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Bear Stearns Delays Fla. Plant Bids

Arroyo Energy Investors, a private equity arm of Bear Stearns, has pushed back the date for second round bids on stakes in two qualifying facilities in Florida to March 10.

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Astoria Flexes Down

Pricing on a **US Power Generating** and **Madison Dearborn** loan, known as Astoria Generating, has been flexed down.

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PRIVATE EQUITY BACKER TO CASH OUT OF PRIMARY ENERGY



Primary Plant

American Securities Capital Partners is looking to cash out of Oak Brook, Ill., generator Primary Energy and has placed the unit up for grabs. The New York private equity shop, which is an investment vehicle for the **Sears, Roebuck & Co.**, is looking to pocket \$440-450 million in the sale, say officials familiar with the plans. One observer says the firm is seeing a lot of investment appetite from other private investors for well-located generation assets with contracts. **Michael Fisch**, managing director at American Securities in New York, did not return a call for comment.

William Johnson, executive v.p. at Primary Energy, declined to

(continued on page 11)

Buyback Bonanza?

UTILITY HOLDING COS. TEE UP HYBRID LAUNCHES

Utility holding companies are days away from setting off a multi-billion dollar round of hybrid financings that will be used partly for share buybacks. "Three to four billion will be easily done in the next couple months and we expect a steady flow thereafter," says **Walter Hulse**, managing director at **UBS Securities**.

"People are trying to drive up their EPS. With their strong cash flow, they feel like they don't need quite as much capital in their capital structure so they'll be looking to fund share buybacks with the proceeds," says a senior debt capital markets banker at a bulge bracket firm. The executive added the more recent threat of activist hedge funds pushing for higher valuations at companies whose nuclear, gas and coal assets are generating significantly higher

(continued on page 12)

DEVELOPER SEEKS FINANCING FOR NEV. SOLAR PLANT

SunEdison is looking for a \$100-115 million long-term loan to cover the cost of an 18 MW solar project in Clark County, Nev., which will supply power to the **U.S. Air Force**. **Jigar Shah**, ceo in Baltimore, says the company is still figuring out financial models and declined to provide details about possible structures or identify potential lenders. In the past, it has worked with **Goldman Sachs** via an existing renewables fund. Officials at Goldman did not return a call.

The solar plant will be sited on a military base and construction is slated to begin in the

(continued on page 12)



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



At Press Time East Coast Power Draws Strong Offers

Suitors for **Goldman Sachs**-owned East Coast Power willing to shell out roughly \$1.2 billion or more have been allowed into the second round of bidding. According to prospective investors and merger and acquisition bankers, offers qualifying for the second round ranged from \$1.2-1.35 billion. Goldman is expected to take second-round bids Wednesday for the 940 MW cogeneration facility in Linden, N.J. **Tim Kingston**, managing director at Goldman in New York, did not return a call for comment.

Six to eight bidders are in the second round including **AIG Financial Products** and **ArcLight Capital Partners** (PFR, 2/6).

The plant has a long-term PPA with **Consolidated Edison Co. of New York** for 645 MW through 2017. It was purchased for \$456 million in cash and the assumption of about \$600 million in non-recourse debt.

ConEd May Shed Plants In Wake Of KeySpan Deal

KeySpan Corp. has put itself up for sale and followers say one of its pursuers **Consolidated Edison Corp. of New York** might have to shed properties to complete a sale. Analyst focus on the fact that KeySpan owns the Ravenswood Power Station, which was once owned by Con Ed before the State of New York forced it to shed the 2.45 GW plant to the Brooklyn, N.Y.-based company as part of a state-mandated divestiture. If a merger were to take place the entities would need to unload Ravenswood under New York State law, says **Anatol Feygin**, analyst at **Banc of America Securities** in St. Louis.

Feygin adds that Ravenswood could potentially sell for even more than a sale by Reliant **Reliant Resources** of its New York assets, which fetched \$975 million at auction from **US Power Generating** and **Madison Dearborn** (PFR, 10/3). That sale was helped in large part by the tightening in the power market in that region recently, with generation needs up to 83% of capacity.

Mike Heim, analyst at **A.G. Edwards & Sons** in St. Louis, says reported offers for KeySpan at more than \$6.5 billion appear low since \$6.5 billion translates to \$37 a share. Heim says KeySpan could fetch a price closer to \$45 a share based on its earnings. **National Grid** has also expressed an interest in buying KeySpan.

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Do you have questions, comments or criticisms about a story that appeared in *PFR*? Should we be covering more or less of a given area? The staff of *PFR* is committed as ever to evolving with the markets and we welcome your feedback. Feel free to contact **Mark DeCambre**, managing editor, at 212-224-3293 or mdecambre@iinews.com.

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EDITORIAL

TOM LAMONT
Editor

STEVE MURRAY
Deputy Editor

PETER THOMPSON
Executive Editor [Chicago]
(773) 439-1090

MARK DeCambre
Managing Editor
(212) 224-3293

PETER ROTH
Associate Reporter
(212) 224-3226

MARI SLATER
Associate Reporter
(212) 224-3116

STANLEY WILSON
Washington Bureau Chief
(202) 393-0728

JANA BRENNING,
KIERON BLACK
Sketch Artists

PRODUCTION

DANY PEÑA
Director

LYNETTE STOCK, DEBORAH ZAKEN
Managers

MICHELLE TOM, ILIJA MILADINOV,
MELISSA ENSMINGER,
BRIAN STONE, JAMES BAMBARA
Associates

JENNY LO
Web Production & Design Manager

MARIA JODICE
Advertising Production Manager
(212) 224-3267

ADVERTISING

JONATHAN WRIGHT
Advertising Director
(212) 224-3566
jwright@iinews.com

PAT BERTUCCI, ADRIENNE BILLS,
PHILIP COX, MAGGIE DIAZ
Associate Publishers

PUBLISHING

ELAYNE GLICK
Publisher
(212) 224-3069

AMANDA CATERINA
Associate Marketing Manager
(212) 224-3096

VINCENT YESENOSKY
Senior Operations Manager
(212) 224-3057

DAVID SILVA
Senior Fulfillment Manager
(212) 224-3573

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Account Executive
(212) 224-3043

GEORGE WITTMAN
Client Development Manager
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REPRINTS

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Reprint & Permission Manager
(212) 224-3675
dpalmieri@institutionalinvestor.com

CORPORATE

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Director/Central Operations & Fulfillment

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 6910
E-mail: customerservice@iinews.com

Editorial Offices: 225 Park Avenue
South, New York, NY 10003.
Tel: 1-212-224-3293
Email: mdecambre@iinews.com

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**Institutional
Investor NEWS**
INTELLIGENCE FIRST

CMS Taps JPMorgan To Help Unload Nuke

CMS Energy has engaged JPMorgan Chase to assist in the sale of its 798 MW Palisades nuclear power plant near South Haven, Mich. Concentric Energy Advisors remains the auction manager for the sale (PFR, 12/12), but it could not be determined when or why JPMorgan came on board. Jeff Holyfield, spokesman at CMS, referred questions to Concentric. Calls to John Reed, ceo of Marlborough, Mass.-based Concentric, and Francois Poirier, managing director at JPMorgan, were not returned.

JPMorgan has an existing relationship with Jackson, Mich.-based CMS. In May, the bank led the refinancing of CMS subsidiary Consumers Energy's \$500 million revolving credit facility along with Barclays Capital (PFR, 5/30), and in April JPMorgan Securities was among the leads for \$300 million in debt used to pay down higher-rate debt at Consumers (PFR, 4/1).

Bear Stearns Arm Pushes Back Fla. QF Bidding

Arroyo Energy Investors, the private equity power unit of Bear Stearns, has pushed back the date for definitive bids for stakes in a pair of qualifying facilities it is looking to sell in Florida. Observers say a handful of investors will be invited to participate in the second stage March 10. The identity of the bidders and the details on prices could not be determined. Indicative bids were due two weeks ago (PFR, 1/16). David Field, managing director at Arroyo in Houston, declined comment.

The unit owns interests in the 120 MW Mulberry plant and the 103 MW Orange plant. Bear Stearns owns 46.25% of Mulberry and 50% of Orange. They were acquired from American Electric Power for \$156 million in March 2004.

Mulberry has a 79.2 MW PPA with Progress Energy Florida that expires Aug. 10, 2024 and another with Progress for 30.8 MW that expires Aug. 10, 2009. Orange has a 74 MW PPA with Progress that expires on December 31, 2025, and a 23 MW PPA with Tampa Electric that runs through June 15, 2015.

Astoria Financing Flexes Down

Pricing on a Morgan Stanley and Goldman Sachs-led \$950 million financing for US Power Generating and Madison Dearborn, known as Astoria Generating, has been flexed down. The package bankrolls the acquisition of generating assets from Reliant Resources for \$975 million (PFR, 10/3). Market observers suggest pricing was reduced as a result of heightened demand. Pricing on the two-tranched financing package stands at LIBOR plus 200 basis points from 225 basis points on the first lien. That will drop again to LIBOR

LS Power Covets Coletto Creek

LS Power is setting its sights on Coletto Creek Power Station. Fresh from winning Duke Energy North America, the private equity power firm is expected to take a look at the 632 MW coal-fired plant put up for sale by Carlyle/Riverstone Holdings and Sempra Generation. First-round bids for the plant are due February 17, after having been moved back a week to give prospective buyers more evaluation time (PFR, 3/13).

Jon Barrett, managing director at East Brunswick, N.J.-based LS Power, did not return a call for comment. A call to Michael Hoffman, managing director at Riverstone in New York, was not returned. Art Larson, spokesman for Sempra, declined to comment.

Sempra announced its intention to sell the plant, which is held in its Topaz Power Group joint venture with Riverstone, late last year (PFR, 12/19). Pete Labbat, managing director at broker Goldman Sachs in New York, did not return calls for comment.

plus 175 once \$100 million of the debt is paid off, watchers say. The second tranche carries pricing of 375 reduced from 450 basis points. The funding is expected to close late this week.

Officials at the leads did not return calls for comment. Jay Worenklein, head of US Power in New York, declined comment and David Mosher, managing director at Madison Dearborn in Chicago, did not return a call.

The loan consists of a \$430 million term loan B, expiring in 2013, a \$100 million working capital facility, expiring in 2012, and a \$120 million synthetic letter of credit, expiring in 2011. A \$300 million term loan C, expiring in 2013, makes up the second tranche (PFR, 1/23).

Launch Of Bluegrass State Plant Loan Nears

A \$600-700 million loan for EnviroPower LLC. to help fund construction of 1 GW coal-fired facility in Franklin County, Ill., and Knott County, Ky is expected to hit the market soon after stalling for several months. The loan package, which is expected to be led by WestLB, was anticipated to be launched sometime in October or November (PFR, 8/1). The reason for the delay could not be determined. The loan was expected to take the form of a traditional project financing or a B-loan, say bankers who have spoken with both WestLB and EnviroPower executives. The precise date of the launch could not be ascertained.

Officials at WestLB did not return a call and calls to Akhtar Khan, who owns EnviroPower via Herndon, Va.-based Khanjee Holdings, did not return a call for comment. Plans for

construction have been delayed largely because Khan wanted to get a significant portion of the capacity contracted prior to breaking ground. Underpinning construction of the baseload facilities are several pending PPAs with local municipal utilities that should cover the bulk of the output..

EnviroPower has regulatory permits in place for the facilities. Watchers believe that the operation should be up and running before 2010.

Corporate Strategies

El Paso Wipes Out 40-Year Coastal Paper

Coastal Finance I, a subsidiary of **El Paso**, redeemed \$300 million, 40-year 8.357% notes last week to continue paying down its debt. **Bill Baerg**, manager of investor relations at **El Paso** in Houston, says redeeming the notes is part of a plan to pay down about \$2 billion of debt this year, adding cash on hand was used to fund the redemption. The company has about \$16 billion of debt.

The notes were issued in May 1998, before **El Paso** merged with **Coastal Corp.** in 2001. Baerg could not provide comment on why the notes were issued. **Merrill Lynch** and **Salomon Smith Barney** led the note issue.

Coastal Corp. was a diversified energy company involved in refining, marketing, coal mining and natural gas transmission, along with exploration and production. **Ben**

Tsocanos, an analyst at **Standard & Poor's** in New York, says a few months ago **El Paso** altered its corporate structure to make it simpler, and combined all of its oil and gas subsidiaries to form **El Paso Exploration and Production**. He adds the debt held at **Coastal** is now the sole obligation of **El Paso**.

AES Calls Long-Dated Bonds

AES Corp. has called \$115.2 million of 30-year, 8.875% senior subordinated bonds due 2027. As part of an effort to improve its credit rating, the company is trying to reduce recourse debt, says **Scott Solomon**, analyst at **Moody's Investors Service**. Moody's rates the debt B2, and none of the holding company's various issues are investment grade. The offering was led by **JP Morgan**. A call to **Ahmed Pasha**, director of corporate finance in Arlington, Va., was not returned.

In October, the Arlington, Va.-based company upsized its revolver by \$200 million to \$650 million, with pricing maintained at LIBOR plus 175 basis points. (PFR, 10/17). The credit facility is led by **Citigroup** and **Bank of America**, and is in place primarily to back letters of credit.

According to the most recent quarterly report, **AES** has \$16.33 billion in long-term debt, and \$1.61 billion in short-term debt. **Robin Pence**, spokeswoman at **AES**, says the company has a debt-to-cap ratio of 14:86. She was unable to make an **AES** official available for comment.

Financing Record (FEBRUARY 8 - FEBRUARY 14)

Debt

Date	Issuer	Business Description	Amount (\$ mil)	Coupon (%)	Security	Maturity	Offer Price	YTM(%)	Spread	S&P	Moody's
2/9/06	Landsvirkjun	Electric utility	50	Floats	Mdm-Trm Fl Nts	2/22/21	100	Floats		AA-	Aaa
2/10/06	CEMAT	Electric utility	100	9.5	Fxd/Straight Bd	2/14/12	100	9.5		B-	NR
2/13/06	Landsvirkjun	Electric utility	50	Floats	Mdm-Trm Fl Nts	2/15/21	100	Floats		AA-	Aaa

M&A

Date Announced	Date Effective	Target Name	Target Advisors	Target Industry Sector	Target Nation	Acquiror Name	Acquiror Nation	Value (\$mil)
2/8/06		Shri Shakti LPG Ltd		Electric, Gas, and Water Distribution	India	Chintalapati Holdings Pvt Ltd	India	
2/9/06		Alliant Energy-Chinese Power	HSBC Holdings PLC	Electric, Gas, and Water Distribution	China	Banpu PLC	Indonesia	84
2/10/06	2/10/06	Maritza		Electric, Gas, and Water Distribution	Bulgaria	ENEL SpA	Italy	119.1
2/13/06	2/13/06	959271 Alberta Ltd		Electric, Gas, and Water Distribution	Canada	Western Lakota Energy Svcs Inc	Canada	3.738
2/14/06		Geopower Basel AG		Electric, Gas, and Water Distribution	Switzerland	Energiedienst Holding AG	Switzerland	2.447
2/14/06		Termocartagena		Electric, Gas, and Water Distribution	Colombia	Emgesa	Colombia	17

Source: **Thomson Financial Securities Data Company**. For more information, call **Rich Peterson** at (212) 806-3144.

Conference Coverage

About 150 power players gathered at the MGM Grand in Las Vegas for *Euromoney's* inaugural USA Power and Utility Finance Conference. Associate Reporter *Mari Slater* filed the following stories.

Transmission Pegged To Pop (Again)

Transmission developers foresee up to \$2 billion to be invested in some markets over the next few years as developers and utilities look to take advantage of incentives written into the energy bill.

Robert Mitchell, managing director and chief development officer of **Trans-Elect**, teased the crowd during a panel discussion, about an announcement forthcoming about his company's joint venture with a utility on a transmission project, but deferred from details because his competitor, **Paul Halas**, senior v.p. of business development of **National Grid USA**, was sitting right next to him.

Two projects Mitchell says to look out for are the Frontier transmission project, to be developed by a consortium of utilities, and the Transwest Express project, proposed by the **Arizona Public Service**. Mitchell believes the \$3 billion TransWest project has a bit more traction than the Frontier line, considering impediments created by California law that restricts coal energy to be transported if it brings more emissions than would be created by natural gas.

Halas said a financing structure in which many investors can contribute will be key to financing future projects. While he spoke about the dream of having a national grid, he believes eventually there will be big slabs of transmission assets that will be run independently.

Jeffrey Wood, managing director, project finance group at **Société Générale**, noted financing transmission assets is fairly

simple. "It's not challenging at all. Everyone would love to finance these assets if they get to the development stage," he said. He used the Neptune project as an example of a financing method that was very straightforward, as it involved a private placement.

Back To Basics Bolsters Sector

Financing markets for power players are very receptive because of the back to basics approach adopted by utility owners and developers over the last few years. **Lou Iaconetti**, co-head of **WestLB's** financial sponsors and power and utilities group, told attendees the strategy has included shedding undesirable assets and shoring up liquidity—that's led to lower risk and stronger cash flow. But, he notes, there is still a lot more to be done.

In the first session of the get-together, Iaconetti forecast a regulatory push in the next few years which would allow utilities to pass on the costs of developing projects to customers. He added the generation business is strong, and growing, mostly because of the role of private equity players.

Seen 'N Heard

We were young once. **Paul Halas**, senior v.p. at **National Grid USA**, alluded to the time-consuming and stressful nature of guiding transmission projects to fruition. "I used to have really dark hair when I started the business," he quipped.



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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 Mark DeCambre, managing editor, at (212) 224-3293 or e-mail mdecambre@iinews.com.

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Atlantic City Electric Company	B.L.England	New Jersey	447	Coal	Concentric Advisors	In Second Rounds.
	Key Stone	Pa.	-	Coal		
	Conenough	Pa.	-	Coal		
Aquila	Raccoon Creek	Ill.	340	Gas	Not chosen	Intention To Sell.
	Goose Creek	Ill.	340	Gas		
	Crossroads	Miss.	340	Gas		
Bear Stearns	Mulberry	Fla.	120	Gas	Bear Stearns	Intention to sell
	Orange	Fla.	103	Gas	Bear Stearns	Intention to sell
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention To Sell.
BNP -led bank group (Exelon developed plants)	Mystic River 7	Mass.	560	Oil/Gas	Lazard	Ongoing.
	Mystic River 8	Mass.	832	Gas		
	Mystic River 9	Mass.	832	Gas		
	Fore River	Mass.	832	Gas		
Carlyle Riverstone/ Semptra	Coleto Creek Power Station	ERCOT	632	Coal	Goldman Sachs Greenhil & Co.	First-round Bids Due Mid-Jan.
Carlyle Riverstone/ Semptra	Topaz Power Group	ERCOT	2.9 GW	Gas&Oil		Preliminary Marketing Materials Have Been Submitted
Citi & SocGen-led creditor group (TECO Energy developed plants)	Union	Ark.	2,200	Gas	Goldman	Ongoing.
	Gila River	Ariz.	2,300	Gas		
CMS Energy	Ensenada	Argentina	128	Gas	Not chosen	Announced Intention To Sell.
	CT Mendoza	Argentina	520	Gas	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydro	J.P. Morgan	
	Palisades	Mich.	798	Nuke	Concentric Advisors	
Citi-led bank group (NEG developed plants)	Lake Road	Conn.	840	Gas	Lehman Bros.	Cargill Bought Debt Portion (PFR, 12/27).
	Lowell Power	Mass.	82	Gas	None	Actively Pursuing A Sale.
Delta Power						
Duke Energy North America	Bridgeport Energy Project	Bridgeport, Conn.	490 MW	Gas	CSFB	LS Power Has Won An Auction For Approximately \$1.48-1.54B
	Maine Independence Station	Penobscot County, Maine	520 MW	Gas	Goldman Sachs	
	Bayside Power Project	St. John, New Brunswick	260 MW	Gas		
	Fort Frances Cogeneration Project	Fort Frances, Ontario	110 MW	Gas		
	Lee Energy Facility	Lee County, Ill.	640 MW	Gas		
	Vermillion Energy Facility	Vermillion County, Ind.	640 MW	Gas		
	St. Francis Energy Facility	Glennonville, Mo.	500 MW	Gas		
	Washington Energy Facility	Washington County, Ohio	620 MW	Gas		
	Fayette Energy Facility	Fayette County, Pa.	620 MW	Gas		
	Hanging Rock Energy Facility	Lawrence County, Ohio	1,240 MW	Gas		
	Oakland Power Plant	Oakland, Calif.	165 MW	Gas		
	Moss Landing Power Plant	Monterey County, Calif.	2,538 MW	Gas		
	Morro Bay Power Plant	Morro Bay, Calif.	1,002 MW	Gas		
	South Bay Power Plant	Chula Vista, Calif.	700 MW	Gas		
	Griffith Energy Facility	Mohave County, Ariz.	600 MW	Gas		
	Arlington Valley Energy Facility	Maricopa County, Ariz.	570 MW	Gas		
	McMahon Cogeneration Plant	Taylor, British Columbia	117 MW	Gas		
El Paso Europe	EMA Power	Hungary	70	Coal		Final Bids Due.
El Paso North America	Berkshire	Mass.	261 (56.41%)	Gas		

Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
(Merchant assets)	CDECCA	Conn.	62	Gas		Negotiations Are Taking Place With HSBC Launched Sale In April.
	EnCana	Cavalier	Alberta	106	Gas	
	Balzac	Alberta	106	Gas	HSBC	
	Kingston	Ontario	110 (25%)	Gas	HSBC	
Energy Investors Fund	Multitrade	Va.	79.5 (60%)	Biomass	None	Stake Sold To GE
Entergy Asset Management	Robert Ritchie	Ark.	544	Gas/oil	None	Ongoing.
	Warren Power	Miss.	314	Gas		
	RS Cogen	La.	425 (49%)	CHP		
	Harrison County	Texas	550 (70%)	Gas		
Exelon/PSEG	Eddystone Generating Station	Delaware County, Pa.	1,510 MW	Coal and Gas		Interviewing Banks To Advise On Sales.
	Linden Generating Station	Linden, N.J.	775 MW	Gas		
Goldman Sachs	East Coast Power	Linden, N.J.	940 MW	Gas	Goldman	2nd round bids due mid-February
Gama Construction Ireland Limited	Tynagh	Republic of Ireland	400 MW	Gas	Fieldstone Private Capital Group	Ongoing
KBC-led creditor group	Milford	Conn	542	Gas	Lazard	Ongoing.
Mirant	Shady Hills	Fla.	474	Gas	BofA	Ongoing.
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538	Gas		
	Wichita Falls	Texas	77	Gas		
Morrow Power	Boardman	Ore.	28	Gas	Marathon Capital	Evaluating Bids.
Nations Energy	Bayport	Texas	80	N/A		Considering Liquidation.
	Mungo Junction	Ohio	32			
	Southbridge	Mass.	7			
National Energy Gas & Transmission (USGen New England)	Salem Harbor	Mass.	745	Coal/Oil	Lazard	Dominion Has It Under Contract.
	Brayton Point	Mass.	1,599	Coal		
	Manchester St.	R.I.	495	Gas		
	Connecticut River	N.H.	479	Hydro		
	Deerfield River	Mass.	89	Hydro		
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	-
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Reliant Energy	Carr Street	N.Y.	95	Oil	Goldman	Madison Dearborn And US Power Gen. Have Won A Bid To Acquire The Assets.
	Astoria	N.Y.	1,276	Gas		
	Gowanus	N.Y.	549	Gas		
	Narrows	N.Y.	281	Gas		
InterGen	Redbud	Okla	1,220		Citigroup	Harbert Venture Acquired The Assets.
	Cottonwood	Texas	1,235			
	Magnolia	Miss.	900			
Sempra	Twin Oaks	ERCOT	305	Coal	Goldman Sachs	Ongoing
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		
STEAG	Iskenderun	Turkey	1,320	Gas	Morgan Stanley	Ongoing.
Teco Energy	Dell Power Station	Ark.	540	Gas		Reviewing Options.
	McAdams Power Station	La.	599	Gas		
Tenaska Energy	Tenaska Frontier	ERCOT	830	Gas	Lehman Brothers RBC Capital Markets	Ongoing-selling 62%
Tractebel North America	Chehalis	Wash.	520	Gas	N/A	Looking To Sell Or Swap.
WPS Resources	Sunbury Generating Station	Shamokin Dam, Pa.	450 MW	Coal	Lazard	Buyers Are Stalling Over Fuel Contracts.

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.

The Americas

- **Harbert Distressed Investment Master Fund** has asked Delaware's Court of Chancery to ban **NorthWestern Corp.** from wielding its "poison pill" corporate antitakeover defenses in a brewing proxy battle (*Dow Jones Newswires*, 2/14).
- Incentives and rewards programs from utility companies around the country are leading to a marked reduction in energy use in many communities (*Wall Street Journal*, 2/14).
- **Gazprom** plans to become a major liquefied natural gas supplier and is building its LNG expertise, particularly in North American markets, according to **John Hattenberger**, LNG director of **Gazprom Marketing & Trading** of London (*Oil & Gas Journal*, 2/14).
- **Central Vermont Public Service** disclosed that it has begun its previously announced tender offer for the company's stock (*Dow Jones Newswires*, 2/14).
- A lawyer for **Jeff Skilling**, former ceo of **Enron**, tried to portray the head of the company's broadband unit as an out-of-touch manager who was criticized for his free-spending ways and did not even know how many employees were working under him (*New York Times*, 2/16).
- **Calpine Power Income Fund** has entered into a short-term agreement to toll the capacity from the Calgary Energy Centre with **EPCOR Merchant and Capital** until June 30 (*Dow Jones Newswires*, 2/16).
- The electric utility **National Grid** plans to buy the Rhode Island assets of **New England Gas** from **Southern Union** for \$575 million (*Associated Press*, 2/16).
- **American Electric Power** completed the sale of its 50% interest in the Bajío generating station in Mexico to **InterGen** for \$29 million (*Business First of Columbus*, 2/16).
- **Oneok** and **Northern Border Partners**, a midstream company, plan a series of transactions that will give Oneok a 45.7% stake in Northern Border and 100% general partner interest (*Dow Jones Newswires*, 2/15).
- **BHP Billiton**, the world's biggest mining company, is trying to persuade Californian Governor **Arnold Schwarzenegger** to allow construction of the first liquefied natural gas import terminal off the state's coast, a regulator said (*Bloomberg News*, 2/13).
- **Solargenix Energy**, a subsidiary of **Acciona Energy**, broke ground over the weekend on Nevada Solar One—the largest solar thermal power plant to be built anywhere in the world in 15 years (*Associated Press*, 2/12).
- New Jersey utilities will pay as much as 55% more for power bought at that state's annual energy auction this year, in a sign that the state's closely watched electricity auctions can't fully insulate electricity users from big increases in energy costs. (*Wall Street Journal*, 2/10)
- **Freeport LNG-GP**, which is co-owned by **ConocoPhillips** and businessman **Michael Smith**, is set to build the nation's first new liquefied natural gas storage facility in more than two decades in the Quintana, Texas area (*Associated Press*, 2/10).
- **Endesa's** Colombian unit has secured an option to buy a power plant located near Cartagena for \$17 million (*Dow Jones Newswires*, 2/10).
- Ontario has given the go-ahead to build a natural gas-fired power plant in Toronto, despite strong opposition from the city's mayor (*Canadian Press*, 2/10).

Australia

- **Don Voelte**, ceo of **Woodside Petroleum**, said demand for liquefied natural gas is strong with customers lining up to buy gas from projects the Australian company is planning to develop (*AFX News*, 2/15).
- The International Energy Agency called for greater investment focused on harvesting solar power and energy from waves and tides in order to stave off climate change (*Financial Times*, 2/15).
- Australia's Victoria state will sell its stake in **Snowy Hydro Ltd.**, the nation's second-largest hydropower producer, paving the way for the country's largest initial public offering in five years (*Bloomberg News*, 2/13).

Europe

- **BP PLC** has agreed to buy 2 million tons a year of liquefied natural gas from **Brass LNG** in Nigeria for 20 years, starting in 2010 (*Oil & Gas Journal*, 2/13).



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Wind Investors Favor The Big Over The Small

Wind developments should be handled by big energy companies, with a strong credit rating, according to a panel. **Brian Daly**, managing director at TCW, said if those criteria are not met, TCW does not participate. **Christopher Moore**, partner, global finance, at New York-based **Orrick, Herrington & Sutcliffe**, adds that major wind turbine manufacturers are making developments more difficult, since large deposits are being requested, which smaller one-off developers cannot provide.

Alec Dreyer, ceo of **Horizon Wind Energy**, chimed in, saying merchant wind is becoming more common with there already being an established market in areas like New York, the PJM and ERCOT where merchant wind projects exist or are planned.

Offshore development, though popular in Europe, is not seen by the panel as a great investment, since offshore sites tend to be more challenging, and difficult, not to mention more expensive to develop. Dreyer says the difference in the European market and the American market may be that Europe has a dwindling supply of land and wind resource on land, whereas the United States still has a lot of land to develop.

Solar development, seen as a flipside to wind projects, is expected to be the next ray of alternative energy interest.

Rodrigo Prudencio, principal at **Nth Power**, says his venture capital firm is seeing a lot of money invested in new solar technology. **Ted Brandt**, ceo of Chicago-based **Marathon Capital**, agreed, saying solar is growing rapidly because of subsidies.

PRIVATE EQUITY

(continued from page 1)

comment and referred calls to **Mark Hall**, a spokesman, who says, "We have a 20 year management agreement and as far as we know it's business as usual." He declined to comment further.

American Securities has hired **Lehman Brothers** to advise it in its sales effort. The exact sale strategy the shop is looking to employ is unclear since it completed an initial public offering of a unit of Primary Energy worth C\$300 million (\$237 million) on the **Toronto Stock Exchange** in August. Watchers say an outright divestiture could include a buyout or a sale of the remainder of American Securities equity investment. ASCP is believed to have floated between 10-20% of the Primary Energy. An official speculated its total holding of the energy company is 70% or greater. A Lehman official declined to comment.

Primary Energy was founded by veteran power financier **Bill Rockford**. It owns and operates four recycled energy projects and

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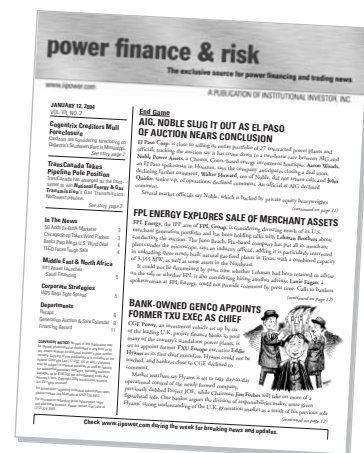
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UNITED KINGDOM
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Fax: 44 20 7779 8619
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Mail: Thomas Gannag-Stewart
Institutional Investor News
Nestor House, Playhouse Yard
London, EC4V 5EX, England

HONG KONG
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Fax: 852 2543 7617
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has a 50% interest through vehicle in a pulverized coal facility. The facilities are under contracts with **United States Steel, Ispat Inland** and **International Steel Group** go out as far as 2018. Four of the operations—Northlake, Cokenergy, Harbor Coal and Ironside are in East Chicago, Ind., while a fifth, Portside, is sited in Portage, Ind.

—Mark DeCambre

UTILITY HOLDING

(continued from page 1)

cash than they were in the past has adds an incentive to take preemptive measures.

Moody's Investors Service's change in methodology on hybrid capital last year and the subsequent race at some top firms to develop equity-like tax deductible securities has given issuers a new tool that bankers say help satisfy this need. "Share repurchases will be one of the uses for this kind of issuance," says **Wylie Collins**, head of debt capital markets at **Merrill Lynch**.

But despite a spate of issuance from financial firms such as **U.S. Bancorp**, **Lehman Brothers** and **Wachovia**, and a small number of industrials such as **Burlington Northern Santa Fe**, none of the utilities have ventured into the hybrid space to take advantage of the new rules. "Everyone's waiting for the first one to jump," says one banker. "The rating agencies gave the last hybrid structure significant equity credit but then effectively changed their minds about it." In December Lehman said it was preparing to help bring up to \$3 billion in hybrids for utilities around this time.

Coverage bankers agree the first to launch will come from one

of the top 10 power utilities in the country. One official who says he wouldn't be involved in the first issuance suggested companies such as **Southern Co.** and **Williams** are likely candidates for an offering because they have recently had EPS diluted by a conversion of outstanding bonds into equity. Representatives at those companies didn't return calls.

—Dan Shirai

DEVELOPER SEEKS

(continued from page 1)

third quarter, with completion set for first quarter of 2008. **Tim Carlson**, president of Las Vegas-based **Powered By Renewables**, which is an equity investor in the project, says PBR's role in the project is as the local representative. "We're development partners with **SunEdison**," he says. "We're making sure various issues get taken care of on a local basis."

Shah says solar panels generally have a life of 40 years but are usually guaranteed for only about 25 years. **Nevada Power**, a subsidiary of **Sierra Pacific Resources**, will purchase the renewable energy credits from the project, Carlson says, since utilities have to purchase a certain percentage of its power from renewable sources.

—Mari Slater

Calendar

● The **Edison Electric Institute** will host its International Utility Conference in London on February 20-23 at the London Hilton on Park Lane. For additional information please contact **Debra Henry**, via email at dhenry@eei.org or via phone at (202) 508-5496 or **Mari Smallwood**, via email at msmallwood@eei.org or via phone at (202) 508-5501.

Quote Of The Week

"It's not challenging at all. Everyone would love to finance these assets if they get to the development stage." — **Jeffrey Wood**, managing director, project finance, at **Societe Generale**, speaking at the **Euromoney USA Power and Utility Finance Conference** about financing transmission assets (see story, page 11).

One Year Ago In Power Finance & Risk

El Paso Corp. was set to get the ball rolling on an approximately \$278 million non-recourse loan that would fund the expansion of its Cheyenne Plains gas pipeline. The original deal hung around much of the year before as lenders waited on the Houston player to sort out its financial filings. [El Paso closed the \$278 million deal, via **WestLB**, three months later (PFR, 05/16).]

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