

power finance & risk

The exclusive source for power financing and trading news

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A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

FEBRUARY 24, 2003

VOL. VI, NO. 8

Web Exclusives

Reliant Resources received a timely boost last week when it managed to sell its European generation business for \$200 million more than many commentators had predicted.

Calpine expects to sell its portfolio of 10 environmentally efficient qualifying facilities in three installments by April. Financial players are the likeliest buyers.

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

RWE Hires Morgan Stanley Trader

RWE Trading Americas has hired **Sean O'Neal**, a Mid-continent power trader at Morgan Stanley in New York.

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Down To The Wire

CENTERPOINT LOOKS FOR TWO-YEAR EXTENSION, REDUCED PAYMENTS ON \$3.85B LOAN

CenterPoint Energy is looking to get an extension on its \$3.85 billion loan facility, maturing this fall, out to June 2005 and also delay and reduce two \$600 million payments due this year that are required under the current deal. With the first \$600 million due at the end of this week, the Houston player will likely be right up against the clock, say lenders poring over the paperwork. "It'll be tough to make the deadline," says one banker.

(continued on page 8)

INT'L POWER SEEKS OPTIONS TO BUY STRUGGLING U.K. PLANTS

London-based **International Power** is looking to take out options to acquire many of the struggling U.K. power plants that have fallen—or are set to fall—into the hands of their creditors and is offering the incentive of low-cost operation and maintenance services to land the contracts. **Phil Cox**, cfo at IP, says it has approached a few plant operators but declined further comment.

If it is successful in securing these options it could end up being the most significant

(continued on page 8)

Beefing Up

CONSTELLATION NABS AEP MARKETING TEAM

Constellation Power Source has hired a Portland-based team of Western power marketers from **American Electric Power**. The move underscores the Baltimore player's status as part of the small group of strong companies looking to build up its trading and energy marketing presence, say industry officials. Just last week the company also announced it had agreed to buy the bulk of **CMS Energy's** power book. "Constellation is in a very strong position. It's a solid credit without much leverage," says one market watcher, who

(continued on page 8)

DOMINION TO TAP DEBT MART THIS SPRING

Richmond, Va.-based **Dominion Resources** plans to issue \$200 million in bonds this spring to finance payment of \$200 million of 10-year notes, maturing in April, held by subsidiary **Dominion Virginia Power**.

This will be Dominion's second debt offering this year, said **Scott Hetzer**, treasurer, who declined to offer further details about the upcoming offering. He was hesitant to call this spate of refinancings part of any larger debt-refinancing program, adding that this spring's offering is the only definite refinancing remaining on the company's forward calendar.

Hetzer did not indicate which banks would lead the upcoming offering, but its most

(continued on page 8)

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

Reliant Firms Up Detail On \$5.9B Loan

Reliant Resources, which last week got a short-term extension on a maturing \$2.9 billion bridge loan, is now negotiating a longer-term reworking of \$5.9 billion in debt. On the table is a five-year deal with pricing of LIBOR plus 400 basis points on the old debt being extended and LIBOR plus 550 basis points for a new \$300 million senior secured facility, say lenders. The mammoth refinancing is top of the agenda for most of the key power lenders given it is the largest refinancing slated for the first quarter (PFR, 1/13). **Sandy Fruhman**, spokeswoman in Houston, says the company is not commenting on the negotiations.

With the extension on the bridge, lenders are now working to a March 28 deadline and some expect further changes to the terms during that window. One critic says the base pricing of LIBOR plus 400 basis points is too thin, compared to similar power deals that are now touching the 550 basis point mark. He adds the five-year tenor is also on the lengthy side and the deal covenants give the company a lot of leeway in terms of making acquisitions.

RWE Snares Morgan Stanley Trader

RWE Trading Americas has hired **Sean O'Neal**, v.p. responsible for Mid-continent power trading at Morgan Stanley in New York, as director of power trading, according to **Gerald Balboa**, v.p.-power trading in Houston. O'Neal, who starts today, takes a new role covering the ERCOT, SPP and SERC regions. "He has a stellar reputation in the market," says Balboa, adding that O'Neal has also previously worked at **Duke** and **Enron**. O'Neal could not be reached.

"We do see opportunities as former [power trading] market leaders retrench and/or exit," Balboa comments, adding that he

is unsure whether the U.S. power markets will bounce back to previous levels of activity.

A senior official at a rival shop in Houston says RWE has been "sniffing around hard" for generation assets in the U.S. secondary market. Balboa declined comment on this point.

At Morgan Stanley, O'Neal's responsibilities have been allocated internally, says an official in New York. The firm will hire if it finds a high-quality replacement, he adds.

Ofgem Chief Rejects Crisis Talk



Callum McCarthy

Callum McCarthy, ceo of **Ofgem**, the U.K. power regulator, has turned a cold shoulder to the pleas of embattled independent power producers in the U.K., many of whom have been brought to their knees by the near 40% fall in U.K. wholesale power prices over the past two years.

"I'm not worried by the low prices," McCarthy told delegates at the *Edison Electric Institute International Financial*

Conference in London last Monday, adding the fall highlights how the market is awash with spare generation capacity.

Whilst some market watchers have warned that the closure of many uneconomic plants and cancellation of new generation projects could undermine security of supply, McCarthy argued that new plants will be built when the reserve margins shrinks to the appropriate level. "Do I think there will be price signals to add new capacity when the market needs it? Absolutely," said McCarthy.

McCarthy also rejected the idea proposed by EEL executive director **David Owens**, that IPPs could be paid a capacity payment to keep plants available to run in case of a surge in demand.

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Int'l Power Eyes Convertible Mart ...

International Power is considering revisiting the convertible bond market later this year in anticipation of an existing \$350 million (GBP219 million) convertible being put back to the company this fall, say market watchers.

Philip Cox, cfo, told delegates at the *Edison Electric Institute International Financial Conference* in London last Monday that he expects convertible debt investors to put back to the London-based IPP a five-year convertible bond this October because the conversion price of the deal is significantly out-of-the-money. The convertible, issued in 2000, has a GBP3 strike price, more than 200% above International Power's GBP0.94 closing share price last Thursday. Since the share option is unlikely to rally back in to the money by the deal's maturity in 2005, investors will likely look to close out their positions when the put becomes exercisable, he explains.

Cox declined comment on how International Power will refinance the convertible, but a banker close to the company says it sees a new convertible issue as the best refinancing option. Given its weak share price International Power doesn't want to issue equity as the offering would prove dilutive, but a tough credit environment for IPPs makes issuing straight debt an equally unattractive proposition, he says.

The previous offering was underwritten by **Lehman Brothers** and **Schroder Salomon Smith Barney**. Market



Philip Cox

watchers say International Power has yet to retain banks for the upcoming refinancing.

...Seeks Firepower Leverage

International Power is looking to tap the project loan market to part fund a potential \$1 billion generation spending spree. CFO **Phil Cox** says the company has a \$500 million cash war chest set aside to fund future deals, but notes it wants to double its firepower through the use of project-level bank loan leverage.

International Power could invest up to \$1 billion—equal to its market capitalization—on plant acquisitions to profit from the sharp fall in power plant valuations across Europe and the North America. Only by investing in distressed assets can one make a long-run above market return, argues Cox.

"We've been looking at a tremendous amount of assets," notes Cox, but he cautions the company is prepared to bide its time before striking a deal. Cox notes that acquiring the right asset at the right price is proving a challenge because many sellers are unwilling to crystallize book losses on their balance sheets or sell at the bottom of the commodity cycle. He adds that creditors also are blocking some sales by refusing to take losses on project level loans that exceed the plant's present value.

International Power—Europe's only publicly traded IPP—has some 11 GW of generation capacity primarily situated in the U.K., U.S. and Australia.

LIBOR plus 150 basis points on the existing loan is well below the current market, he adds.

Calpine Targets 3Q Bond To Pay Down \$1B Construction Revolver

Calpine is planning to tap the bond market in the third quarter to allow it to pay down 75% of a \$1 billion construction revolver. The facility, known as CCFC1, expires in October and is holding center stage for many project financiers because of its sheer size (PFR, 1/6). In a recent earnings conference call, **Bob Kelly**, cfo, said the issue would take the form of first-mortgage bonds. The San Jose, Calif., company will look to refinance the remaining 25% via an extension from its bank group, he added. Calls to Kelly were not returned by press time.

One lender notes the company has floated the bond idea before (PFR, 11/11). "I feel good about the idea. They've mentioned it in a conference call and that puts them on the hook a little bit to execute the deal," he reflects. He adds that in his own internal projections he is not counting on the issue making it to the 75% target, but any paydown is going to send a positive signal to lenders because it shows bank debt can be refinanced and it would also reduce their exposure to the sector.

To extend the bank debt portion, Calpine is going to have to juice up pricing to market rates, says another banker. The

SocGen Looks To Tap Institutional View For Fla. Gathering

Société Générale is aiming to flesh out the investment criteria of institutional and private equity investors at its annual Florida power project finance conference, a move reflecting the increasing importance of the B loan market and the activity of private equity shops.

The firm's annual survey of project bankers is seen by many as the most authoritative gauge of lender sentiment and this year the firm has added a separate survey covering institutional investors. **Don Kyle**, managing director, says the investors are being questioned on issues such as whether they buy unsecured paper and their appetite for taking on construction risk. The results will be disclosed at the conference next week.

The increasing importance of private shops will be signaled by presentations from **ArcLight Capital Partners** and **American International Group's** Highstar private equity fund, which recently acquired the Central Pipeline from **Williams Cos.** (PFR, 2/9).

Commerzbank Releases Analyst

Commerzbank has released **Mark Robinson**, its London-based U.K. utility equity analyst. An official at the firm says Robinson was released early this month as part of a round of job cuts at the German bank. The bank has retained **Harold Hutchinson**, its mainland European utility analyst. Calls to Hutchinson were not returned and Robinson could not be reached for comment.

The Frankfurt-based bank announced earlier this month that it is in the process of axing some 425 front-office investment banking positions as part of a broader plan to return the bank to profitability this year.

Sempra Unit Adds Reliant Staffer

Sempra Energy Solutions, the retail marketing arm of Sempra Energy, has hired **Todd Richardson** from Reliant Resources to manage its Midwest and East natural gas portfolio. **Jennifer Andrews**, a spokeswoman for Sempra Energy Solutions in San Diego, says the role is new, reflecting a growth in the business

and also structural changes internally to provide a more regional focus. One industry official says Richardson will be handling hedging and tolling issues for the book.

Sempra Energy Solutions is one of the stronger players in the national retail field, says one industry watcher, noting it is active in areas ranging from supply and price-risk management to asset management.

Barpoulis Exits Downsizing NEG

Sarah Barpoulis, senior v.p. of trading at PG&E National Energy Group, has left the Bethesda, Md.-based IPP as part of the roll back of the operation. Barpoulis, who left earlier this month and could not be reached, is a long-time staffer at NEG and its predecessor companies.

Natalie Wymer, spokeswoman at NEG, says the company has been working since last fall to realign and reduce certain business operations and Barpoulis' departure is a result of that strategy. NEG also recently let go CFO **John Cooper** (PFR, 2/17). Wymer says **Lyn Maddox**, executive v.p., continues to head up the trading and risk management operation at NEG.

Corporate Strategies

AEP Strikes Twice While The Iron's Hot

Spurred by the success of a \$1 billion debt offering at its Ohio subsidiaries, **American Electric Power** decided to follow suit one day later with a similar flurry of bond sales for its Texan utilities. **Ohio Power** and **Columbus Southern Power** each issued \$250 million in tranches of 10- and 30-year notes on Tuesday of last week. The next day, **AEP Texas Central** issued four tranches totaling \$800 million and **AEP Texas North** issued \$225 million of 10-year notes.

Geoffrey Chatas, v.p. corporate finance, explains strong market demand was the catalyst behind the rapid-fire issuance. He said, "The Ohio issuance was announced on a Monday, by Tuesday it was 10 times oversubscribed. Given such a robust market, we decided to launch the Texas issuance the next day."

Proceeds from the offerings will go largely toward paying down short-term debt, including AEP's \$1.725 billion corporate separation facility, \$1.3 billion of which matures in March.

Ohio Power and Columbus Power's 10-year notes paid coupons of 5.5% to yield 157 basis points over Treasuries. The 30-year notes offered a 6.6% coupon, 178 basis points over comparable Treasuries. AEP Texas Central issued \$100 million in two-year floating-rate notes paying 125 basis points over LIBOR, \$150 million in two-year notes, paying 3%, \$275 million in 10-year notes paying 5% and \$275 million in 30-year notes with a 6.625% coupon.

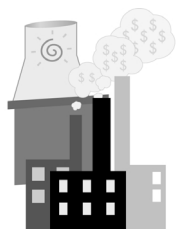
AEP Texas North issued \$225 in 10-year notes paying 5.5%. **Lehman Brothers** and **Salomon Smith Barney** led the deals.

Sierra Pacific Upsizes Crunch Issue

Reno, Nev.-based **Sierra Pacific Resources** upsized a recent private placement to \$300 million of convertible notes from \$250 million, which helped stave off the prospect of default on an issue that matures next month. **Karl Walquist**, a spokesman for the company, says the increased size simply reflected stronger than expected demand. The issue will refinance \$192 million of floating-rate notes and the balance will be used to strengthen the balance sheet.

The notes, which mature in 2010, have a coupon of 7.25% and are convertible at a 22% premium over the closing stock price of \$3.75. Walquist was unable to provide details of the bank line-up for the deal and the lead selection criteria by press time.

A research note from **Lehman Brothers**, announcing the firm is cutting its EPS target in the wake of the issue, says the firm was expecting a much less dilutive issue of \$200 million in converts with a conversion strike of around \$7. Lehman analysts also note the company still has some negatives hanging over it after dealing with the liquidity issue, specifically it is embroiled in a court dispute over power contracts it signed with **Enron** before the Houston trader collapsed. Walquist notes Sierra Pacific is disputing paying for power which was not delivered and adds the court has yet to make a final ruling on the issue.



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
ADWEA	Um Al Nar	Abu Dhabi	1,100	Gas & Water Desalination	CSFB	Has shortlisted two bidders.
AEP	Fiddler's Ferry	U.K.	2,000	Coal	N/A	Intention to sell.
	Fern Bridge	U.K.	2,000	Coal		
AES	Yarra Power Station	Australia	510	Gas	-	Has appointed an advisor.
	Jeeralang	Australia	449	Gas		
	Mt Stuart	Australia	288	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	In talks with Exelon
	Mitchell	Penn.	442	Coal	J.P. Morgan	In talks with Exelon
Alliant Energy	Southern Hydro	Victoria, Australia	500	Hydro	N/A	Intention to sell.
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		
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention to sell.
Calpine	11 QFs	Calif. & East Coast	1,000	Gas	Salomon Smith Barney	Ongoing.
Cinergy	Cinergetika	Czech Rep.	230	CHP	J.P. Morgan	Expects to sell assets shortly.
	Energetika Chropyne	Czech Rep.	48	CHP		
	EPR Ely	U.K.	36	Straw		
	Moravske Teplamy	Czech Rep.	410	CHP		
	Pizenska Energetika	Czech Rep.	406	CHP		
	Redditch	U.K.	29	Gas		
	Teptama Otrokovice	Czech Rep.	349 (11%)	CHP		
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	
El Paso Europe	Enfield	U.K.	396 (25%)	Gas	No Advisor	Looking to exit Europe
	EMA Power	Hungary	70	Coal	No Advisor	Looking to exit Europe
	Kladna	Czech Rep.	350	Coal	No Advisor	Looking to exit Europe
Enron	Nowa Sarzyna	Poland	116		PwC (administrator)	Ongoing.
	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.	1,875			
Enron	Wilton	U.K.	133	Coal/Oil/Gas	Close Brothers	Ongoing.
Fife Power	Fife	U.K.	115	Coal	KPMG (Administrator)	El Paso placed plant in administration.
IVO Energy	Grangemouth***	U.K.	130	Gas	-	Looking to refocus in Nordic region.
	Edenderry	Ireland	120	Peat		
Mirant	Birchwood	Va.	119	Coal	CSFB	Ongoing.
	Kendall	Mass.	270	Oil		
	Shady Hills	Fla.	474	Gas	BofA	Ongoing.
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538			Looking for advisor to assist with sale
	Wichita Falls	Texas	77			Looking for advisor to assist with sale
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	

Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
NRG/Xcel (Asia)	Gladstone Power	Australia	1,500 (37.5% stake)	Coal	ABN AMRO	Awaiting bids.
	Flinders	Australia	760	Coal		
	Loy Yang A	Australia	2,000 (25% stake)	Coal		
	Hsinchu	Taiwan	400 (60% stake)	Gasfired		
	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil		
	Collinsville	Australia	192 (50% stake)	Coal		
NRG/Xcel (Latin America)	TermoRio	Brazil	1040 (50% stake)	Gas	Deutsche Bank	Awaiting bids.
	COBEE	Boliva	220 (98% stake)	Hydro/Gas		
	Itiquira Energetica	Brazil	160 (98% stake)	Hydro		
	Cementos Pacasmayo	Peru	66	Hydro/Oil		
	Bulo Bulo	Bolivia	90 (60% stake)	Gas-fired		
	Cahua	Peru	45	Hydro		
NRG/Xcel (Europe)	CEEP	Poland	10 (10% stake)	-	Goldman	Has already sold two Eastern European plants. Awaiting further bids.
	Enfield	U.K.	380 (25%)	Gas-fired		
	MIBRAG	Germany	238 (50% stake)	Coal		
NRG/Xcel (U.S.)	Big Cajun II	La.	2,400 (90%)	Coal	-	Has shortlisted three bidders.
	Pike	Miss.	1,192	Gas		
	Batesville	Miss.	1,129	Gas		
	Brazos Valley	Texas	633	Gas		
	Kaufman	Texas	545	Gas		
	Big Cajun	La.	458	Gas		
	McClain	Okla.	500 (77%)	Gas		
	Bayou Cove	La.	320	Gas		
	Sabine River	Texas	420 (50%)	Gas		
	Sterlington	La.	202	Gas		
	Mustang	Texas	485 (25%)	Gas		
	Pryor Cogen	Okla.	88 (20%)	Gas		
	Timber	Fla.	13.8	Biomass		
	Power Smith	Okla.	80 (9.6%)	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	Expects to sell Lennox and Lakeview shortly.
	Lakeview	Ontario	1,140	Coal		
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
Pacific Gas & Electric	68 Plants	Calif.	3,800	Hydro	Morgan Stanley	Awaiting PUC approval. Expect sale to close shortly.
PESG Global	Tanir Bavi	India	220 (74%)	Naphtha	-	-
	Karpatsalsm	India	330 (20%)	Naphtha	-	-
PG&E National Energy Group	Bear Swamp	Mass.	599	Hydro	Lehman	Ongoing.
	Masspower	Mass.	267	Gas		
	Salem Harbor	Mass.	745	Coal & Oil		
	Millennium	Mass.	360	Gas		
	Pittsfield	Mass.	173	Gas		
	Brayton Point Station	Mass.	"1,599"	Coal		
	Manchester Street Station	R.I.	495	Gas		
	Lake Road	Conn.	840	Gas		
	Athens Generating	N.Y.	1,080	Gas		
Polish Treasury	Elektroncieplownie Pozpnanski	Poland		CHP	-	Bids due in June.
Reliant Resource	Argener	Argentina	160	CHP		
Rosecote	Lakeland	U.K.	220	Gas	KPMG (Administrator)	Edison Mission placed plant in administration.
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		
	Martin Lake	Texas	2,250			
	Big Brown	Texas	1,150			
	Sandow	Texas	545			
TXU Europe	Shotton	U.K.	229	CHP	PWC	Awaiting bids.
Wisconsin Energy	Bridgeport	Conn.	1,100 (combined)		CSFB	Has put up for sale following collapse of NRG deal.
	New Haven	Conn.	1,100 (combined)			

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.

Europe & Middle East

- Spanish utility **Endesa** has reduced its offer to industrial group **Charbonnages de France** for CdF's 51.3% stake in independent French power producer **SNET**. Endesa said it now considers **SNET** to be significantly devalued due to uncertainties surrounding an electricity supply deal between **SNET** and state-controlled giant **Electricité de France** (*Reuters*, 2/18).
- Belgium's antitrust regulator has blocked **Electrabel's** bid to take over a power operator serving the Antwerp region. **Electrabel** and the operator, **IMEA**, were also fined EUR1 million for going ahead with the deal before it was approved. The regulator has blocked three previous bids by **Electrabel** to take over similar businesses in the Walloon region of Belgium (*Dow Jones*, 2/18).
- German financial watchdog **BAFin** has given four companies the green light to trade electricity futures for third parties. The new licensees were granted to Norwegian state utility **Statkraft**, German energy traders **Kom-Strom** and **Trianel** and portfolio management firm **Eurel** (*Reuters*, 2/18).
- The U.K.'s top energy regulator has written to the European Commission complaining about **E.ON's** EUR10 billion takeover of **Ruhrgas**. "Deals such as this are against the spirit of competition and serve to slow down liberalization," said Ofgem CEO **Callum McCarthy** in a letter to Transport and Energy Commissioner **Loyola de Palacio**. He called on the Commission to speed up the liberalization of gas and power markets, particularly in Germany, and to stop companies side-stepping European competition law (*Financial Times*, 2/19).

Latin America

- Texas-based **CenterPoint Energy** said it was selling an Argentine cogeneration facility for \$23.1 million to **Siderca**, a subsidiary of **Tenaris**. The 160 MW facility, called **Argener**, also makes steam that is sold to a nearby steel plant. **CenterPoint** has been selling off some of its international assets recently to focus on its core U.S. energy delivery business (*Reuters*, 2/19).

U.S. & Canada

- A federal grand jury subpoenaed documents from **Duke Power** in an investigation into the company's alleged underreporting of profits. In October, the North Carolina

Utilities Commission agreed to a \$25 million settlement with the utility over underreported profits (*Associated Press*, 2/18).

- California has reached a \$15.5 million settlement with **El Paso Electric** that resolves allegations the company colluded with **Enron** to manipulate power prices during the Golden State's energy crisis. The settlement comes after the **Federal Energy Regulatory Commission** reached a deal in December in which the Texas-based utility agreed to refund California \$14 million and forfeit power trading privileges. The state settlement simply adds another \$1.5 million to the existing penalties (*Reuters*, 2/18).
- **Entergy** has dropped plans to build a power station in Iowa, citing a glut of generating capacity in the Midwest and increasingly steep prices for natural gas to fuel the plant. The **Iowa Utilities Board** has posted an order on its Web site approving an application to cancel the 615 MW power project. **Entergy** spokesman **Larry Daspit** said, "The economics were not there. It's a very tenuous market" (*Reuters*, 2/19).
- **CMS Energy** said it plans to sell its marketing and trading unit's wholesale power trading portfolio to a unit of **Constellation Energy** for an undisclosed amount. The sale is subject to review by the **Federal Energy Regulatory Commission**. **CMS** said it plans to close its Houston marketing, services and trading unit office and move its remaining operations to Michigan (*Reuters*, 2/19).
- A major shareholder in **El Paso** launched a proxy fight to unseat its directors, saying the current board had "failed the stockholders miserably." **Selim K. Zilkha**, a former **El Paso** board member who owns 8.9 million shares, or 1.5%, of the Houston company, told **El Paso** that he was proposing to remove the 12-person board and replace it with a nine-person slate, which included himself (*The Wall Street Journal*, 2/19).
- **Reliant Resources** came to an agreement with its lenders to extend a \$2.9 billion loan that was slated to mature on Feb. 19. The company has been working to restructure \$5.9 billion in debt, including the loan that would have come due this week. The extension on the loan runs until March 28 (*Houston Chronicle*, 2/19).

CONSTELLATION

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adds that sets it apart from many rivals.

The hires include **Greg Wolfe**, v.p. of marketing and head of AEP's Portland office, **Paul Choi**, **John Marchand** and likely four others. Wolfe declined comment and Choi and Marchand could not be reached. A Constellation spokeswoman confirmed it had made some hires from AEP, but was unable to ascertain the number of hires or their identities.

The 10-strong AEP office was focused on marketing, with the trading of the Western positions executed out the company's Columbus, Ohio, headquarters, says AEP spokesman **David Hagelin**. As part of a strategic review unveiled in the fourth quarter, AEP has gradually been pulling back from trading in markets where it doesn't own assets and the scale back in the Western region was part of that effort, he adds.

Constellation hired some of the Portland team after AEP had handed them pink slips, says one market watcher. As part of the arrangement, Constellation took over the lease on the Portland office, says Hagelin, but he notes AEP's Western trading book has not changed hands. —P.T.

CENTERPOINT

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Leticia Lowe, a spokeswoman for CenterPoint, says the company isn't commenting on its negotiations with banks.

The deal on the table, which would extend the maturity of the facility due this October, is priced at LIBOR plus 450 basis points and will be partly secured, says one financier. In addition, the new facility would cut the upcoming \$600 million principal repayment to \$400 million and delay payment till three months after the refinancing closes. Another \$600 million slug due June would also be cut back to \$400 million due year-end, he adds. Lead agent **J.P. Morgan** is pressing lenders to agree to the deal because if the agreement isn't in place by next Friday, the company will default on the first \$600 million payment, bankers say. Calls to J.P. Morgan spokesman **Mike Dorfsman** were not returned.

Aside from the tight deadline, bankers think the deal is strong and aren't expecting the last minute drama seen when the original facility was set up last year as stragglers quibbled over the terms (PFR, 11/11). "It's a fair deal," says one lender.

CenterPoint is essentially looking to buy time so that it can complete the process of retrieving funds from stranded assets in Texas' newly deregulated power market. Lowe says the company estimates those costs at \$4 billion and under the framework established by the Texas Public Utilities Commission, that deal will likely take place next year.

—Peter Thompson

INT'L POWER

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generation consolidator in the U.K., notes one investment banker. He says IP's offer covers more than 5 GW of capacity.

Market watchers say IP has approached the management companies running both the Damhead Creek (800 MW) and Killingholme (680 MW) power plants on behalf of their creditors, as well as a handful of bank groups that effectively control other plants close to insolvency.

Stuart Jackson, ceo of **Killingholme Energy**, declined comment. Calls to **Stephen Crisp**, a finance manager at **Damhead Creek Energy**, were not returned.

Under the terms of the proposal IP would operate the power plants on behalf of their present owners at a price below current market levels. In return it would receive long-dated options to acquire the plants some time down the road. One City lender says the banks are interested in IP's proposal, but believe it must sweeten the terms. "The strike price is too low. It offers no upside for the banks," he says. —Will Ainger

DOMINION TO

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recent offering, made on Feb. 14, was sold by **Banc of America Securities** and **Credit Suisse First Boston**.

On Feb. 14, Dominion sold \$400 million of 4.125% five-year notes and \$300 million 2.8% two-year notes.

Dominion did the two-part offering to partly replace \$665 million of 7.05% four-year notes maturing in March 2005, originally issued by **Dominion Fiber Ventures LLC**, an off-balance sheet entity in which Dominion Resources has a majority stake.

"The debt had triggers in place—the kind that got attention during the **Enron** scandal," he added. The debt could be accelerated if the company's stock dropped to \$45.97 or below for 10 consecutive days and the company's credit rating dropped two notches to Baa3/BBB minus. "We weren't concerned about the triggers because the chance of both being tripped simultaneously was remote," said Hetzer, but added that he wanted to get rid of the headline risk. The company's stock price spent 14 days below \$45.97, between Oct. 8, 2002 and Oct. 25, 2002, and the company has maintained a Baa1/BBB minus rating for the past five years. —Vipal Monga

Quote Of The Week

"I'm not worried by the low prices." —**Callum McCarthy**, ceo of regulator **Ofgem**, commenting on the sharp fall in U.K. wholesale power prices (see story, page 2).