

power finance & risk

The exclusive source for power financing and trading news

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Web Exclusive

XL Weather & Energy has started offering contracts to hedge against power outages and price risk in natural gas and power markets.

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

Power Plant Development Roundup

PFR is initiating a monthly index of new and canceled power plant development projects.

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Billion Dollar Warchest

DALLAS HEDGE FUND BRINGS IN KENDALL TO MAKE POWER FORAY

Carlson Capital, a Dallas hedge fund with \$3.1 billion under management, has hired **Don Kendall**, a founder of **Credit Suisse First Boston's** project finance business, to search out investment opportunities in the depressed power market. One financier says the fund is bankrolling the effort to the tune of \$1 billion and Kendall may use the funds to acquire distressed assets. Another power official, who was unaware of the hire, says

(continued on page 8)

AIG SET TO ENTER U.K. POWER MARKET

AIG Energy, the Stamford, Conn.-based shop looking to acquire distressed generation assets, is planning to enter the U.K. market and has hired a former **Enron Europe** board member to lead the push. The subsidiary of triple-A rated insurer **American International Group** has recruited **Mathew Scrimshaw**, a 10-year Enron veteran, to build a London-based business and search out investment opportunities in the U.K., according to market watchers. Scrimshaw, reached at home, says he will join AIG on March 17, but declined further comment. He reports to **Tony Gordon**, head of global energy, who also declined comment.

(continued on page 8)

GOLDMAN SWOOPS FOR EL PASO TRADING BOOK

Goldman Sachs has purchased **El Paso Corp.**'s European natural gas trading book, a move that highlights Goldman's burgeoning confidence and activity in the European energy markets and El Paso's desire to wind down its London-based trading operations in short order. El Paso said in a statement that the sale will realize total cash proceeds of approximately \$80 million, including the recovery of cash collateral, but did not name the buyer or reveal what the counterparty had paid for the book. Senior officials at Goldman and El Paso declined comment.

That Goldman bought the book comes as no surprise, says one London trader, noting

(continued on page 8)

WILLIAMS CONTINUES CUTS; SENIOR TRADER JOINS CITADEL

Williams Co.s has continued to cut into the headcount of its Energy Marketing & Trading operation in Tulsa, Okla., with a recent round of layoffs believed to total around 70, including **Greg Hickl**, head of power trading. Separately, **Steve Culliton**, EM&T's head of forward and financial power trading who left the firm several months ago, recently joined **Citadel Investment Group**, a hedge fund in Chicago. Hickl and Culliton declined comment.

Brad Church, a Williams spokesman, confirmed Hickl and Culliton's departures and

(continued on page 8)

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

Private Equity Shops Play Waiting Game

The much-hyped influx of private equity players into the power sector may not materialize any time soon. **Robert Gurman**, managing director at **Prospect Street Ventures**, told attendees at an **Infocast** power conference in New York that his firm is sitting on the sidelines because, "There is not an active market for distressed assets as yet." But, he thinks that will change over the next 12-18 months as operators are forced to sell assets.

Peter Rigby, director at **Standard & Poor's**, also questioned interest among private equity players in taking on distressed assets. He noted that so far these players have focused buying transmission and pipelines. He added that some private equity firms have said they're not interested in merchant assets.

Banks Set To Take Keys On U.S. Plants

Banks could end up controlling U.S. power plants saddled with tens of billion of dollars of debt as the original owners walk out on generation assets crippled by project level loans far exceeding the plants' value, warns **John Veech**, managing director at **Lehman Brothers**.

The bleak forecast, given to delegates at an **Infocast** conference in New York last week, mirrors similar events unfurling in the U.K. (PFR, 1/13). While U.K. creditors are seemingly reluctant to sell the plants they've recently acquired in a moribund generation market, some U.S. players believe there could be a quicker turn around in the U.S. as banks accept significant write downs on their investments. "It is a harsh reality, which is slowly sinking its way into folks," said Veech. He told delegates that these "bite-the-

bullet" type divestitures will start appearing in the second half of this year.

Veech argued that once a few deals have been done the flow will ramp up. The M&A market will provide a yardstick for marked-to-market values and that again is going to put pressure on lenders to recognize the deterioration in the debt value.

Hawaiian Utility To Refinance Debt

Hawaiian Electric Industries will look to the bond market to refinance \$136 million of long-term debt that comes due in April. **Suzy Hollinger**, manager, investor relations, said the company is planning to issue \$100 million in medium-term notes out of a prior \$300 million shelf registration. The remaining \$36 million will be bankrolled through internal funds.

Hollinger says **Merrill Lynch** will lead the offering and work with a handful of unspecified banks on HEI's roster. The debt comes due on April 15, but HEI is looking to complete the refinancing this month. HEI is rated BBB/Baa2.

U.K. Trading Start-Up Adds Two

Foundation Energy, a start-up that will trade physical and financial power and gas in the U.K., has hired a pair of traders. **David Matthews**, previously a power trader at **Dynegy** in London, will join **Foundation Energy** in April in a similar role, according to **Marcello Romano**, managing director. **Adam Lewis**, formerly a gas trader at **Dynegy**, will also join in April in a similar capacity. Romano was previously head of oil and gas trading for Europe at **Dynegy**.

Foundation Energy is looking to raise some GBP25 million (\$41 million) in capital and is in discussions with financiers. It expects to start trading in April (PFR, 2/3).

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Killingholme Chief Resigns

Stuart Jackson, recently appointed ceo of **Killingholme Power**, has resigned, a month after taking the helm at the bank-owned U.K. power plant. Jackson, formerly head of **NRG Energy's** European power business, began working for Killingholme's creditors last month after NRG walked out on the 680 MW gas-fired power plant (PFR, 2/10). A City creditor involved in the financing says the banks have yet to appoint a new ceo.

Jackson left Killingholme to join **Stolt Offshore**, a New York and Oslo-listed offshore oil and gas contractor, as cfo. He will join April 22.

"Having steered Killingholme out of NRG Energy ownership and into the new world of being a bank-owned merchant plant, I announced my resignation a couple of weeks ago," Jackson said in an e-mail sent to industry officials and *PFR*.

Government Consultant Slams U.K. White Paper

The U.K. government's long-awaited policy document on the future of the country's energy industry came in for a pasting from one of its advisors last week.

Tony White, former head of utility research at **Schroder Salomon Smith Barney**, and a member of the government's advisory panel on energy, told investors on a conference call last week that the document is, "Good on rhetoric and pathetic on delivery."

White's main complaint is that while the White Paper sets out bold targets for cutting CO₂ emissions, it does little to facilitate this change.

"It sets out a very aggressive target of reducing carbon emissions to 60% by 2050...If anyone had told me five years ago that the government was going to sign up [to this] I would have thought they were smoking something. It's a massive change."

But White, who was directly involved in drafting the White Paper, says the chances of achieving this emission target are slim. Part of the problem is that the government has proposed nothing to spur the growth of carbon credit trading, a tool that could prompt investment in green energy.

An even bigger obstacle is the government's decision not to replace the U.K.'s aging fleet of nuclear power stations, the only mainstream generation source that doesn't create CO₂ emissions. The White Paper states that renewable power will replace nuclear power and that the 60% carbon emission reduction will come from increasing energy efficiency measures such as house insulation.

"I have difficulty thinking this will happen. Within 3-4 years the Government will realize that relying on energy efficiency just is not going to work," said White.

CSFB Touts NorthWestern Paper

Lead underwriter **Credit Suisse First Boston** has been offering some of its exposure to **NorthWestern Corp.**'s \$390 million B term loan in the secondary market. Market officials say the strategy by CSFB was planned from the outset (PFR, 12/23), noting it didn't fully syndicate the facility because of flux at the utility holding company. The amount of paper offered could not be determined, nor could the offer price. Calls to CSFB were not returned.

Major financial and management changes were in the works at NorthWestern when syndication was launched, so CSFB didn't pitch the deal to the whole market, they add. Since the turn of the year, the Sioux Falls, S.D., company has hired a new ceo and also suspended its dividend in a bid to strengthen its finances.

The \$390 million five-year term loan priced at LIBOR +575 basis points—after initially being pitched at a 550 basis point spread—with a 3% LIBOR floor.

El Paso Pays Up For B Loan, But Earns Call Option

El Paso Corp. was forced last week to offer a rich 10% yield to refinance an \$825 million facility in the B loan market, but on the flip side bagged the option to call the deal early; an innovation for the power sector B loan market.

The \$1 billion two-year B term loan—that refinances El Paso's Trinity River structured financing—was priced at LIBOR plus 625 basis points with a LIBOR floor set at 3.5%, according to market officials, adding it was priced at a discount to yield north of 10%.

One banker says the deal highlights the growing sophistication of the B—or institutional investor—loan market, because on the one hand pricing is beefy, but on the other El Paso has landed considerable optionality, something not afforded to previous energy companies that have tapped the B loan market. The deal is callable at 99.25 for the first four months, 99.75 for the following four months and then at par until maturity.

The B loan is secured against El Paso's Trinity River gas exploration and production assets. The facility will be repaid in three installments: \$250 million in June 2004, \$250 million in September 2004 and \$500 million in March 2005.

According to an 8K statement filed last month, the new financing gives El Paso greater access to the revenues of its Trinity River assets than under the previous arrangement, where cashflow was earmarked to amortize the loan. **Credit Suisse First Boston** and **Salomon Smith Barney** arranged the new financing.

Project Finance Workouts Conference

Around 80 attendees and speakers attended Infocast's Project Finance Workouts: Dealing With Distressed Energy Projects' conference in New York last week. Speakers covered a range of issues surrounding the distressed world of power loans. Peter Thompson, senior reporter, filed the following articles.

Consultants Defend Forecasts

Industry consultants that have taken flak for their overly optimistic power price forecasts over the past few years hit back at criticism that their forward curve projections fuelled the boom-bust cycle that's gripping the IPP industry.

In response to a delegate's question on why the consulting industry hadn't forecast the downturn, **Todd Filsinger**, head of **PA Consulting's** wholesale energy markets practice, noted that PA has been pointing out for a while that there was the potential for the market to take a hit. **Judah Rose**, senior v.p. at **ICF Consulting**, supported this view. He noted his firm only had a minority share of the power plant consulting market, in part because it walked away from projects where it didn't want to participate in the exuberant forecasts.

Mike Hamilton, a consultant at **FTI Consulting**, joked, "If anyone could accurately predict the curves, they'd be sitting on a beach in Hawaii, not running a consulting firm."

One veteran lender told *PFR* that consultants shouldn't take all the blame. Anyone in a deal that has gone bad should look at their own internal projections rather than looking for a scapegoat. "These deals were not done on the basis of consultant reports," he reflected.

Pros See Staggered Buildout

The bulk of U.S. plants under construction will be completed by year-end, but the picture for when markets will be able to absorb the new capacity and so make it attractive for new projects to move forward varies dramatically by region, according to speakers.

Todd Filsinger, head of the wholesale energy markets practice at **PA Consulting**, told delegates, "We are not in a one-year problem here." But, PA analysis shows that while the reserve margin for Arizona, New Mexico and Nevada will absorb the glut of capacity by 2006, in NEPOOL and SERC overcapacity will weigh on the market until 2008 and SPP until 2009.

With lead-in times of around two to three years, **Judah Rose**, senior v.p. at **ICF Consulting**, agreed that overcapacity isn't going to persist for as long as some bears suggest. "It's not a 10-year problem. It's a couple of years problem."

Zeroing in on the current new build market, **Dave Dunning**, senior v.p. at engineering contractor **Duke/Fluor Daniel**, said his firm's current book of eight projects will mostly wrap this year, with a couple closing in 2004. He contrasted that book, with

last year, when 34 projects were in the pipeline. Filsinger also argued that more cancellations may be on the way.

"In the Southeast expect more cancellations because of problem projects, not problem sponsors," he said, referring to PA analysis that shows spark spreads in the region won't cover plant debt until around 2008.

Vulture Funds Turn Up Heat In Restructuring Talks

Traditional power sector lenders will have to get used to heated restructuring talks now that distressed investors are sitting across the discussion table, warned two workout attorneys.

"A lot of my time is spent trying to stop lenders from killing each other," quipped **Doug Fried**, partner at **Chadbourne & Parke**, in a session on the dynamics of inter-creditor talks. At the heart of the issue is the conflict between the original lenders, who lent money at par, and distressed asset investors who bought the debt at 30 cents on the dollar, he explained. That difference obviously alters what each group sees as an acceptable restructuring.

In the same session, **Herb Glasser**, partner at **Haynes & Boone**, said conflict can also arise from the industry expertise gap between the long-term lenders and the distressed players, who may also have a shorter term view. "If someone has bought at 30 cents on the dollar, they may not want to get to know anything about the industry," he said.

Regulation Takes A Beating

The U.S. legal and regulatory framework came in for some not-so-subtle stick from speakers reflecting on the downturn of the U.S. market. **Peter Rigby**, director at **Standard & Poor's**, recounted a conversation with a major European power player who believes legal and regulatory risks make the U.S. market unattractive, so it is focusing instead on Mexico, which is a more stable country. And California seems to have few friends in the sector. "There are a lot of emerging market workouts going on, particularly in California," quipped **Herb Glasser**, a partner at **Haynes & Boone**, during a session focused on the peculiarities of emerging market work-outs.

And the smell of politics may not be the only aroma wafting from the Golden State. **Jeff Bodington**, head of advisory boutique **Bodington & Co.**, told attendees he was involved in an assignment on an underperforming hydro asset in the West. After

some investigation, he discovered 'farmers' were siphoning off water in remote locations before it could reach the hydro plant to irrigate an illicit herb. "It was a green cash crop. It's usually smoked," he dryly observed.

Polsky Pummels Merchant Model

Michael Polsky, the IPP entrepreneur who sold his Wisvest-backed SkyGen Energy operation to Calpine for \$450 million three years back, tore into the oft-floated argument that the sectors' woes can be traced to a confluence of extraordinary problems. "It was not a 'perfect storm.' It was a failure of the business," he told attendees.

Polsky also questioned the feasibility of the merchant generation business model, arguing that access to end users is crucial to success in the power industry. "The business model became building plants, not building a business," he reflected.

Now back on the acquisition trail in his new Invenergy vehicle, Polsky says he has been looking at generation. But he noted that some sellers aren't too pleased with his analysis that their unfinished plants are not worth Invenergy's consideration, even if the sponsor agreed to just turn over the key. A lot of

unfinished facilities may be mothballed for a long time, or just sold for their parts, he believes.

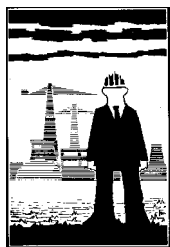
Polsky left Calpine in 2001 to form his Chicago operation.

Panelists See Benefits In Ch. 11

The steep interest rate hikes associated with many of the high-profile corporate loan restructurings of recent months left panelists questioning whether filing for bankruptcy protection might not prove a better longer-term option for embattled power companies unable to repay debt.

Peter Rigby, director at Standard & Poor's, says the airline industry could provide an illustration of what may happen in the power sector. When one carrier files, the others have to look at the option because generally the carrier that emerges from Chapter 11 is no longer weighed down by debt. But he added the nature of generation assets makes the power industry unlike other sectors, such as retailing, where Chapter 11 filings can reduce the level of competition and improve the business environment. "Power plants don't go away. Take away their fixed costs and they become more competitive," he told attendees.

Power Plant Development Roundup



Some 2,215 MW of generation projects were cancelled in the U.S. last month, versus 2,045 MW of new capacity announced in the same period, according to a straw poll of publicly announced activity compiled by *PFR*.

Entergy, which has pulled out of a proposed 615 MW natural gas-fired plant in Orient Township, Iowa, instead will focus on acquiring distressed generation assets in the eastern third of the U.S., according to Larry Dasplit, spokesman in Houston. NRG Energy and

Dominion Resources have separately nixed projects in California and North Carolina, respectively.

Meanwhile Calpine is interested in building an unspecified number of natural gas-fired plants in Wisconsin and Florida. Power & Light recently cleared the penultimate regulatory hurdle in getting approval for a new project in Florida. The Salt River Project has started expanding a 360 MW plant in Arizona and the Los Angeles Department of Water and Power plans to build in the Mojave Desert what would be the largest municipally owned wind plant in the U.S.

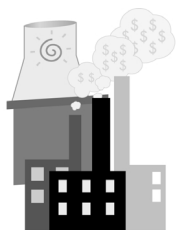
The following information is culled from press reports, industry sources and company announcements and is deemed reliable but its accuracy cannot be guaranteed. To report new power projects or cancellations, contact Will Ainger, managing editor, at (44-20) 7303 1735 or via e-mail (wainger@euromoneyplc.com).

New U.S. Power Projects Announced (February)

Developer	Project Name	MW size	Fuel type	Location	Cost (\$M)	Status	Expected completion date
Calpine	-	Unknown	Natural gas	Fond du Lac, Wis.	-	Plans to ask Public Service Commission for permission	-
Florida Power & Light	Parrish	1,100	Natural gas	Parrish, Fla.	560	Awaiting power plant siting board certification	-
Los Angeles Dept. of Water and Power	Pine Tree Wind	120	Wind	Mojave Desert, Calif.	162	Subject to city council review	July 2004
Salt River Project	Santan	825	Natural gas	Gilbert, Ariz.	-	Started construction	2005

U.S. Power Projects Cancelled (February)

Developer	Project Name	MW size	Fuel type	Location	Cost (\$M)	Reason cancelled
Dominion Resources	Roxboro	1,100	Natural gas	Roxboro, N.C.	600	Deteriorating market
Entergy	-	615	Natural gas	Orient Township, Iowa	300-500	Overbuild, recession & rising natural gas prices
NRG Energy	-	500	-	Mesquite, Calif.	250	Weak market & NRG's financial position



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	Int'l Power is preferred bidder.
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	Cinergitika	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	

Continued

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	-	Ongoing.
Reliant Resource	Argener	Argentina	160	CHP		
Roosecote	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		Merrill Lynch	Is looking to sell an undisclosed number of its coal assets.
	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)			

GOLDMAN SWOOPS

(continued from page 1)

the investment bank has become an increasingly assertive player in the U.K. gas and power market in the past three or four months. "It has really moved up a gear as U.S. merchants have headed home."

But the trader was surprised by the size of the cash benefits that El Paso realized through the trade. "It wasn't that big a player; a lot must have been tied up in collateral."

El Paso announced in November that it is looking to exit the energy trading market and refocus as a pipeline company.

—W.A.

WILLIAMS CONTINUES

(continued from page 1)

adds more layoffs are likely. In an e-mail sent to *PFR*, he says, "We are currently conducting an organizational review of the entire energy marketing and risk management organization...with no completion date yet set."

Williams is looking to sell its EM&T business or enter a joint venture and has ceased all speculative trading because of its weakened financial position, Church explains. Williams, like many other power trading shops, has been crippled by a collapse in its share price, credit downgrades and vanishing liquidity in wholesale electricity markets.

Citadel has been building a power trading operation for several months and has hired traders formerly with **Enron** (*PFR*, 5/27) and **Aquila** (*PFR*, 10/21).

—Victor Kremer

AIG SET

(continued from page 1)

AIG has yet to fully crystallize its game plan in the U.K., but one market watcher who's spoken to AIG management says the company is looking to acquire assets in short order, while simultaneously building a trading and marketing effort. He notes this strategy is at odds with most other financial players, which have tended to build up a trading presence first before splashing out on hard assets.

For AIG to acquire assets from the outset requires building an M&A team with a strong understanding of the U.K. market, says the market watcher, adding Scrimshaw fits the bill nicely. Scrimshaw's recent M&A credentials include selling **Dynegy's** two U.K. gas storage assets, Hornsea and Rough, to **Scottish & Southern Energy** and **Centrica**, respectively. Scrimshaw, who was most recently ceo of Dynegy Storage, left the gas outfit last November after completing the GBP304 million (\$480 million) sale of

Rough. As ceo of Enron Teesside Operations Ltd. (ETOL) Scrimshaw also was responsible for acquiring the 130 MW Wilton power station from ICI in 1998.

Market watchers speculate that AIG might look to land Enron's Teesside generation assets, given Scrimshaw's knowledge of the business—on top of running ETOL he was also co-manager of Enron's 1.8 GW Teesside plant between 1992-94.

AIG hired Gordon from **Goldman Sachs** last year (*PFR*, 9/30) to spearhead its energy investment push.

—Will Ainger

DALLAS HEDGE

(continued from page 1)

landing Kendall is a signal of serious intent. "Don has always been thought of as one of the smartest people in the business," he notes. Kendall did not return calls by press time and a spokeswoman at Carlson says the fund hasn't commented on its operations since its inception 10 years ago.

Kendall has an impressive track record, says the power official. From launching **Kendall Capital**, which formed the basis of CSFB's power project finance effort after the investment bank acquired it, through to the late 1990s as one of the top lieutenants to **Bob McNair** at his IPP vehicle **Cogen Technologies**, Kendall has been a heavy hitter in the power industry. McNair, who owns the National Football League's **Houston Texans**, launched Cogen in 1984. The company sold the bulk of its generation assets for \$1.1 billion to **Enron** in 1999.

Carlson Capital runs \$3.1 billion in assets through its various Black Diamond funds, according to *Institutional Investor* magazine's 2002 hedge fund rankings. The firm is known for its non-directional investment approach focusing on equity and equity derivatives, says one hedge fund rival.

—Peter Thompson

Quote Of The Week

"Good on rhetoric and pathetic on delivery." —**Tony White**, former head of utility research at **Schroder Salomon Smith Barney**, giving a pithy critique of the U.K. government's policy document on the future of the energy industry (see story, page 3).

One Year Ago In Power Finance & Risk

MidAmerican Energy, the energy arm of **Warren Buffet's Berkshire Hathaway**, planned to take advantage of depressed asset prices and broaden its presence in the Midwest by acquiring more utilities in the region. [Last summer MidAmerican's acquired **Williams Co.s'** Kern River pipeline and **Dynegy's** Northern Natural Gas pipeline.]