power finance & risk

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Power Execs Feel The Heat, Let Off Steam

UBS Warburg's annual energy shindig in New York had a good showing of power company officials defending the health of their companies, and also ranting about the rating agencies.

Full coverage, pages 6-7

Enron Watch

As the investigation into the collapse of the Houston trader steps into high gear and competitors circle the company's assets, *PFR* introduces a new feature wrapping up all the news from the week.

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In The News

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CINERGY LOOKS TO UNLOAD INTERNATIONAL BIZ

Cinergy is looking to unload its entire 1 GW international generation portfolio and is in active discussions with several bidders about a trade sale. **Joseph Toussaint**, v.p. of marketing and operations at the Cincinnati-based energy concern, told *PFR* the divestiture program is aimed at redistributing more resources to its core Midwest utility business and domestic merchant-trading effort. Proceeds will also be used to pay down debt to strengthen the company's balance sheet. He declined to elaborate on details of the sale or set a price tag on the diversified portfolio.

A banker familiar with the sale says Cinergy has retained **J.P. Morgan** to shop the portfolio. The Wall Street firm is also advising on the sale of Cinergy's 100 MW domestic wind business (PFR, 1/28).

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BROKERS & EXCHANGES RUSH TO LAUNCH EUROPEAN ELECTRICITY CLEARING

GFI, **PowerITS**, **Powernext** and **IntercontinentalExchange** (ICE) are racing to establish competing clearing systems for over-the-counter electricity trades in Europe. These efforts, most of which have been in the works for over a year, have been given additional impetus because the failure of **Enron** has focused traders' minds on managing counterparty credit risk. "It will be one of the big stories of the first quarter," says **Etienne Amic**, manager-risk management and power trading at **TotalFinaElf Gas and Power** in London. "Only one will emerge as the winner," he adds.

At present OTC electricity transactions are subject to bilateral credit agreements between market participants. Traders note that establishing individual agreements with each

(continued on page 12)

WIND FARM DEVELOPER PUTS ITSELF UP FOR SALE

EnXco, one of the largest developers of wind farms in the U.S., has put itself on the block and hired **Dresdner Kleinwort Wasserstein** to find a buyer. An official familiar with its plans says the primary driver behind the sale is EnXco's lack of capital. It has ambitious plans to develop some 1,000 MW of wind farms, but as a privately held company it doesn't have the financial wherewithal to meet this target. A lack of funding means that EnXco has typically developed and then sold wind farms or built them for clients, he explains. Bankers at DrKW declined to comment, and calls to **Jorn Larsen**, president at EnXco, were not returned.

EnXco is one of at least four U.S. wind generation concerns currently on the block. Last month U.K. utility **Innogy** puts its U.S. operations up for sale (PFR, 2/4), **Cinergy** is doing

(continued on page 11)

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

Enron Close To Sealing Wind Sale

Enron is close to selling **Enron Wind**, its wind turbine manufacturing arm. A spokesman at Enron in Houston says the trading giant could make an announcement this week. He declined to comment on the likely price or buyer, but one banker says fellow turbine manufacturer **Vestas Wind Systems** is being tipped as the favorite to win the auction. He adds that half a dozen companies have bid for Enron Wind. Calls to Vestas in Ringkøbing, Denmark, were not returned.

Pearl Of Africa

Banks Launch Financing For Ugandan IPP

Lead arrangers **ANZ Investment Bank** and **Westdeutsche Landesbank** hope to pull together a syndicate next month to fund the construction of Uganda's first independent power project. A WestLB official says the firm has already begun sounding out interested parties about committing capital to the **AES**-sponsored hydroelectric project. "We won't hold an official bank meeting as there are not too many banks that would be interested in this type of deal, rather we will contact potential lenders on a one-to-one basis," he explains. He declined comment on how many banks it is looking to tap. Once the lead arrangers have drawn together a large enough syndicate, they will underwrite the loan on a club basis, continues the banker.

The $350 million loan is being split into two tranches; a $115 loan guaranteed by the **World Bank**'s **International Development Agency** and a $235 million loan incorporating export credit agency guarantees.

Proceeds of the non-recourse loan will fund the construction of a 250 MW hydro facility at Bujagali near the source of the River Nile in Uganda. AES signed a 30-year power-purchase agreement with the **Uganda Electricity Board** in 1999 (PFR, 12/20/99). Under the PPA the UEB has agreed to purchase 100% of the plant's output.

AEP Readies U.K. Loan

American Electric Power is expected to launch a non-recourse loan within the next month to finance its GBP650 million ($940 million) purchase of two coal-fired plants in the U.K., says a bankers close to the deal. **Westdeutsche Landesbank**, **Barclays Capital** and **Commerzbank**, which arranged a bridge loan to fund the acquisition of Fiddlers Ferry (1,400 MW) and Ferrybridge (1,900 MW) from **Edison Mission Energy** in December (PFR,12/17), will also lead the project loan, says the banker. An AEP spokesman was unable to provide details by press time.

UtiliCorp. Opens Lease, Corp Facility

UtiliCorp. launched a $235 million synthetic leaseback loan and a $650 million revolver last week. **Dan Streek**, cfo in Kansas City, Mo., says the lease facility finances construction of the 510 MW Goose Creek plant in Illinois and the revolver is being added because of the additional financing capacity needed after the repurchase of its IPP offshoot, **Aquila** (PFR, 11/12). The company already has a $400 million revolver in place.

The lease component is priced at 1 3/8% over LIBOR, which is on a par with other recent lease deals, says a banker familiar with the deal. Pricing on the revolver could not be determined. Both deals are led by **Citibank**, which launched them at a bank meeting in the company's headquarters on Tuesday. Streek says the deals should be wrapped up within a month. Calls to Citibank were not returned.

UtiliCorp. has used the lease structure before, also on a plant in Illinois, in a $145 million deal led by **Credit Lyonnais**, which closed in 2001, says Streek.

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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 [San Diego] (760) 635 3308
AMANDA LEVIN ARNOLD Reporter [New York] (212) 224 3292
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
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GEORGE NELSON Senior Web Production Designer
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NAZNEEN KANGA Publisher (212) 224-3005
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ADVERTISING
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Circulation Offices: 477 Madison Avenue, New York, NY 10022. Tel: (212) 224-3800. Fax: (212) 224-3491.

For further information, please contact us at: customerservice@iinews.com

Black Hills Launches Rocky Mountain Financing

Rapid City, S.D.-based **Black Hills Corp**. is looking to raise $135 million in the project finance market to fund the construction of two peaking facilities in Colorado. **Bank of Nova Scotia** is leading the deal for the energy and communications company and already has launched syndication, according a banker familiar with the transaction.

Richard Ashbeck, senior v.p. of finance at Black Hill, says proceeds from the mini-perm loan, which will have a construction plus five-year tenor, are being used to refinance the addition of two generation facilities in Denver and Boulder, Colo. He adds the firm hopes to wrap up financing early next month.

Black Hills Corp. is active in the power market through its independent generation arm **Black Hills Energy Ventures**, and Dakotan utility **Black Hills Power**. Black Hill Energy Ventures is looking to add some 1,000 MW of merchant capacity by 2003 (PFR, 8/6). Last summer it acquired a 273 MW gas-fired project in the early stages of development in Nevada from **Enron**. Calls to Scotia bankers in New York were not returned by press time.

GRDA Preps $116M Bond Offering To Add Generation

Vinita, Okla.-based **Grand River Dam Authority** (GRDA) plans to tap the capital markets in early March with a $116 million bond offering through lead underwriter **Lehman Brothers** and co-managers **A.G. Edwards** and **Oppenheim Inc.**, a regional securities firm based in Oklahoma City. **Henry Neftzger**, treasurer and cfo, says $86 million of the proceeds will be used to refinance existing debt and the remainder earmarked to add generating capacity and maintain existing facilities.

Neftzger notes the larger tranche will refinance an $86 million bond deal from 1987 that had a 5% coupon. The new issue, which has a 4.2% coupon, will save Grand River $2.5-3 million in debt repayment costs. “Rates are so low right now that we wanted to take advantage of the opportunity,” he explains.

About $10 million of the proceeds from the smaller tranche will be used to add 10-15 MW to its hydroelectric facilities and another $10 million will help maintain its coal-fired plants, says Neftzger. The remaining $10 million will be used to rebuild and upgrade 200 miles of transmission lines.

The GRDA currently operates two coal-fired units, GRDA I and GRDA II (1,010 MW), and 2,000 miles of transmission lines. It also has three hydroelectric stations, Pensacola, Robert Kerr and Salina, that have 470 MW of combined capacity.

Neftzger says the GRDA is looking to issue $86 million in electric revenue-refunding bonds and $30 million in capital appreciation bonds. He adds that 60% of the deal will be sold to institutional investors and 40% to retail customers.

The bond deal already has received an ‘A’ rating from **Fitch**. **Colin Bens**, a Fitch analyst in New York, explains that it received the high rating because of its inexpensive power supply and attractive $0.035 per KWh rates. “It is among the low-cost providers in the region and its medium-term financial outlook is solid,” he says.

The GRDA, a state-run agency, was created in 1935 and delivers electricity to municipalities, industrial customers and electric cooperatives across northeastern Oklahoma.

Citi, Scotia Hunt For FPL Revolver Arrangers

Citibank and **Bank of Nova Scotia** are pitching arranger and co-arranger slots ahead of launching a $2.5 billion construction revolver for **FPL Energy**. The two co-bookrunners are committing $500 million each, says a banker. A timeline for full launch could not be ascertained.

The revolver, which the company took pitches for at the start of the fourth quarter, is generating interest, not least about the eventual level of merchant risk (PFR, 2/4). Calls to Scotia officials and an FPL Energy spokeswoman were not returned. The non-recourse facility for the unregulated arm of Juno Beach, Fla.-based **FPL Group** will fund at least three plants already under construction.

AEP Wavers On Wind Plant Financing

American Electric Power is assessing whether it will press ahead with plans to tap the project finance market for a 160 MW wind project acquired from **Enron Wind** for $175 million at the tail-end of last year. The company initially funded the Indian Mesa Wind Power Project with internal resources, because of the tight timeline on the deal, with the intention of refinancing with a project finance loan, according to a spokesman in Columbus, Ohio.

Discussions are continuing with banks, but the company is finding there is a niche market for wind risk “There is a question about whether it will be project financed.” He was unable to provide further details. The project, located near Iraan, 45 miles east of Fort Stockton, Texas, was developed by Enron Wind and completed in December.

Banks Launch SoCalEd Bridge

Citibank and **J.P. Morgan** last week launched a $1.5 billion bridge facility for **Southern California Edison**, with **Barclays Bank**, **TD Securities** and **Union Bank of California** signed up for $150 million sub-underwriting tickets. The two leads have fully underwritten the loan to the tune of $750 million a piece, says one syndicate official.

As with many of the big-ticket deals so far this year, bankers say the success of syndication will prove a litmus test for the broader market, but note there is also the added twist of California. "Is it safe to go back in the water?" says one banker, summarizing the market pulse on the Golden State. Pricing, in the range of LIBOR plus 250 basis points, is fair, he adds.

The deal for the troubled **Edison International** utility subsidiary is split into a $300 million two-year revolver, a $600 million one-year term loan and a $600 million institutional tranche, says one official who attended the bank meeting. A spokesman at Edison was unable to provide comment by press time. The loan will pay off a range of creditors this quarter.

Progress Adds Tolling Agreement

Progress Energy's $440 million facility funding 2,500 MW of additional capacity is close to closing, after the deal was reworked with a tolling arrangement, according to one banker who signed up for a ticket. Company officials were tight-lipped on how the deal was reworked (PFR, 1/28), but the banker explains the deal, as originally pitched by **J.P. Morgan**, was primarily a merchant deal. After struggling in syndication, Progress has now entered a tolling agreement with the projects, the banker says. He adds the deal is expected to close this week. Proceeds are being used to fund the construction of five natural gas-fired plants.

Middle East & North Africa

Banks Launch Salalah Deal, Seek $100M

Lead arrangers **BNP Paribas** and **Westdeutsche Landesbank** launched general syndication of the $225 million Salalah project loan at a bank meeting in London last Tuesday and are looking to sell down some $100 million of the deal within the next few weeks. An official close to the **Dhofar Power**-sponsored project loan says the lead banks are looking to draw a further six or seven lenders into the syndicate, having already signed up three local Omani banks, including **Bank Muscat**. International and regional banks are invited in for $15-25 million tickets, says the banker.

The 16.5 year loan pays a spread of 125 basis points over LIBOR during construction, then falls to 115 basis points up to year six, before rising to 130 basis points till year 11. For the last five years the non-recourse loan pays a 150 basis point spread.

Dhofar Power is a consortium comprising **PSEG Power**, **Shell** and a group of Omani contractors. Proceeds of the loan are being used to build a 250 MW gas-fired power plant in southern Oman (PFR, 10/15).

Latin America

AEP Seeks Mexico Expansion

American Electric Power is looking to add generating capacity in northeastern Mexico along the Texan border, according to **Tom Shockley**, vice chairman and coo.

Despite selling one of its two Mexican power plants last year, Schockley says AEP is now looking to rebuild its Mexican portfolio through the development of new projects. Schockley says part of the appeal is born out of AEP's positive experience working with the **Commission Federal de Electricidad**—Mexico's state-owned electric utility, which both awards IPP licenses and acts as offtaker—and the success of its Enertek cogeneration plant in Altamira, Mexico. AEP and joint sponsor **Alfa** sold the 120 MW gas-fired plant to **Iberdrola** last summer for $110 million. At the time of the sale an AEP spokesman said it offloaded the plant because the Spanish utility's unsolicited offer was too good to pass up (PFR, 7/15).

While the Argentine economic crisis and currency devaluation has had an impact throughout Latin America and made investments in neighboring Brazil and Chile unappetizing, Mexico has remained attractive, notes Schockley. He points out that **Standard & Poor's** upgraded Mexico's credit rating earlier this month, reflecting the resilience of the country.

The Enertek divestiture left AEP with only one other generation plant in Mexico, Bajio Power, a 600 MW natural gas-fired plant in Guanajuato, that it jointly owns with **InterGen**.

Corporate Strategies

Duke Arm Re-Enters Fixed-Income Market

Duke Capital, a subsidiary of Charlotte, N.C.-based **Duke Energy**, last Tuesday made its first foray into the fixed-rate bond market since December 2000, with $500 million in 11-year and $250 in 30-year fixed-rate notes. **David Hauser**, senior v.p. and treasurer, says the funds will be used for general corporate purposes and to pay down some commercial paper. Duke Capital is the holding company for all of Duke's unregulated businesses.

The $500 million part of the issue carries a 6.25% coupon and the $250 million pays 6.75%. Hauser says the 11-year tenor was chosen, rather than sticking to five-year increments, to balance out the maturity of the company's debt profile. Lead managers **Banc One Capital Markets** and **Barclays Capital** got the nod as they are both signed up for the loan backing the c.p. program. "We reward banks that support us in a credit sense," Hauser says.

Pinnacle Flips To Fixed On Lack Of Floating-Rate Appetite

Earlier this month Phoenix-based **Pinnacle West Capital** ditched plans for a $150 million two-year callable floating-rate note issue in favor of a fixed-rate deal after underwriters sounded out investors. "The appetite was not there," says **Barb Gomez**, treasurer, referring to investor interest for the floating and callable structure. However, she notes that making the switch to a fixed 4.5% coupon met with strong demand and allowed the company to upsize the deal by $65 million to $215 million.

The 144a notes, due February '04, will fund the expansion of three generation projects, Red Hawk 1 and 2 and West Phoenix 5, owned by its regulated arm **Arizona Public Service**.

Gomez explains Pinnacle was looking to embed a call into the bond offering because of an agreement with the **Arizona Corporation Commission** which will see APS's generation assets transferred to its unregulated arm **Pinnacle West Energy** by year-end. At that point Pinnacle wanted to call the notes at par and then issue debt at the genco level. She notes the company prefers to issue at the operating level, and this only becomes an effective option once the assets are transferred and the unit gets a credit rating. She adds Pinnacle West Energy is expected to receive an investment-grade rating.

When the assets are switched, and Pinnacle West's rating is set, the company will assess whether it makes sense to take out the fixed-rate notes and swallow the make-whole provision they carry, Gomez explains.

The deal, which closed Feb. 8, was led by **J.P. Morgan**, with whom the Pinnacle has a long-standing relationship, Gomez notes. **Credit Suisse First Boston** led the power player's last 144a offering, a $250 million callable FRN. The change in lead underwriter reflects the fact Pinnacle maintains a stable of underwriters. Gomez says she's unsure why investors bought in to the callable FRN structure last time round, but balked at the deal this month.

The next financing down the chute will be from Arizona Public Service to fund repayment of first-mortgage bonds due shortly and also some optional debt take-outs. The size of that unsecured deal has yet to be determined, but Gomez says it will be set within the next several weeks as Pinnacle wants to get the deal done by the end of the quarter.

Tight Spreads Lure MidAmerican To Market

MidAmerican Energy, an Omaha, Neb.-based utility, issued $400 million of 30-year senior unsecured notes earlier this month to take advantage of low interest rates and the tight yield spreads over Treasuries, notes **Karen Anderson**, an associate director at **Fitch** in Chicago. The company plans to use the proceeds to refinance existing or recently matured debt, but has yet to determine the exact credit it will refinance, she adds.

"We're seeing a lot of companies refinance existing issues because the environment is conducive to it right now. MidAmerican got a great price on the bonds at 150 over treasuries," reflects Anderson.

The A3/A- rated deal, which closed on Feb. 5, pays a coupon of 6.75% and was priced at 98.857. The lead manager was **Credit Suisse First Boston**. A spokesman at MidAmerican declined to comment and bankers at CSFB did not return phone calls.

CONFERENCE **UBS Warburg Utilities Conference**

More than 180 power company executives, bankers and analysts gathered at the ***Grand Hyatt Hotel*** *in New York City on Feb. 12-14 for* ***UBS Warburg****'s 14th annual* ***Global Energy and Utilities Conference****. The collapse of* ***Enron*** *and the opportunities and problems it has left in its wake were inevitably the focus of attention. Reporter* ***Amanda Levin Arnold*** *reports:*

Dynegy Plans To Strengthen Balance Sheet

Dynegy is planning to shore up its balance sheet by $500 million through capital expenditure reductions and asset sales. **Louis Dorey**, president of marketing and origination at Dynegy, says the energy trading shop is looking to save $375 million through capex reduction and plans to offload some $125 million of assets in light of the **Enron** debacle. Dorey added that Dynegy is also looking to raise $750 million in equity capital to pay down debt.

Williams Aims To Preserve Rating

Steve Malcolm, president and ceo of Williams, said that among the company's highest priorities right now is to maintain its senior unsecured debt rating, which was recently put on negative watch by **Standard & Poor's** in light of the fall of energy trader **Enron**. He said that the plan includes reducing capital spending by $1 billion and selling $750 million in assets this year. It currently has a Baa2 rating from **Moody's Investors Service** and a BBB rating from both S&P and **Fitch**.

Execs Slam Rating Agencies For Downgrades

Power trading officials are up in arms about the U.S. credit rating agencies' recent downgrades of power companies, a move that they perceive as a "knee-jerk" reaction to the collapse of **Enron**.

VJ Horgan, president of **TXU Energy Trading**, told conference attendees that part of the problem stems from credit-rating agencies not fully understanding the trading business. She argued that analysts are incorrectly viewing the whole power industry as tarnished by Enron's woes. "It's too easy to say it's all about trading…But really it is about Enron making bad investment decisions." She adds that the fallout from Enron is likely to lead to further credit downgrades.

Stefan Judisch, managing director at Essen, Germany-based **RWE Trading**, agreed that trading is not the deep-rooted problem that many perceive. Enron's problems had nothing to do with its trading operations. It was more to do with its investment in broadband services and stretching its assets too thin, he argued

Michael Thompson, president of **PSEG Global**, said the agencies are trying to process a lot of different information about trading companies' operations because they were criticized for not downgrading Enron sooner. "I think the quality of the ratings will improve as they better understand the business, but it will take some time," he says.

Sept. 11 Dashes Hopes For New Nuclear Program

The Sept. 11 terrorist attacks have shot down President **George W. Bush**'s controversial plans to launch a widespread nuclear power construction program in the near term. Heightened safety worries mean it's no longer a realistic goal, according to nuclear power execs.

Corbin McNeill, chairman and ceo of **Exelon**—the largest nuclear generator in the U.S.—said, "Just last spring, nuclear power was considered the glory child, but there have been real concerns since Sept. 11. We hope we can build nuclear plants, despite the terrorism, but it might be pushed off for awhile."

Fredrick Palmer, executive v.p. of legal and external affairs at **Peabody Energy**, noted that while the construction of a number of coal plants were announced this past year, there were no nuclear projects. He said the problem with nuclear power has always been people perceiving it to be dangerous and the recent terrorism attacks only furthered this belief.

Knut Simonsen, v.p. of growth strategies and M&A at **DTE Energy** said, "We do not expect nuclear plants to be built over the next decade and if some are built, it won't be significant."

Simonsen added that there is now a growing interest in renewable energy, "Coal and gas have provided almost all of the fuel in the U.S. over the past decade. However, I now expect alternative energies to come forward such as fuel cell technology."

Peabody's Palmer disagreed that green power would come to the fore. It is not realistic because they are more costly and there is not enough to fuel the U.S.' growing demand for power, he explained.

Attendees Give Calpine Chief The Third Degree

Of all the independent power producers presenting their corporate plans at the conference, bankers and analysts gave **Peter Cartwright**, chairman, and ceo of Calpine, the toughest grilling.

Attendees voiced their concerns over the company's $6.5 billion in long-term power contracts, which do not appear on the company's balance sheet. Cartwright conceded that the figure is subject to change depending on the direction of electricity prices. "As a result of the recession and mild weather, we are not out of the woods yet with electricity prices. There is risk there," he said.

They also asked Cartwright about the costs associated with the termination of turbine purchase contracts in light of the company's slowdown in plant construction. "There has been some discussion that there would be penalties if we were to cancel our orders, but I can't tell you how many we will cancel or what the costs would be. However, we did pay $38 million for each gas turbine," he said. He added that Calpine has already given **Siemens Westinghouse** and **General Electric** a total of $500 million as a placement cost for future plant construction. Cartright also quelled speculation that Calpine would be restating its earnings from the past two years.

Cartwright's appearance followed much speculation that he was going to back out of the conference at the eleventh hour fearing a hostile reception. "I'm here aren't I?" he responded when an attendee asked if he had considered not showing.

El Paso Hunts For Generation Assets

Although El Paso is looking to sell generation capacity to shore up its balance sheet and improve its credit rating, **Ralph Eads**, president of **El Paso Merchant Energy**, told attendees the Texan power giant will also pursue a concurrent strategy of snapping up generation assets because of the low valuations. "Despite [of] our plan to strengthen our balance sheet, we are looking for new assets. It's a buyer's market right now and it is a good opportunity for us to buy plants," he said.

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.

Enron Watch

Enron Watch is a summary of publicly reported stories from the past week covering the collapse of Enron and its impact on the power industry. The information has been obtained from sources believed to be reliable, but PFR *does not guarantee its completeness or accuracy.*

• **Cooper Stephen**, acting ceo of Enron, believes it is possible to salvage a smaller but stable company from the energy trader. He expects the future management of the restructured company will discard the Enron name (*Wall Street Journal*, 2/11).

• **MidAmerican Energy Holdings** has expressed interest in purchasing **Enron Power**, the Philippine unit of Enron, according to Philippine Energy Secretary **Vincent Perez**. But Perez told reporters the government would prefer to buy out two contracts of Enron with the state-owned power distributor **National Power** (*Reuters*, 2/11).

• Italian power player **Enel** says a deadline for the presentation of binding offers for **Wessex Water** still hasn't been set by Wessex's parent, Enron. Enel has submitted a non-binding offer for the company (*Dow Jones*, 2/11).

• An internal Enron document indicates that former Chairman and CEO **Kenneth Lay** had a direct role approving deals with at least one of the company's controversial executive-run partnerships. The document is a deal-approval sheet from June 2000 that appears to be signed by Lay. In interviews in recent months, Lay and his wife have said he wasn't fully informed about the operations of the partnerships (*Wall Street Journal*, 2/12).

• The Bush administration is launching an investigation into electricity and natural gas prices in the wake of persistent questions about Enron's trading practices. **Federal Energy Regulatory Commission** Chairman **Pat Wood** said the investigation is larger geographically and topically than anything the federal government has done since last year's California power crisis. FERC will work with the **Federal Trade Commission** and the **Commodity Futures Trading Commission** to learn whether trading in energy contracts risks inflating consumer electricity prices, particularly in California and the Pacific Northwest (*The Dallas Morning News*, 2/12).

• U.K. utility **Innogy** has bid for Enron's stake in the 1,875 MW Teesside gas-fired power station in northeast England. "It's an opportunity for us to add to our portfolio, and the stake comes with the right to operate it too," says an Innogy spokesman. The utility has a long-term contract to buy 400 MW of Teesside's capacity at prices well out of the money (*Reuters*, 2/12).

• Enron announced the planned resignations of six board members, including four who served on its highly criticized audit committee (*Wall Street Journal*, 2/13).

• Rep. **Peter Fitzgerald**, Ill. (R), described former Enron chairman **Ken Lay** as 'the most accomplished conman since **Carl Ponzi**." During the Senate Commerce Committee meeting, Fitzgerald also told Lay "I'd say you were a carnival barker, except that wouldn't be fair to carnival barkers—a carny will at least tell you up front he's running a shell game." (*The Independent*, 2/13).

• Congressional investigators examining Enron's collapse are homing in on a subsidiary formed in 1997, in the expectation that a fraud case could be built on the questionable way it was treated in the company accounts. They are seeking to discover who knew of the accounting treatment of **Chewco**, an entity set up by **Andrew Fastow**, Enron's former cfo, to buy Enron assets and move them off its balance sheet (*Financial Times*, 2/14).

• **Kenneth Lay**, former Enron ceo, declined to answer questions at a Senate hearing on Enron's collapse, but asked congressional investigators not to assume his silence was an admission of wrong-doing (*Financial Times*, 2/14).

• **RWE**, the German utility preparing to launch an energy trading operation in Houston, believes the fallout from Enron could lead to other bankruptcies in the industry. **Stefan Judisch**, managing director, said at a conference in New York that two other companies are on the verge of collapse. He declined to name them (*Financial Times*, 2/14).

• The U.S. Justice Department is seeking a deal with a former senior accountant at Enron to obtain his testimony against top executives at the company, according to lawyers familiar with the criminal investigation. The accountant, **Ben Glisan**, was at the center of almost all questionable transactions between Enron and the off-balance-sheet partnerships created by **Andrew Fastow**, former cfo, which are believed to be the focus of the Justice Department inquiry (*Financial Times*, 2/14).

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
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	Announced intention to sell.
	Ensenada	Argentina	128	Gas-fired	J.P. Morgan	
	CT Mendoza	Argentina	520	Gas-fired	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydroelectric	J.P. Morgan	
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.
	Pueto Quetzal	Guatemala	110			
	PQPLLC	Guatemala	124			
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		

Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Public Service Co. of New Hampshire (Northeast Utilities)	White Lake	N.H.	23	Diesel		Subject to approval for rate settlement by PUC and state legislature.
	Amoskeag	N.H.	17.5	Hydro		
	Ayers Island	N.H.	9.1	Hydro		
	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 collaspe 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.

Financing Record (FEBRUARY 7 - FEBRUARY 14)

Bonds

ssue Date	Maturity	Issuer	Amount ($mil)	Price	Type of Security	Coupon (%)	Moody's	S&P	Bookrunner(s)
02/07/02	Perpet.	Produtores Energ. de Manso	7.7	Market	Cvt Sub Debs	na			BANCO-PROSPER
02/08/02	02/26/07	Transco PLC(Lattice Group PLC)	13.7	100.326	FRNs	Floats	A2	A	COMMERZBANK
02/12/02	02/15/13	Duke Capital	500	99.709	Senior Notes	6.25	A3	A	BARCLAYS/BANK ONE
02/12/02	02/15/32	Duke Capital	250	98.997	Senior Notes	6.75	A3	A	BARCLAYS/BANK ONE

M&A

Date Announced	Date Effective	Target Name	Target Country	Acquiror	Acquiror Country	Value ($mil)
02/07/02		Enron Power Philippines	Philippines	MidAmerican Energy	U.S.	
02/07/02		E.on Hydropower Operations	Austria	OEL-Hydropower Ops	Austria	
02/07/02	02/07/02	Northern Electric-Wind Power	U.K.	LE Group	U.S.	4.950
02/07/02		Shenzhen Gas	China	Towngas	Hong Kong	
02/11/02	02/11/02	Edasz Rt	Hungary	Magyar Beteiligungs	Germany	
02/13/02		Jihoceska Plynarenska	Czech Republic	Oberoestereichische Ferngas	Austria	8.871
02/13/02		Redal	Morocco	Vivendi Group	France	39.429

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

WIND FARM

(continued from page 1)

the same (PFR, 1/28) and **Enron Wind** is also in play. A London banker says the flurry of sales activity reflects the need for consolidation within the wind power industry. "Literally hundreds of small players have entered the market over the past few years. But you need critical mass and economies of scale to make a successful fist of the business," he argues. **Rick Walker**, director of wind development at the U.S.' second largest wind-farm owner **American Electric Power**, agrees. There are lots of small players and small projects, but it only makes sense for the company to look to acquire wind farms of over 100 MW, he reasons.

EnXco is based in Silkeborg, Denmark, but primarily operates in the U.S. out of its regional headquarters in North Palm Springs, Calif. The company was set up in 1985 and is now the world's largest provider of operation and maintenance services to the wind energy industry. It manages some 4,400 operational wind turbines with a combined capacity of 750 MW in the U.S., Europe and Asia. It is also an active developer of wind projects and owns over 100 MW of capacity outright.

Most market watchers declined to put a price tag on EnXco, noting that as a unique business with no close peers, any valuation must be subjective. However one banker says it could fetch around $200 million. Another banker adds EnXco is a more attractive purchase than Innogy or Cinergy's wind assets because "it's a fully integrated business with a management team in place and a long and successful track record." —***Will Ainger***

CINERGY LOOKS

(continued from page 1)

The bulk of Cinergy's international asset portfolio is made up of renewable or energy efficient cogeneration plants (see chart). Most of the capacity is situated in the Czech Republic, but Cinergy also owns generation capacity in Spain and the U.K. and has a small trading operation in London. All the plants were built in the late 1990s when Cinergy went on an international acquisition spree.

Cinergy's International Generation Portfolio

Project	Size (MW)	Type	Stake (%)	Location	Acquisition Date
Ascoy	6	Wind	20	Spain	1998
Cinergetika	230	CHP	100	Czech Republic	1999
Crisa	6	Hydro	95	Spain	1998
Desebro	15	Wind	50	Spain	1998
Energetika Chropyne	48	CHP	100	Czech Republic	1999
EPR Ely	36	Straw-Fired	30	U.K.	1998
Moravske Teplamy	410	CHP	100	Czech Republic	1998
Paxareiras	40	Wind	49	Spain	1998
Pizenska Energetika	406	CHP	100	Czech Republic	1998
Redditch	29	Gas	100	U.K.	1999
Teptama Otrokovice	349	CHP	11	Czech Republic	1999

David Burks, a utility analyst at **J.J.B. Hilliard W. L. Lyons** in Louisville, Ky., says Cinergy's recent history of international expansion, followed by retrenchment, mirrors the experience of other U.S. power companies. Three or four years ago several U.S. utilities were investing heavily overseas, but are now pulling back because they haven't found these ventures as profitable as originally expected, he explains. "With overseas operations, there is always more uncertainty than in the domestic market. Upon reflection, many American companies are thinking that the risk might not be worth the investment." He adds that in light of the **Enron** debacle, many power companies are looking to shed marginal assets to shore up their balance sheets.

Toussaint says Cinergy first began decreasing its international focus with the $1.55 billion sale of **Midlands Electricity** to **GPU** in July 1999.

—Amanda Levin Arnold

BROKERS & EXCHANGES

(continued from page 1)

counterparty is time-consuming, and middle and small-sized companies can quickly find their credit lines are maxed out, particularly since counterparties are more strictly enforcing credit limits in the aftermath of Enron's collapse. Clearing via a central counterparty circumvents these problems.

"We are the best," says **Udo Ziegenhorn**, ceo of **Clearing Bank Hanover**, which will provide clearing for physically settled spot and forward trades in the German market for GFI and PowerITS. He notes that unlike its competitors, CBH will use the same clearing system that has been in operation in **Nordpool**, the Scandinavian energy exchange, for several years. CBH expects to launch clearing for GFI and PowerITS in Germany in April.

GFI predicts a strong increase in volumes once it launches clearing, according to **Michel Everaert**, global head of product marketing at GFI in London. **Kai Ristau**, head of sales and marketing at PowerITS in Hamburg, agrees, adding that energy companies are impatient for clearing services since Enron's fall.

In the French market Powernext plans to offer clearing in OTC electricity trades via **Clearnet**, the clearing subsidiary of European cross-border exchange **Euronext**. **Thierry Carol**, director of sales and marketing at Powernext in Paris, says the company plans to roll out the clearing service to other European markets once the French operation is established. However, this will not happen overnight, cautions **Victorien Goldscheider**, deputy ceo/business development at Clearnet in Paris. "This is not a solution you take off the shelves and say 'let's do it next week.'"

David Goone, senior v.p.-product development at ICE in Chicago, declined to reveal which European OTC electricity markets the company plans to offer clearing in, but adds it will gravitate towards the most active hubs when it launches electricity contracts in the next few weeks. ICE has signed an agreement to have **London Clearing House** provide clearing. Officials at LCH declined comment.

—Victor Kremer

Quote Of The Week

*"It's too easy to say it's all about trading…But really it is about **Enron** making bad investment decisions."*—**VJ Horgan**, *president of* ***TXU Energy Trading****, reflecting on the causes of Enron's demise at* ***UBS Warburg****'s annual utility conference in New York last week (see story, page 6).*

One Year Ago In Power Finance & Risk

AES was believed to have hired **Lehman Brothers** to advise on the sale of **Cilcorp**. a distribution business in Peoria, Ill. that it bought for $885 million in 1998. [AES announced in November that it, and its advisor Lehman, would initiate the auction of Cilcorp. shortly and hoped to identify a buyer by this spring. AES is divesting the utility to comply with PUHCA regulations.]

