to utility giant **RWE**—and 2 GW of generation in Turkey, Colombia and the Philippines.

STEAG's parent, Essen conglomerate **RAG Aktiengesellschaft**, put its IPP arm up for sale last year, but to date, the **Morgan Stanley**-led sale process has stuttered over potential buyers' reluctance to bid for both STEAG's international and domestic business, say financiers. The AES insider says it's looking to acquire both operations. **Barbara Müller**, a spokeswoman at RAG, confirmed it is selling STEAG, but declined further comment. Calls to Morgan Stanley were not returned.

AES is also set to run the slide rule over Edison Mission's international portfolio. Last week **Credit Suisse First Boston** and **Lehman Brothers** sent out a sales memo, indicating that Edison Mission would like to find a single bidder for its entire portfolio (see related story at PFR's Web site www.iipower.com).

"Edison would like to see the buying price begin with...two [billion dollars], but that's not going to happen," says the AES

executive. Instead, he estimates that Edison's mostly contracted international portfolio is worth \$1.5 billion in equity plus the assumption of upwards of \$3 billion in debt. While AES isn't wild about all the EME plants, mostly located in the U.K., Italy, Spain, Australia and New Zealand, it is willing to buy the entire package to pick up some jewels like First Hydro, which comprises two pumped storage facilities in Wales, and the 1 GW Loy Yang B plant in Australia (PFR, 1/15).

In a conference call last week, AES pledged to pay down \$800 million in debt this year. **David Silverstein**, an equity analyst at **Merrill Lynch** in New York, estimates the company will have to use \$794 million in cash reserves to meet that target, leaving little for asset acquisitions.

—Nina Sovich

Quote Of The Week

*"I can guarantee you this. [CEO **James**] **Rogers** gets up every day thinking first and foremost about this."*—**James Turner**, executive v.p. at **Cinergy**, revealing the utility's desire for a regional merger (see story, page 1).

One Year Ago In Power Finance & Risk

Electricité de France was believed to have put its 36.5% stake in Scandinavian utility **Graninge** up for sale and hired **Merrill Lynch** to conduct an auction. The move marked a first retrenchment from EdF's five-year expansion binge outside France. [**Sydkraft**, a unit of Germany's **E.on**, acquired EdF's stake in the Stockholm-based utility last October. It now owns 97.5% of Graninge after buying out several other minority shareholders earlier this year.]