power finance & risk

The exclusive source for power financing and trading news

www.iipower.com

A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

MARCH 1, 2004
VOL. VII, NO. 9

Web Exclusives

BMO Nesbitt Burns has divested an EUR20 million bank loan position in **Sarlux Power**, a 551 MW power plant in Italy part-owned by **Enron**.

Interest in **Duke Energy North America**'s southeast generation portfolio, put up for sale last month, is expected to focus on two mid-merit facilities, Murray and Hot Springs, in Georgia and Arizona, respectively.

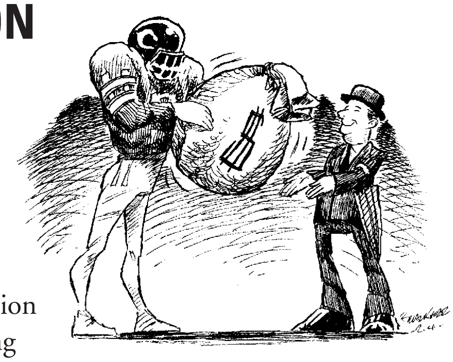
For the full stories go to *PFR*'s Web site (www.iipower.com)

NEGT REPORTEDLY EYES LIQUIDATION; RESTARTS TALKS WITH BRASCAN

National Energy & Gas Transmission (NEGT) is reportedly looking to divest its remaining portfolio of generation facilities and gas pipeline investments over the next six to eight months, after coming to the conclusion that liquidating the company would best serve the interests of creditors, which now own the company. To that end the company, formerly known as **PG&E National Energy Group**, has reignited talks to sell its 3,695 MW USGen New England

(continued on page 12)

U.S. FUND BANKROLLS LONDON TRADING START-UP



Foundation Energy, a London-based power and gas trading and marketing start-up, is set to launch imminently after signing a financing agreement last week with U.S. hedge fund **Ritchie Capital Management**. Market watchers says the Geneva, Ill.-based investor is committing in excess of GBP25 million ($47 million), which is Foundation's initial fundraising target (PFR, 2/4/03). Calls to Ritchie Capital were not returned.

Foundation will trade the U.K. market initially and look to enter mainland Europe at

(continued on page 11)

SHELL EYES JOINT VENTURES TO BOLSTER U.S. WIND FARM BIZ

Shell WindEnergy, already one of the largest and most active wind farm developers in the U.S., is looking at bolstering its U.S. wind generation portfolio through joint ventures with other developers. Market officials say the renewable arm of oil leviathan **Shell** in part wants to bulk up because it believes a bigger footprint would allow it to use cheaper portfolio financing, rather than the relatively expensive single-asset loans it has

(continued on page 12)

MUNICIPAL UTILITIES SHUN IPPS IN FAVOR OF VERTICAL INTEGRATION

Despite a glut of capacity weighing down much of the U.S. wholesale generation market, a host of municipal utilities are shunning the advances of IPPs eager to negotiate long-term offtake contracts and opting instead to build their own power plants. At least 16 municipalities are in the throes of developing or constructing more than 3.5 GW of capacity, according to data compiled by *PFR*.

"Five years ago I would be hard pressed to name a single muni building a plant," says

(continued on page 11)

At Press Time

Calpine Plots Plant Financings

Calpine is looking to tap the non-recourse debt market for roughly $600 million in three single plant financings. **Brian Harenza**, v.p. of finance in San Jose, Calif., says the borrowings will be for plants that have offtake contracts in place. The first down the chute will be the 500 MW Fox Energy Center in Kaukauna, Wis., which has a contract with **Wisconsin Public Service** and is due on line June, 2005. Harenza declined to name the other two probable deals as the offtake contracts have yet to be unveiled.

The IPP recently wrapped a $250 million project loan financing construction of its Rocky Mountain Energy Center with six lead arrangers carving up the deal. They all reached their buy-and-hold levels and decided against having a retail round, Heranza explains. "We weren't expecting the demand we got," he reflects.

Bank	Allocation ($mil)
Credit Lyonnais	25
Co-Bank	112.5
DZ Bank	25
HVB Group	37.5
HSH NordBank	25
GMAC	25

The 600 MW gas-fired facility, located in Weld County, Colo., is due online in June this year and has a 10-year tolling agreement in place with **Public Service Company of Colorado** (PFR, 1/13).

Deutsche Bank Adds El Paso Alumni

Deutsche Bank in New York has drafted in a pair of former **El Paso Merchant Energy** natural gas traders to shore up its New York trading desk. **Foster Smith**, a former senior v.p. and head of derivatives trading at El Paso in Houston, has joined as head of U.S. natural gas trading. Deutsche Bank is also thought to have hired **Geoff Hicks**, a gas trader who worked with Smith at El Paso. Neither Smith nor Hicks could be reached for comment.

Michelle Agostinho, a Deutsche Bank spokeswoman in New York, confirmed Smith's hire but was unable to provide comment on Hicks. Calls to **Kevin Rodgers**, head of energy trading at Deutsche Bank in London, were not returned.

The moves left rival traders pondering how the hires fit with Deutsche Bank's existing New York-based gas trading team. Some rivals say the bank has been looking to expand its commodities trading operation. But many others say Smith and Hicks were intended as replacements for **Brian Hunter** and **Eric Race**, who were reportedly looking to leave because bonuses were down, but may now have been lured back. "Everybody's wondering what's going on," says one market official in New York. Reached on the desk last week, Race declined comment. Hunter could not be reached. Agostinho was unable to provide comment on this point.

At El Paso, Smith took over the NYMEX gas trading book previously managed by **Robert "Bo" Collins** after the latter joined the New York commodities exchange as president in July 2001, according to officials familiar with the move. El Paso's NYMEX gas book represented some 40% of the notional value of the Houston company's total trading activity, one former staffer estimates. Deutsche Bank is understood to have recently purchased some part of El Paso's natural gas trading book and Smith's background at the company therefore appears to make him an obvious fit, the officials familiar with the move add.

After leaving El Paso, Smith and Hicks set up a hedge fund to trade natural gas named **Saxum Capital Group**.

power finance & risk

The exclusive source for power financing and trading news

NOTICE OF SALE
OF
AN ELECTRIC GENERATING FACILITY

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

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

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

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

Back To School

Citadel Trader Reportedly Heads To Grad School

Rusty Smith, an energy trader at **Citadel Investment Group** in Chicago, recently left the hedge fund and is believed to have enrolled in graduate studies at the **University of Chicago**. Smith, previously head of trading at **Aquila** in London, joined Citadel in the second half of 2002 (PFR, 10/21/02). Smith could not be reached for comment. **Steve Bruce**, a spokesman in New York representing Citadel, did not respond to questions by press time.

Smith is the latest senior official to leave the hedge fund, which led the charge in building an energy trading operation following the collapse of **Enron**. **Vasant Shanbhogue**, a senior quantitative analyst, left Citadel last spring after his boss, **Vince Kaminski**, joined **Reliant Resources** in Houston (PFR, 5/26).

Williams Presses For Loan Re-Working

Williams Co.s is looking to slash pricing and extend the maturity of a $497.5 million senior secured term loan B, less than a year after setting up the four-year deal.

"Everything is getting re-priced in this market," says one financier, referring to the falling LIBOR margins for high-yield loans.

The Tulsa, Okla., player is looking to cut pricing on its **Williams Production RMT** loan from LIBOR plus 375 basis points (PFR, 5/27), to LIBOR plus 250 and extend the maturity to May 2008 from May 2007. The loan is led by **Lehman Brothers** and **Bank of America**. One financier says the amendments will likely get the green light. There probably isn't any make-whole provision, so the company could just pay off the loan with another deal if current lenders don't sign off on the changes, he argues.

EIF Divests Texas Stake

Energy Investors Funds Group (EIF) is in the process of selling a minority interest in Mustang Station, a fully contracted 478 MW gas-fired plant in Texas, to **UnionBanCal Equities**, a private equity shop owned by San Francisco-based **Union Bank of California**.

Documents filed with the **Federal Energy Regulatory Commission** show that EIF subsidiary **United States Power Fund** is selling an 11.2% stake, a move that will leave it with a 38.8% interest in the plant. The other 50% holding is being retained by Amarillo, Texas-based **Golden Spread Electric Generating Cooperative.** Calls to **Andrew Schroeder**, partner at EIF in New York and **Stephen Johnson**, spokesman at UnionBanCal, were not returned.

The Mustang plant is a valuable asset in Texas, notes a financier, in part because it has a contract with Golden Spread Electrical Cooperative through 2020. *PFR* was unable to ascertain why EIF is selling the stake.

EIF was founded in 1987 to make private equity investments in the independent power industry and has so far made more than 65 equity, mezzanine and debt investments (PFR, 2/23)

FirstEnergy Taps Headhunter For Executive Search

FirstEnergy has hired the Houston arm of global recruitment firm **Russell Reynolds** to conduct a search for a new coo. The position has been vacant since **Anthony Alexander** was promoted to ceo on Jan. 20. Calls to **Ralph DiNicola**, a spokesman at FirstEnergy were not returned, nor were calls to Russell Reynolds.

An official familiar with the search says the Akron, Ohio-based utility is looking for a hands-on executive who can help rectify some of FirstEnergy's well-publicized operational difficulties, including the two year shut-down of its Davis-Besse nuclear plant and transmission problems, a possible factor behind the August 2003 northeast black-out. The official notes that while the Akron, Ohio-based company would like to hire someone with nuclear experience it is not a prerequisite as **Gary Leidich**, chief nuclear officer at **FirstEnergy Nuclear Operating Company** (FENOC), has the necessary understanding.

Goldman Seen Acquiring AEP Trading Book

Goldman Sachs has reportedly purchased **AEP Energy Services**' European natural gas and power trading portfolio. Market watchers were unsure about the notional size or shape of the book, but describe it as "slightly underwater." **Mansoor Sheikh**, a power trader at Goldman in London, referred calls to spokeswoman **Rebecca Nelson**, who did not respond.

The sale reflects **American Electric Power**'s desire to exit Europe. The Columbus, Ohio's energy concern recently released several of its senior European staffers, including head trader **Bob Kapp** (PFR, 1/26) and is also trying to divest some 4 GW of U.K. generation capacity.

Goldman has a made a habit of buying European trading books from U.S. energy concerns that are looking to exit Europe. Last spring it acquired **El Paso Europe**'s power and gas books. The sale of the gas portfolio realized El Paso some $80 million, including the recovery of cash collateral (PFR, 3/4). "It makes sense for Goldman to buy these books. You need someone with a good credit [rating], plenty of cash and a stomach for risk," says a rival trader.

Bear Stearns Hires Top Lehman Analyst

Bear Stearns has hired **Ted Izatt**, an *Institutional Investor*-ranked analyst, as an energy and basic materials researcher. Izatt, who started at the firm late last month, previously worked at **Lehman Brothers**, where he was an investment-grade energy analyst. He was selected the top-ranked investment-grade energy analyst in the 2001 *Institutional Investor* All-America Fixed-Income Research Team.

Izatt reports to **Doug Colandrea**, head of investment-grade research at Bear Stearns. Colandrea explains that Izatt is filling a new role that will also include coverage of credits in the basic materials sector. A spokeswoman at Lehman Brothers did not return a call by press time.

MD Leaves Lehman

Nick Walsh, managing director at Lehman Brothers in London covering the European energy and utilities sectors, has left the firm. Walsh, a former **Goldman Sachs** banker, has yet to take up a position at another firm, says a Lehman insider, declining further comment. Walsh could not be reached for comment.

Asset Swap Earns Calpine Plaudits

Calpine's recent surprise announcement that it will buy the Brazos Valley power plant in Texas for $175 million in cash is garnering approval, despite investors renewed concerns over the IPP's ability to service its $17 billion debt load. Whilst many commentators question the wisdom of buying merchant plants in Texas, others say the Brazos deal is a clever move to defer tax liabilities and avoid paying down expensive debt at a premium to par.

Darrell Hayslip, senior v.p. of marketing and sales at Calpine, says the IPP is essentially keeping debt levels even through flipping its interest in one ERCOT plant, Lost Pines I, for Brazos. Calpine sold a 50% stake in Lost Pines to **GenTex Power** for $150 million last December.

Darell Hayslip

Hayslip continues that the asset swap allows Calpine to defer capital gains taxes accrued on the Lost Pines sale and also avoid paying down expensive CCFC-I project finance debt. The recently refinanced CCFC-I paper was trading at 106 early last week.

Michael Worms, equity analyst at **Harris Nesbitt Gerard**, explains that covenants tied to Lost Pines' debt would have required Calpine to pay down CCFC-I unless it had put another asset in its place "They could have paid down those bonds but not corporate debt," he says. "And what's the point in paying over par?"

The Brazos plant is well-positioned for a rebound in ERCOT, says **David Freemen**, president at consultant **Team Power & Associates** in Dallas. It is located just south of Houston and doesn't face the transmission bottlenecks that afflict other areas in Texas, he argues.

Calpine owns 6,700 MW of capacity in Texas, only half of which is contracted. "Obviously our first task is to secure three- to 10-year contracts on Brazos," says Hayslip.

In light of Calpine's inability to refinance its $2.35 billion CCFC-II construction loan last week, some critics wonder if the San Jose, Calif.-based company shouldn't focus on debt reduction. "Frankly, as a debt analyst I would rather have seen Calpine pay some taxes to the U.S. government than bulk up in ERCOT," says **Dot Matthews**, credit analyst at New York-based **CreditSights**.

..As Debt Refinancing Collapses On Covenants & Yield

Deutsche Bank's inability to execute a $2.35 billion bond and loan package for **Calpine** last week was due in part to loose covenants, the absence of a spark-spread hedge to lock in revenue, and the IPP's unwillingness to sweeten the coupon, say market watchers.

A banker familiar with the deal says Calpine CFO **Robert Kelly** pulled the refinancing of CCFC-II when it became clear it couldn't get less than an 8% weighted yield. "It came down to 100 basis points," he says. "They could have done it for 8%, but not seven."

Deutsche Bank's inability to execute the offering puts the debt mandate back in play, notes a market watcher, though the German bank is recalibrating a deal to present to Calpine. **Goldman Sachs**, which refinanced CCFC-I last June to the tune of $3 billion, but reportedly irritated investors by bloating the deal and driving down the price (PFR, 8/20/03), may try to step in and take over. **Steve Hickey**, head of Goldman's U.S. loan trading team, did not return calls.

In a conference call, held barely an hour after Calpine killed the deal last Tuesday morning, Goldman Sachs' fixed-income utility analyst **Peter Quinn** posited that CCFC-I was better structured because more restrictive covenants guaranteed investors access to highly-rated contracts and a a five-year hedge provided a floor in terms of revenue from the plants. He suggested that covenants are tightened to prevent Calpine from moving plants in or out of the collateral package. "We have eight and a half months here," said Quinn, reminding investors that Calpine has until November to refinance CCFC-II. "No one likes to see a deal get refinanced…but it's really not that bad," he said.

WestLB Seals Mexican Hydro Project Loan

Sole bookrunner **WestLB** has wrapped a $455 million loan that is financing the construction of the 750 MW El Cajon hydroelectric project in Nayarit, Mexico. One financier says seven banks came in the wholesale round and an early retail ticket has come in from **UFJ Bank**. The other shoe to drop is a $227.4 million bond offering that is set to close this week and is led by joint book managers **Citigroup** and WestLB. Officials at WestLB declined comment.

Bank	Commitment ($M)
WestLB	100
Banco Santander	100
HSBC	75
Depfa	50
NordLB	50
BBVA	50
GE Energy Financial Services	25
Interacciones	5

The project is being built by a consortium headed by **Empresas ICA Sociedad Controladora** (PFR, 11/17) and carries an implicit **Comision Federal de Electricidad** safety net as the state-owned utility has signed a power purchase agreement with the project (PFR, 1/20).

Corporate Strategies

Alabama Power Goes Preferred With Lehman

Alabama Power recently tapped the preferred share market with a $100 million offering via **Lehman Brothers**. **Randy DeRieux**, assistant treasurer in Birmingham, Ala., says the Wall Street firm got the call to arrange the financing on the basis of price, but adds, "Lehman is extremely good at execution in the [preferreds] market."

Proceeds from the four million share offering of 5.3% class A preferred stock are earmarked to repay short-term debt and for general corporate purposes. DeRieux says Alabama Power, a unit of **Southern Co.**, has around 11 million preferred shares in circulation. The utility likes the flexibility preferred securities bring, for instance, they allow the issuer to defer dividend payments, he notes. They also help to demonstrate a strong equity base to rating agencies, he says. To get that flexibility the utility has to pay a little more than straight debt, he adds.

Alabama Power, which is a regulated public utility engaged in the generation, transmission, distribution and the supply of power, has some more maturities falling due later this year, but no specific financing or refinancing plans on the table, says De Rieux.

Georgia Power Extends Debt Maturities

Georgia Power, a subsidiary of Atlanta-based **Southern Company**, issued $150 million in five-year floating rate notes last week in order to retire commercial paper. **David Brooks**, managing director of capital markets at Southern, says the company is paying roughly the same price for the FRNs as commercial paper, but prefers a five year tie-in. "We got LIBOR plus 18 basis points," he says, "with rate changes set each quarter, which affords relative stability." Commercial paper on the other hand is subject to banks' discretion and greater interest rate variation, he says.

The FRN refinancing will leave Georgia Power with roughly $200 million in outstanding commercial paper and this is unlikely to be refinanced. "Georgia Power is out of the bond markets for the rest of the year," notes Brooks.

Lehman Brothers, **Goldman Sachs** and **Morgan Stanley** were joint bookrunners on the deal, which **Standard & Poor's** rated A. "We've worked with them before and like them," says Brooks referring to the banks, "so we decided to bring them all in on the deal."

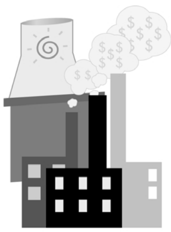
Duke Remarkets Notes In $875M Equity Structure

Duke Capital has sold $875 million of 4.302% notes to meet a clause in a 2001 issue of debt and equity securities allowing original debt holders to liquidate their positions. **Myron Caldell**, treasurer at **Duke Energy**, says under the original offering investors bought $875 million of 5.87% senior notes and also a forward contract to buy common stock in three years time. "At that point in time we were on a big growth strategy. We needed to efficiently [raise] capital," he reflects.

The proceeds from the remarketed notes will be held by an agent and used to purchase U.S. Treasury securities to satisfy the forward contract component of the equity securities. In May Duke will receive the $875 million from the agent and will issue approximately 22.5 million shares of common stock which investors will have to buy, says Caldwell. The strike on the equity is $38.98, Caldwell says, adding this was the floor when the securities were issued. Duke shares were trading around the $21.50 mark last Monday.

Caldwell says the time lag between remarketing the debt and delivering the common stock is designed to get more favorable tax treatment than if it had issued a pure convertible deal. He notes that the equity units contained two separate transactions: the debt and the forward.

Morgan Stanley led the remarketing transaction and also arranged the original issue, Caldwell says.



Generation Auction & Sale Calendar

*Following is a directory of ongoing generation asset sales. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes in the status of a sale, please call **Will Ainger**, managing editor, at (44-20) 7303-1735 or e-mail wainger@euromoneyplc.com.*

Seller	Plants	Location	MW	Plant Type	Advisor	Status
AEP	Fiddler's Ferry	U.K.	2,000	Coal	Citi	Intention to sell.
	Ferry Bridge	U.K.	2,000	Coal	Citi	
	El Bajio	Mexico	600 (50%)	Gas	WestLB	
AEP (Contracted)	Mulberry	Fla.	120 (45%)	Gas	CSFB	Plans to pick preferred bidder by late Feb.
	Orange	Fla.	103 (50%)	Gas		
	Brush II	Colo.	68 (50%)	Gas		
	Thermo Cogen	Colo.	272 (50%)	Gas		
AEP (Central Texas)	Barney M. Davis	Texas	697	Gas/oil	CSFB	Launched sale process in June as part of deregulation of Texas market.
	E.S. Joslin	Texas	254	Gas/oil		
	J.L. Bates	Texas	182	Gas/oil		
	Laredo	Texas	178	Gas/oil		
	Lon C. Hill	Texas	559	Gas/oil		
	Victoria	Texas	491	Gas/oil		
	La Palma	Texas	255	Gas/oil		
	Nueces Bay	Texas	559	Gas/oil		
	Coleto Creek	Texas	632	Coal		
	Eagle Pass	Texas	6	Hydro		
	South Texas	Texas	630 (25%)	Nuclear		
AES	Wolf Hollow	Texas	730	gas	N/A	Ongoing.
	Granite Ridge	N.H.	720	gas		
	Termomamonal	Colombia	90	gas		
AES Fifoots Point	Fifoots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant.
Allegheny Energy Supply	Armstrong	Penn.	356	Coal	J.P. Morgan	Ongoing.
	Hatfield	Penn.	1,600 (75%)	Coal	Citibank	
	Mitchell	Penn.	442	Coal	J.P. Morgan	
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention to sell.
Black Hills Energy	Pepperell	Mass.	40	Gas	-	Intention to sell.
CenterPointEnergy	Texas Genco portfolio (12 plants)	Texas	14,175	Variety	-	Reliant has passed up option to purchase portfolio.
CMS Energy	Ensenada	Argentina	128	Gas-fired	Not chosen	Announced intention to sell.
	CT Mendoza	Argentina	520	Gas-fired	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydroelectric	J.P. Morgan	
Citi-led bank group (NEG developed plants)	Lake Road	Conn.	840	Gas	Lehman Bros.	Seperate auction for each plant.
	La Paloma	Calif.	1,121	Gas	Lehman Bros.	
Damhead Power	Damhead	U.K.	800	Gas	E&Y	Banks Looking To Divest Ownership.
Delta Power	Lowell Power	Mass.	82	Gas	None	Actively pursuing a sale.
Duke Energy North America	Hot Spring Energy Facility	Ark.	620	Gas	CSFB	Launched sale in January.
	Murray Energy	Ga.	1,240	Gas		
	Sandersville Energy	Ga.	640	Gas		
	Marshall Energy	Kty.	640	Gas/oil		
	Hinds Energy Facility	Miss.	520	Gas		
	Southhaven Energy	Miss.	640	Gas		
	Enterprise Energy	Miss.	640	Gas		
	New Albany Energy	Miss.	385	Gas		
	Lee Energy	Ill.	640	Gas	J.P. Morgan	-
	Bridgeport Energy	Conn.	480 (67%)	Gas		
	Grays Harbor (in construction)	Wash.	650	Gas		
	Deming Energy (in construction)	N.M.	570	Gas		
	Moapa Energy	Nev.	1,200	Gas		
	Griffith Energy (50%)	Ariz.	600	Gas		
	Maine Independence	Maine	520	Gas		
Dynegy	Oyster Creek	Texas	424 (50%)	Gas	N/A	Ongoing.
	Hartwell	Ga.	300 (50%)	Gas		
	Michigan Power	Mich.	123 (50%)	Gas		
	Commonwealth	Va.	340 (50%)	Gas		

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
El Paso Europe	Enfield	U.K.	396 (25%)	Gas	No Advisor	Looking to exit Europe.
	EMA Power	Hungary	70	Coal		
	Kladna	Czech Rep.	350	Coal		
El Paso North America (Merchant assets)	Barstrop	Texas	543 (50%)	Gas	Citigroup	Final bids due.
	Bayonne	N.J.	171	Gas		
	Camden	N.J.	150	Gas		
	CDECCA	Conn.	58	Gas		
	Fulton	N.Y.	45	Gas		
	Newark Bay	N.J.	123	Gas		
	Pawtucket	R.I.	67	Gas		
	Rensselaer	N.Y.	79	Gas		
	San Joaquin	Calif	48	Gas		
El Paso North America (Contracted assets)	Midland Cogen	Miss.	1,500 (44%)	Gas	Citigroup	Set to sell remainder of QF portfolio to AIG.
	Prime	N.J.	66 (50%)	Gas		
Edison Mission Energy	Derwent	U.K.	214 (33%)	Gas	CSFB/Lehman	Looking to launch asset sale early in 2004.
	Dinorwig	U.K.	1,728	Pumped-storage		
	Ffestiniog	U.K.	360	Pumped-storage		
	ISAB Energy	Italy	512 (50%)	Waste		
	ICPV4	Italy	312 (50%)	Wind		
	Spanish Hydro	Spain	86	Hydro		
	Doga Energy	Turkey	180 (80%)	Gas		
	CBK	Philipinnes	728 (50%)	Pumped-storage		
	Clyde	N.Z.	432 (51%	Hydro		
	Kwinana	Australia	116 (70%)	Gas		
	Loy Yang B	Australia	1,000	Gas		
	New Plymouth	N.Z.	464 (51%)	Gas		
	Oakey	Australia	300 (12%)	Gas		
	Ohaaki	N.Z.	104 (51%)	Gas		
	Otahuhu A	N.Z.	45 (51%)	Gas		
	Otahuhu B	N.Z.	372 (51%)	Gas		
	Poihipi	N.Z.	55 (51%)	Steam		
	Roxburgh	N.Z.	320 (51%)	Hydro		
	Te Rapa	N.Z.	45 (51%)	Gas		
	Valley Power	Australia	300 (60%)	Gas		
	Wairekei	N.Z.	165 (51%)	Steam		
	Paiton	Indonesia	1,230 (40%)	Coal		
	Tri Energy	Thailand	700 (25%)	Gas		
Endesa	Conatillor	Chile	172	Hydro	N/A	Ongoing.
Energy East	Ginna	N.Y.	470	Nuclear	J.P. Morgan/Concentric	Agreed sale to Constellation Energy.
Entergy Asset Management	Crete	Ill.	320	Gas	Deutsche Bank	ArcLight is set to acquire Entergy's 50% stake.
	Robert Ritchie	Ark.	544	Gas/oil		Launched sale in September.
	Warren Power	Miss.	314	Gas		
	Top of Iowa	Iowa	80	Wind		
	RS Cogen	La.	425 (49%)	CHP		
	Roy S. Nelson	La.	550 (20%)	Coal		
	Harrison County	Texas	550 (70%)	Gas		
	Independence	Ark.	842 (15%)	Coal		
Ernst & Young Corporate Finance (representing secured creditors)	Bear Swamp	Mass.	599	Hydro	E&Y	Exploring Sale.
Exelon	Mystic 8	Mass.	800	Gas	Lehman Bros.	Has shortlisted bidders. Looking to execute a quick sale.
	Mystic 9	Mass.	800	Gas		
	Fore River	Mass.	800	Gas		
Fife Power	Fife	U.K.	115	Coal	E&Y (Administrator)	El Paso placed plant in administration.
HSBC-led creditor group	Attala	Miss.	526	Gas	HSBC	Ongoing.
InterGen	El Bajio	Mexico	600 (50%)	Gas	No Advisor	Ongoing.

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Killingholme Power	Killingholme B	U.K.	800	Gas	N/A	Banks Looking To Divest Ownership.
LG&E Power	Roanoke Valley	N.C.	178 (50%)	Coal	N/A	Sent out RFP in April.
	Gregory Power	Texas	550 (50%)	Gas		
	Palm Springs	Calif.	42 (50%)	Wind		
	Tyler	Minn.	27 (50%)	Wind		
	Van Horn	Texas	41 (33%)	Wind		
	Tarifa	Spain	30 (46%)	Wind		
Merloni Elettrodomestici	Teverola	Italy	150	gas	N/A	Is in talks with ArcLight.
	Ferrara	Italy	150	gas		
Mirant	Kendall	Mass.	270	Oil	CSFB	Ongoing.
	Shady Hills	Fla.	474	Gas	BofA	
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538	Gas		
	Wichita Falls	Texas	77	Gas		
National Energy Gas & Transmission	Cedar Bay	Fla.	258 (64%)	Coal	Lazard	Ongoing.
	Panther Creek	Penn.	80 (55%)	Coal		
	Logan	N.J.	226 (50%)	Coal		
	Northampton	Penn.	110 (50%)	Coal		
	Indiantown	Fla.	330 (51%)	Coal		
	Carneys Point	N.J.	245 (51%)	Coal		
	Selkirk	N.Y.	345 (42%)	Gas		
	Altresco Pittsfield	Mass.	173 (89%)	Gas		
	Masspower	Mass.	267 (13%)	Gas		
	Scrubgrass	Penn.	87 (51%)	Coal		
	Colstrip Energy	Mont.	40 (17%)	Coal		
	Hermiston	Ore.	474 (25%)	Gas		
	Salem Harbor	Mass.	745	Coal & Oil		
	Pittsfield	Mass.	173	Gas		
	Brayton Point Station	Mass.	1,599	Coal		
	Manchester Street Station	R.I.	495	Gas		
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	-
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch & Scotia Capital	Ongoing.
	Lakeview	Ontario	1,140	Coal		
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
SG-led bank group (NEG developed plants)	Athens	N.Y.	1,080	Gas	Blackstone	Assessing bids.
	Covert	Mich.	1,170	Gas		
	Harquahala	Ariz.	1,092	Gas		
	Millennium	Mass.	360	Gas		
STEAG	Iskenderun	Turkey	1,320	Gas	Morgan Stanley	Ongoing
	Termopaipa IV	Philippines	185	Gas		
TECO Energy	Gila River Power Station	Ariz.	2,300	Gas	N/A	Considering exiting the merchant energy business.
	Odessa Power Station	Texas	1,000	Gas		
	Guadalupe Power Station	Texas	1,000	Gas		
	Frontera Power Station	Texas	477	Gas		
	Dell Power Station	Ark.	540	Gas		
	Union Power Station	Ark.	2,200	Gas		
	McAdams Power Station	La.	599	Gas		
	Commonwealth Chesapeake	Va.	315	Gas		
Tractebel North America	Chehalis	Wash.	520	Gas	N/A	Looking to sell or swap.
United Utilities	Landfill Generation Portolio	U.K.	50 MW	Landfill	RBC Capital Markets	Set To Launch Sale In March.

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

• **CGE Power**, a new independent electricity genco formed by a posse of creditors, has made an indicative offer to buy **Drax Power**, the U.K.'s biggest power station. Under a hugely complicated deal, CGE is offering Drax a stake in its own business in the form of various debt instruments. It is understood that CGE, run by **Eddie Hyams**, has made or is planning to make bids for about a dozen distressed power plants (*The Guardian*, 2/24).

• The board of Russian state power utility **Unified Energy System** has delayed a meeting to discuss how to divest its wholesale generation business because of the sacking of the Russian government. The meeting was to have followed the meeting of a government commission under former Deputy Prime Minister **Viktor Khristenko**, which had been slated for last Wednesday, to discuss, and possibly approve, mechanisms for the sale. UES, 52% owned by the government, is consolidating its largest thermal power plants into six national power generating companies that will be the main players on Russia's electricity market when it is liberalized in 2006 or later (*Reuters*, 2/24).

U.S. & Canada

• **TXU Corp** has named **John Wilder** as president and chief executive, effective immediately. Wilder, formerly executive v.p. and cfo of **Entergy**, succeeds **Erle Nye**. Nye will remain chairman of the board through May 2005 (*Reuters*, 1/23).

• U.S. power company **Dominion Resources** will record an additional $44 million charge against last year's earnings for the impaired value of Australian assets it wants to sell in order to focus on its core operations. The Richmond, Va. company said the additional charge reduces 2003 net income to $318 million, or $1 a share, down from a $362 million, or $1.14 a share (*Reuters*, 1/23).

• **TXU** is planning a partial float of its Australian unit before July, as the Dallas-based parent capitalizes on a strong Australian dollar to pay down debt (*Dow Jones*, 1/20).

• **Raytheon** received a payment of about $30 million as part of a settlement with the owners of the Exelon Mystic and Exelon Fore River power plant projects in Massachusetts. **Exelon Corp.** and the defense contractor resolved their claims involving the gas-fired power plants and the pending litigation was dismissed. Exelon plans to transfer ownership of the plants to a consortium of bank lenders in the second quarter, pending approval of the **Federal Energy Regulatory Commission** (*Reuters*, 2/23).

• The U.S. **Nuclear Regulatory Commission** has relaxed guidelines for how utilities must scan for corrosion signs on nuclear reactors. Rather than requiring complete visual checks of reactor vessel lids, the NRC said utilities must periodically check at least 95% of the lids, and must examine any remaining obscured portions if there are signs of trouble. The NRC's new order revises old requirements that were created a year ago in response to a major 2002 corrosion problem at **FirstEnergy**'s Davis-Besse plant in Ohio (*Dow Jones*, 2/23).

• **Williams Cos.** will pay $140 million to utility units of **PG&E Corp.** and **Edison International** to settle claims it overcharged for power and manipulated energy markets during the California power crisis. **Pacific Gas & Electric** will receive approximately $75 million, the bulk of the remainder is expected to go to **Southern California Edison** and a relatively small amount to other power market participants (*Dow Jones*, 2/25).

• **American Electric Power** elected CEO **Michael Morris** as chairman of its board of directors. Morris takes over from **Linn Draper**, who he replaced as chief executive Jan. 1. Morris joined AEP from **Northeast Utilities** where he was chairman, president and chief executive (*Associated Press*, 2/24).

• **Duke Energy** named **David Hauser** as cfo after three months as acting cfo. Hauser has been with Duke for 30 years and prior to the acting cfo slot was treasurer (*Associated Press*, 2/24).

• The opulent 40-story office tower completed by **Enron** shortly after its collapse is being bought by **ChevronTexaco**. The empty downtown Houston building was originally acquired for $102 million at a bankruptcy auction by New York-based **Intell Management & Investment**. The new purchase price was not disclosed (*Houston Chronicle*, 2/26).

• The **Federal Energy Regulatory Commission** approved a plan by **Southern California Edison** to buy power from a newly created subsidiary. The **Edison International** unit wants to create a new subsidiary to buy the unfinished 1,054 MW Mountainview plant near San Bernardino from **InterGen** for an undisclosed sum (*Reuters*, 2/25).

U.S. FUND

(continued from page 1)

a later date, says **Barnaby Reason**, managing director. The company will trade primarily physically settled contracts, a move that will differentiate it from many bank-owned commodity trading desks that focus on financially settled contracts, he continues.

The investment provides a timely fillip to Europe's fledgling merchant energy markets, which have been drained of liquidity and counterparties since the demise of **Enron** and the departure of most U.S. energy traders.

Foundation is likely the first truly independent trading boutique to enter the European wholesale power and gas market since the environment soured some two years back, say market watchers. The deal also marks the return of U.S. capital to the European market, they add.

Foundation was set up some 12 months back by Reason and **Marcello Romano**, managing director, both former **Dynegy** staffers. Reason headed up Dynegy's U.K. origination effort, while Romano headed up oil and gas trading.

Ritchie Capital, with some $1.2 billion under management, began trading power and gas in the U.S. last year (PFR, 9/23). The company was set up by **Thane Ritchie**, a former pro-football player with the **Pittsburgh Steelers** and **Chicago Bears**, who cut his trading teeth at commodity derivative outfit **Chicago Research and Trading**.

—Will Ainger

MUNICIPAL UTILITIES

(continued from page 1)

Paul Harmon, a Denver-based consultant at **R.W. Beck**. "Now they're building in California, Iowa, Louisiana, Texas, New Mexico and Florida."

With deregulation stalled in most state legislatures, munis feel a reduced threat from retail competition, explains Harmon, and want to protect themselves against a surge in wholesale prices and clogged transmission lines by owning generation within their service territories. Most are building gas-fired peaking plants, which can be thrown up in 18 months and financed with cheap AAA-rated, tax-free bonds. "Reliability is paramount," says Harmon, "sometimes more than cost."

Maude Grantham-Richards, director of utility systems at **Farmington Electric Utility System** in New Mexico, says the California power crisis of 2001 drove the southwestern utility to begin building a 60 MW gas-fired peaker. "We got gouged," she says, referring to the sharp hike in spot prices. Even long-term contracts were meaningless when the transmission lines became bottlenecked, she adds. "This plant is right here and we don't have to worry about moving the power over other people's grid," she says.

Spot prices aside, the municipality found that building a small gas-peaking plant was cheaper than contracting with a large coal-fired plant. Last year, Farmington approached the **Tri-State Generation and Transmission Association**, a power supply cooperative based in Westminster, Colo., to negotiate an off-take contract with the 400 MW Springerville Generating Station (PFR, 7/21). "They wanted a big price," she says. "We couldn't afford it."

The trend is not good news for commercial IPPs and is already impacting their ability to scale back merchant risk. The **Turlock Irrigation District** (TID), located in Turlock, Calif., is preparing to break ground on a 250 MW gas-fired plant shortly. As a result, TID next year plans to discontinue an offtake contract with **Calpine**'s Sutter Generation Plant near Yuba City, Calif.

Proposed Municipal Power Plants

Municipality	Plant location	MW	Type	Cost ($ mil.)
Turlock Irrigation District	Calif.	250	gas	200
Farmington Electric Utility System	N.M.	60	gas	30
Missouri River Energy Services	Iowa	90	gas	—
Vernon Utilities	Calif.	134	gas	162.5
Roseville Electric	Calif.	150	gas	—
Utah Associated Power Systems	Utah	140	gas	100
City of Los Angeles and Intermountain Power Agency (Utah)	Utah	900	coal	—
City of Tallahassee	Fla.	undecided	—	—
City Utilities of Springfield	Mo.	undecided	coal	—
Brownsville Public Utilities Board	Texas	50	gas	
	Texas	200-250	coal	—
Rochester Public Utilities of Minnesota	Minn.	undecided	—	—
Lafayette Utilities	La.	190	gas	—
Glendale Water & Power and city of Burbank	Calif.	310	gas	—
Sacramento Municipal Utility District	Calif.	500	gas	361
City of Austin	Texas	300	gas	—

Source: *PFR*

Ron Walter, executive v.p. of development at Calpine, contends that munis are not experienced enough to build plants. "The most cost-effective way is for us to put the iron in the ground," he says, noting that Calpine can build bigger plants, taking advantage of economies of scale and manage the assets better. He also points out that if reliability is the issue, it makes more sense to contract with Calpine, which can mobilize its whole generation fleet to provide power. "If their 50 MW plant breaks down, that's it," he says. "[They'd have] nowhere else to go."

—N.S.

NEGT REPORTEDLY

(continued from page 1)

portfolio of mostly merchant power plants to **Brascan**, a Toronto-based holding company with power generation, real estate and financial investments, say two officials close to NEGT.

Natalie Wymer, spokeswoman at NEGT, says it is looking to sell a variety of assets, declining comment on the future of the company. "We have to determine if the creditors are better served by selling or holding on to the plants," she adds. **Katherine Vyse**, spokeswoman at Brascan, declined to comment.

Bethesda, Md.-based NEGT is also looking to put its 80 mile-long portion of the North Baja pipeline under the hammer and is in discussions to sell a 1,043 MW portfolio of qualifying facilities to a variety of suitors (PFR, 12/8).

Brascan has been circling NEGT's New England generation assets for several years and came close to acquiring the financially stretched business last spring (PFR, 4/28). While that deal reportedly fell through over price, NEGT's recent decision to liquidate could be the key to executing a successful sale, say market watchers. "NEGT's management is likely to come down on price," predicts a former executive at the company.

—Nina Sovich

SHELL EYES

(continued from page 1)

used to build up its business.

"We've spent three years building up our portfolio in the U.S. and we're now looking at what is the best structure to hold those assets while we balance the portfolio in Europe," says **Simon Buerk**, a Shell spokesman in London. The wind portfolio is split between 550 MW in the U.S. and 100 MW in Europe. Shell is looking to grow the business and increase the percentage size of the European assets, he adds. He declined comment on whether it is in talks related to joint ventures, saying it is too early in the process.

Shell tapped the U.S. project finance market late last year for a $125 million project loan, priced at LIBOR plus 175 basis points, for its Colorado Green wind farm (PFR, 12/16). It also has a deal in the works for its 160 MW Brazos wind farm (PFR, 1/27). One banker says expanding the 550 MW portfolio makes sense because it would create a diverse asset pool that would allow Shell to look at portfolio financing. "Shell management is very conscious of pricing," he says. Juno Beach, Fla.-based **FPL Energy** executed the first U.S. wind portfolio deal last year with a $380 million bond offering, paying 6.639% (PFR, 7/27).

One industry official says Shell is courting a variety of parties and it's possible it may ink several alliances rather than one blockbuster tie-up. He adds the partnering strategy is a cornerstone of the wider Shell group. "The Shell model has always been to [enter] joint ventures," he says.

Financiers say **American Electric Power** would make sense as a potential partner. The Columbus, Ohio-based company has 310 MW of operational wind generation at its Trent Mesa and Desert Sky wind farms. **David Hagelin**, spokesman at AEP, declined comment on potential deals for its wind portfolio.

—Peter Thompson

Correction & Amplification

UPC Wind Partners has a letter of support from **Fortis Capital** to help develop a planned 50 MW wind project in Maine. The developer has not awarded a mandate to lead the financing. *PFR* mischaracterized the situation in a story Feb. 16.

Quote Of The Week

*"Frankly, as a debt analyst, I would rather have seen **Calpine** pay some taxes to the U.S. government than bulk up in ERCOT."*—**Dot Matthews**, *credit analyst at New York-based **CreditSights**, bemoaning Calpine's decision to acquire a merchant plant in Texas, a deal that will allow it to defer tax liabilities (see story, page 5).*

One Year Ago In Power Finance & Risk

Stuart Jackson, chief executive of **Killingholme Power**, resigned barely a month after taking the helm at the bank-owned U.K. power plant. Jackson, formerly head of **NRG Energy**'s European power business, decided to leave to become cfo of **Stolt Offshore**, a New York and Oslo-listed offshore oil contractor. [In June Killingholme appointed former **TXU Europe** plant manager **Colin Campbell** as chief executive. Campbell and Chairman **John Mapplebeck** are presently holding talks with a variety of suitors, including **Centrica**, about acquiring the 680 MW Killingholme plant.]