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CMS Finds Latin Suitor

CMS Energy is set to offload the bulk of its Latin American portfolio in double quick time, having already found a buyer and signed a sale contract.

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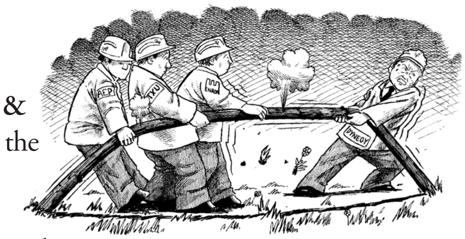
BERKSHIRE HATHAWAY EYES BARGAINS IN THE UTILITY SECTOR

Warren Buffett's Berkshire Hathaway, the parent of Des Moines, Iowa-based **MidAmerican Energy Holdings**, is planning to acquire another utility in the Midwest to take advantage of depressed asset prices and broaden its presence in the region. An official who is advising the Sage of Omaha's investment vehicle on the strategy says, "It's a shrewd move on Berkshire's part because it could snap up a utility right now [on the] cheap. The **Enron** situation has made it difficult for companies in the sector to get a hold of capital

(continued on page 7)

ENRON TARGETS FOUR UTILITIES TO BID FOR FORMER PIPELINE BIZ



Enron is targeting four companies, **American Electric Power**, **TXU**, **Entergy** and **Powergen**'s **Louisville Gas & Electric**, as potential buyers of **Northern Natural Gas**, the 16,500-mile interstate pipeline network it sold to **Dynegy** last November, but is now trying to buy back and sell on at a higher price. A New York official close to the negotiations says Enron has begun preliminary discussions with these four companies and plans to move forward expeditiously because a call option it owns on NNG expires June 30

(continued on page 8)

MEXICO READIES HUGE IPP PUSH

Mexico's **Comision Federal De Electricidad** plans to put 13 independent power projects (IPPs) out for tender this year, the most ambitious roll-out to date of the country's generation privatization program. **Eugenio Laris Alanis**, director for new projects at the CFE, says the aim is to auction some $3.5 billion of greenfield projects, representing 5.5 GW of combined capacity, by year-end.

Alanis says the plan reflects Mexico's need to add 3 GW of capacity each year to meet

(continued on page 8)

CALPINE'S $1B LOAN PACKAGE HITS THE SKIDS

A $1 billion unsecured loan facility that Calpine said it had arranged at the beginning of the year has yet to materialize and could be dead in the water, according to one financier on the deal. The news that the loan—which some had thought was a done deal—is floundering may explain why Calpine is now looking to arrange a more conservatively structured $2 billion secured loan package.

Calpine announced Jan. 10 that it had received commitment letters from a group of lenders, led by **Bank of Nova Scotia** and **Bayerische Landesbank**, for a $1 billion one-year

(continued on page 7)

ConEd Contemplates Equity Offering

New York City utility **Consolidated Edison** will likely tap the equity capital markets late this year or early in 2003 to fund up to $500 million in infrastructure spending and $400 million in disaster recovery spending stemming from the Sept. 11 World Trade Center attacks, according to utility analysts.

Dan Ford, head of utility research at **Lehman Brothers** in New York, notes in a recent report that Con Ed also needs $250 million for unregulated development and $70 million for its **Con Ed Communications** unit.

John Perkins, director of financial services at Con Ed, says it might make an equity offering, but notes the matter has not yet been decided. He declined to comment on the size of the potential issue.

Momentum Investors Drive IPP Slump

The collapse in IPP stock prices has been driven and exacerbated by the departure of momentum focused investors, which in turn has left stock valuations well below fair value, argue bullish market commentators. "When the hi-tech [sector] lost momentum, its investors moved into power. But this has never been a huge growth story and that was the wrong selling message [to those investors]," says one senior banker, who thinks the sell-off in companies such as **Calpine** and **AES** has been over done.

But, that line of thinking doesn't wash with everybody. "The real slide is based on fundamentals," says **Andre Meade**, chief power analyst at **Commerzbank**. He adds the core problem is that many IPP business plans were predicated on high debt levels that aren't sustainable in a down cycle.

Evidence of the influence of non-traditional momentum investors can be seen in the fact some stocks don't appear to have the price support levels which trigger institutional buying in other sectors, one banker argues. An IPP executive agrees that momentum investors have been the driver behind stock price gyrations, but adds there has been fairly solid support from the traditional institutional investor community. Commerzbank's Meade agrees. "There was some fast money, but you've still got [institutional] support," he says.

Dominion Eyes Capital Markets For Mirant Acquisition

Dominion will look to tap the capital markets to fund its $182 million acquisition of generation assets from Mirant. **Joe O'Hare**, senior investor relations analyst at Dominion in Richmond, Va., says no funding plans have been finalized, but adds the company will look ultimately for longer term financing. O'Hare notes funding may get rolled in to other capital market activity planned for this year rather than on a standalone basis.

Initial funding of the plant acquisition has not yet been determined, because by the time the deal closes, Dominion may have already tapped the capital markets under previously announced plans. The integrated gas and power player has signaled it will be issuing $600-800 million in common equity (PFR, 2/4) sometime this year, O'Hare notes.

Dominion is acquiring **Mirant State Line Ventures**, which owns the 515 MW coal-fired State Line power station, near Hammond, Ind. It will also take up a power purchase agreement with **Exelon**, the sole purchaser of the plant's output, which runs to 2012. O'Hare says the deal is expected to close next quarter.

The sale is part of Mirant's strategy of shoring up its balance sheet through the sale of certain assets.

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N.Y. Insurer Wraps First Australasian Power Deals

XL Capital Assurance recently credit wrapped two bond deals Down Under, marking its first move in to the Australasian power market. The credit guarantees allowed BBB+ rated **Meridian Energy**, a Wellington, New Zealand-based generator and retailer, to juice up the rating on two bond deals to triple-A. Meridian recently tapped the fixed-income mart with a NZD50 million ($21 million) offering of seven-year notes and a AUD100 million ($51.5 million) 10-year deal.

Phil Henson, managing director at XL in New York, notes the wrap allowed the power player to tap maturities that would otherwise have been difficult for a triple-B issuer to access. He declined comment on the cost of the wrap.

Neil Cochrane, corporate delivery director at Meridian, says XL got the nod after the company assessed insurers' appetite for sector risk, the minimum size of the transaction and the cost of the wrap. In addition, he notes, there was a market perception that a new entrant in the credit guarantee market would be welcomed by bond investors looking to reduce their exposure to incumbent credit insurers.

Henson arrived at the New York-domiciled monoline financial guarantor last year from **ING Barings** (PFR, 4/8) as part of the insurer's push into power.

UBS Trading Biz Will Need Time To Make Its Mark

The time-intensive process of agreeing and signing new master trading agreements and getting credit approval to trade means the success of **UBS Warburg Energy**, the venture formed from **EnronOnline**, may not become clear until the late summer. **UBS**, which launched *UBSWenergy.com* Feb. 11 with the statement the site was open for trading, has talked in terms of a 60-90 day timeline before a sense of the likely success of the operation becomes clear. But, power trading officials say it may take longer because of the time involved in sorting out the legal and credit arrangements.

Mark Williams, v.p. global risk at **Edison Mission Marketing & Trading** in Boston, says, "It's not just UBS taking on the platform. It has to individually negotiate and execute new agreements and apply UBS' creditworthiness standards." This is partly a function of one of the reasons the original Enron trading platform held such a dominant position after launching in 1999: by acting as the counterparty to trades Enron took out the 'unknown' associated with market places matching undisclosed buyers and sellers, where the credit worthiness of the ultimate counterparty isn't clear.

Until the legal and credit issues are finalized, UBS will likely limit trading to plain vanilla trades, such as physical forwards, says one Houston-based power official. He characterizes the process as one of familiarization between the UBS credit culture and the Enron trading culture. Calls to UBS were not returned by press time.

While other trading venues have benefited from the absence of Enron, Edison Mission's Williams says if UBS follows the original Enron formula, it can still have an advantage over rivals. Enron was so popular because of the opportunity for price discovery, the transparency of the counterparty, and the range of products and tenors. "If UBS does it right, it could be very successful," he adds.

Cogentrix Shortlists Bidder For Takeover

Charlotte, N.C.-based **Cogentrix Energy**, a privately-held independent power producer, has received three or four bids from potential merger partners and shortlisted one of them this past month for exclusive negotiations. A New York banker familiar with the matter says the bidder was successful because it expressed interest in purchasing the whole company, whereas others were only looking to buy parts of Cogentrix. The banker explains that the price of the winning bid, however, was lower than had been hoped for and may not, therefore, lead to a sale. **Jef Freeman**, a spokesman at Cogentrix, declined to comment and bankers at **Goldman Sachs**, which was hired late last year to find a suitor (PFR, 1/6), could not immediately be reached for comment.

'Next: Enron Hits Rock Bottom'

Enron Gets 'Behind The Music' Treatment

Inspired by the rise, fall and redemption narrative arc of VH1's *Behind the Music*, San Francisco illustrator **Don Asmussen** has written and directed a spoof animated version of the show called *Enron: Facing the Music*. "It was like a huge rock story that went wrong," he says.

The cartoon short (which can be seen at http://atomfilms.shockwave.com/af/home/) traces a tongue-in-cheek company history, from Enron's formation through the merger of gas pipeline outfits to the creation of fancifully named off-balance sheet financing partnerships and eventual collapse. "They made accounting dangerous again, man," exclaims one animated interviewee. In another scene a psychiatrist tells Enron that its Jedi and Chewco off-balance sheet financing vehicles are fictions made up by the company's accounting department.

Redemption in real life might be some way off for Enron, but it's a matter of necessity for any good *Behind The Music* episode and Asmussen wraps up his spoof on the energy trader with a similarly upbeat message. "Finally confronting his past, Enron is currently working on a Christian rock album and is hoping his story serves as a warning to other young companies out there," intones the voiceover.

Asmussen, who has a regular strip in the *San Francisco Chronicle*, says the Enron short follows a recent animated spoof version of the Al Qaeda employee handbook. "We are always looking for great villains to make fun of," he quips.

KBC Puts Out Feelers On Perryville Re-Launch

KBC Bank has been putting out calls testing interest in its planned re-launch of the $300 million non-recourse loan funding a 725 MW plant in Perryville, La. The fully underwritten deal, which stalled in syndication last summer (PFR, 8/20), will resurface with additional equity, a reduced tenor, a faster amortization rate and higher returns, according to one banker close to the deal. He referred further questions to **Eric McCartney**, head of project finance for the Americas at KBC, who did not return calls. The deal is expected to resurface next month (PFR, 1/21).

RBoS Launches Syndication On Conoco Deal

Royal Bank of Scotland will launch syndication this week of a GBP260-270 million non-recourse loan it arranged for **Conoco Global Power** in January (PFR, 2/3), say bankers. Initially RBoS is looking for a small handful of banks to submit at the arranger/sub-underwriter level and will then look to launch general syndication early in the second quarter, notes one banker. Both **KBC Bank** and **Credit Lyonnais** are looking at the high-level tickets say bankers. Officials at both firms declined to comment.

Conoco will use the proceeds to finance the construction of Immingham, a 650 MW combined heat and power plant on the northeast coast of England. The site is adjacent to **Conoco**'s Humber oil refinery and is the U.S. company's first power plant in the U.K. (PFR, 4/9). Neither **Alan White**, a financier at RBoS, nor the firm's loan syndication desk returned calls by press times.

Latin America

EdF Chooses SocGen For Rio Bravo III Project

Electricité de France has selected **Société Générale** to arrange a $217 million,16-year project loan to fund the construction of Rio Bravo III, a $290 million, 500 MW gas-fired plant in northern Mexico. A New York project financier close to the transaction says SocGen plans to launch syndication of the loan by the end of the second quarter. He adds EdF will provide the remaining $73 million of the project's costs with internal cash.

Once operational, Rio Bravo III will supply all of its output to the **Comisión Federal de Electricidad** (PFR, 6/4), Mexico's national power company, under a 25-year U.S. dollar denominated power purchase agreement. Officials at EdF in Paris did not return phone calls.

AES Picks Morgan Stanley To Advise On Latam Sale

Arlington, Va.-based AES has selected **Morgan Stanley** to advise on the sale of its Latin American assets, which account for approximately 39% of the international power producers' revenues, says a banker familiar with the matter. At the end of February, AES announced a restructuring plan that included divesting between $1-1.5 billion of underperforming assets in both Latin America and the U.S. It is looking to sell generation capacity to shore up its balance sheet and improve its credit ratings in the wake of the **Enron** meltdown, which has caused an abrupt downturn in the energy sector.

Analysts and bankers familiar with the company say AES will likely be forced to offload its Latin American assets for bargain prices because there is so much capacity for sale in the region and international interest in the sector is low.

CMS Finds Buyer For Latam Assets

CMS Energy has signed a deal to sell the bulk of its Latin American electricity assets and expects closure to occur within two weeks, according to an official familiar with the divestiture process. **Kelly Farr**, a spokesman at Dearborn, Mich.-based CMS, declined to comment on the matter.

A New York banker says that the swiftness of the sale is surprising and speculates that such speed probably means it agreed to offload the assets at attractively low prices. This would have been necessary given the number of assets on the block in Latin America, he explains. **J.P. Morgan** was hired late last year to shop the assets for CMS (PFR, 12/24).

Assets on the block include three Argentine generators, the 128 MW Ensenada gas-fired plant near Buenos Aires, a 90% stake in the 520 MW CT Mendoza gas-fired plant and a 17% stake in the 1,320 MW Hydroelectrica El Chocon plant. Additionally, CMS is selling **Grupo Compahnia Paulista de Energia Electrica**, an electric utility with 146,000 customers in Brazil and **Sistema Electrico de Nueva Esparta**, a utility serving 90,000 customers in Venezuela.

IDB Launches Loan For Brazilian Project

The **Inter-American Development Bank** and **Bank of America** launched a $173 million loan on Feb. 22 to finance the bulk of a $205 million 187 MW gas-fired power project, dubbed Thermo Bahia, in Brazil's state of Bahia. According to an investment officer at the IDB in Washington, the project developers, which include **ABB Equity Ventures**, **Petrobras** and **A&A Electricity Investment Ltd**, will provide the remaining financing as equity capital.

The IDB officer says the loan consists of a 12-year tranche for $115.5 million and a 14-year piece for $57.7 million. She declined to comment on the pricing and structure of the loan. Bankers at BofA did not return phone calls.

Once the plant is operational in 2003, Petrobras will purchase the electricity and steam output under a 20-year contract, notes the IDB official. Petrobras will also supply the natural gas, water and other services necessary to operate the plant, she adds.

The loan is part of an IDB effort to provide capital to a Brazilian government effort to add generation capacity in the wake of Brazil's recent power crisis, explains the IDB official. In December, the IDB approved $282.4 million in financing to help fund the construction of a $403.5 million, 520 MW natural gas-fired power plant, dubbed Termopernambuco, located in Brazil's northeastern state of Pernambuco (PFR, 12/24).

Dresdner To Seal Financing For Brazil Project

Dresdner Kleinwort Wasserstein will close $340 million in non-recourse financing within the next few weeks for the construction of Araucaria, a 469 MW gas-fired power project in Brazil's Parana state that **El Paso** is developing. *PFR* was unable to ascertain the structure or pricing of the loan or syndication details before press time. Calls to El Paso and Dresdner were not returned.

Cia Paranaense de Energia (Copel) and **Petrobras** also both own 20% stakes in the Araucaria project. According to a New York project financier familiar with the matter, the plant will sell its output to Copel under a 25-year power purchase agreement. He declined further comment on the financing.

Corporate Strategies

Ameren Issues Equity Units And Shares

Ameren last week completed the sale of $500 million of equity and convertible securities and will use the proceeds to pay down debt and reduce gearing. The St. Louis-based energy outfit raised $200 million through the sale of five million common shares and $300 million through the sale of 12 million $25 seven-year convertible equity-linked securities.

Linda DeWine, an analyst at **Fitch** in Chicago, says proceeds will be used to pay down short-term debt at Ameren and one of its subsidiaries, although the exact subsidiary has yet to be determined. She adds Ameren has approximately $459 million of short-term debt maturing over the next 20 months and an additional $47 million due in one year. DeWine notes the convertible deal is rated A+ by Fitch. **Susan Gallagher**, an Ameren spokeswoman, declined all comment on the issuance.

The convertible securities mature in 2009 but investors have the option to exchange them for common stock in three years at between $39.50-46.61. Ameren closed last Wednesday at $40.60. **Goldman Sachs** and **Lehman Brothers** led the deal. **Banc of America Securities** and **J.P. Morgan** were co-managers for the equity unit sale. **Salomon Smith Barney** and **A.G. Edwards** co-managed the common stock offering.

Austin Utility To Refinance Debt With $81M In Notes

Austin Energy, the municipal utility owned by the Lone Star state capital, is looking to use the $81.1 million it plans to raise in revenue bonds to refund $78 million of outstanding bonds issued on a combined basis for the City's utilities. **Elaine Kuhlman**, senior v.p. finance and corporate services, says the process of splitting out power funding from water and wastewater, began in June 2000 with a water issue. The rationale behind the move is that it allows the entities to be rated separately. The move also gave the utility the opportunity to draft less restrictive covenant provisions than those under the combined utilities agreement, she adds.

The deal, which was due to be priced last Thursday, is led by **Salomon Smith Barney**, **J.P. Morgan**, **Lehman Brothers**, **RBC Dain Rauscher Wessels** and **PaineWebber**. Kuhlman says the firms were picked during a competitive RFP process run by the City treasury.

Fitch Ratings affirmed its rating for Austin Energy ahead of the issue, reflecting "the separate operating structure of the electric system and the evolving deregulated environment in Texas. Support for the rating includes diverse generating resources, historically strong electric sales growth of about 5% annually, and a favorable service territory."

Financing Record (FEBRUARY 21 - FEBRUARY 28)

Bonds

Date	Maturity	Issuer	Amount	Price	Type of Security	Coupon (%)	Moody's	S&P	Book Managers(s)
02/21/02	02/22/04	EDEGEL SAA(Generandes)	8.3	100	Bonds	6	-	-	Citibank
02/22/02	11/01/11	InvestCo	99.5	Market	Debentures	12.8	Aaa	-	Unibanco
02/22/02	02/27/07	Potomac Capital Investment	34.3	100	Mdm Trm Bk Nts	7.62	A3	BBB+	Merrill
02/22/02	02/27/12	Washington Gas and Electric	25	100	MTNs	6	NR	NR	Merrill
02/25/02	03/01/32	UtiliCorp	250	100	Senior Notes	7.875	Baa3	BBB	Morgan Stanley
02/26/02	-	Ameren	300	25	Adj Cvt Eq Uts	-	na	A	Goldman
02/26/02	03/01/12	Arizona Public Service	375	99.298	Notes	6.5	Baa1	BBB	SSB/BofA

M&A

Date Announced	Date Effective	Target Name	Target Country	Acquiror	Acquiror Country	Value ($mil)
02/21/02	02/21/02	Nowra Gas	Australia	ACTEW	Australia	-
02/22/02	-	Chapais Energie Societe	Canada	Clean Power Income Fund	Canada	-
02/22/02	02/22/02	Hafslund	Norway	Sydkraft	Sweden	-
02/26/02	-	Enserco Energy Service	Canada	Nabors Industries	U.S.	297.216
02/26/02	-	Giants Reef Mining Treatment	Australia	Troy Resources NL	Australia	.385
02/26/02	-	Mirant State Line Ventures	U.S.	Dominion Resources	U.S.	182
02/26/02	02/26/02	Samaraenergo	Russian Fed	Siberian Aluminum	Russian Fed	-

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

BERKSHIRE

(continued from page 1)

and since Berkshire has a lot of capital, it's a win-win situation." Officials at Berkshire did not return phone calls by press time.

Andre Meade, an analyst at **Commerzbank Securities**, says interest from outside the energy industry comes as no surprise. "The industry is going through a shake out with prices going down. Since a lot of the usual buyers in this sector are focusing on strengthening their balance sheets, it would make sense that financial buyers would come into play." He says potential targets for Berkshire could include **Central Illinois Light** and **Indianapolis Power & Light**, two utilities that are being shopped by **AES**.

John Roberts, an analyst at **J.J.B. Hilliard W. L. Lyons** in Louisville, Ky., who covers Berkshire, says that it has a huge borrowing capacity and "almost unlimited capital," making a utility acquisition or virtually any other type of acquisition easy to digest. "Acquiring a utility is probably of interest to Warren Buffett because prices are depressed. He looks at those types of investments just like buying any other stock, such as **Coca-Cola**, for instance. If it has good fundamentals, then he might delve into it."

Berkshire Hathaway purchased MidAmerican Energy Holdings for $9.1 billion in March 2000. It provides electricity and gas to about five million customers worldwide, primarily through its utility subsidiaries, MidAmerican Energy in the U.S. and **Northern Electric** in the U.K. Its regulated subsidiary, MidAmerican Energy, has 669,000 electricity customers and 646,500 gas customers in Iowa, Illinois and South Dakota.

—Amanda Levin Arnold

CALPINE'S $1B

(continued from page 1)

unsecured working credit facility.

Asked why the fully underwritten loan had failed to materialize since then, one syndicator involved in the current discussions says lead arrangers can walk away from fully underwritten deals if the agreement suffers a material adverse change—the so-called MAC clause—or other lenders fail to commit within predetermined time limits. He declined to say whether either mechanism was a factor in the non-appearance of the $1 billion loan. Scotia officials declined comment and calls to BayerischeLB were not returned.

A banker close to the discussions says both an unsecured facility and a new secured deal are live options, either individually or combined, but another lender, who is also involved, sees the unsecured option as unlikely. "The senior unsecured facility was supposed to close in January. It didn't."

In a bizarre twist last Monday, Calpine confirmed it is looking to arrange a secured loan, among other options, to bolster liquidity in response to a short-lived communiqué to bankers and investors from **Standard & Poor's**. The rating agency warned it might downgrade the company because of "Calpine's decision to secure approximately $2 billion ahead of Calpine's unsecured bondholders." The agency retracted the statement half an hour later, stating "no such transaction has occurred." **Katherine Potter**, a Calpine spokeswoman, declined to elaborate on the company's plans.

The loan maneuvering comes at a crucial time for Calpine. Getting a loan in place is seen as crucial for the San Jose, Calif., IPP because of the thin projected cash surplus it is forecasting for this year (PFR, 2/11).

"It needs to generate the perception that it has the confidence [of the loan market]," says one banker. But even when pricing on the original $1 billion loan was sweetened, the deal didn't take off. Some form of security, either at the corporate or plant level, might entice more interest, he notes.

Along with other former high-flying IPPs, Calpine has been hit by liquidity jitters in the shakeout from the collapse of **Enron**. Its shares have fallen 85% over the last year and it has had to ice plans to build some 15,100 MW in capacity, in order it to cut $2 billion from its capital-spending program.

—Peter Thompson

MEXICO READIES

(continued from page 1)

growing demand. Last year demand grew by 7%, he notes. Since the CFE launched Mexico's IPP program in the mid-1990s it has awarded 25 contracts—covering a combined 10 GW of capacity—of which six of the plants are already online.

The downturn in the U.S. independent power producer sector in recent months has left many developers that were traditionally active in Latin America now more focused on cutting costs and shoring up their balance sheets than on adding megawatts overseas. But Alanis says the downturn in the U.S. energy sector, and other well-publicized problems in Brazil and Argentina, do not seem to be diluting energy companies' appetites in Mexico.

He notes that **Calpine**, and **Mirant** have both bid for projects in the past and are still interested in developing Mexican IPPs. The CFE is also seeing strong interest coming from the German utility industry. Alanis says the CFE has spoken recently with **RWE** and **Steag** about developing projects in Mexico. Mexico's ability to shrug off Argentina's recent economic crisis has strengthened the country's appeal to outside investors, he explains.

Another company looking to rapidly build a presence in Mexico is **TransAlta**, Canada's largest non-regulated generation concern. **Daniel Pigeon**, director, says the company is looking to bid on a large number of Mexican IPPs as part of plans to geographically diversify its 9.5 GW generation portfolio outside Canada. TransAlta has no plants in Mexico just yet, but hopes the country will account for some 30% of its business in the future, says Pigeon.

The 13 build-own-operate IPPs up for tender this year include six combined-cycle-gas turbine plants with a combined capacity of 4GW, a 750 MW hydroelectric plant, one geothermal plant, two diesel-fired plants and one coal-fueled facility. Each of the IPPs will sell its output to the CFE under a 25-year U.S. dollar-denominated power purchase agreement, says Alanis.

—Will Ainger

ENRON TARGETS

(continued from page 1)

(PFR, 2/25). To repurchase NNG Enron must pay Dynegy $1.5 billion in cash and assume the pipeline's $950 million of debt.

Market watchers say the $2.45 billion price tag is fair value and that in all likelihood Enron will probably only be able to fetch another $200 million or so from other bidders. "Dynegy didn't get a sweetheart deal, " notes **William Maze**, a utility analyst at **Banc of America Securities** in New York. "Still, with Enron's financial state as it is, any price they can get above what Dynegy paid for it, would help."

Market watchers say that a bidding war could ensue, as NNG is widely considered the crown jewel in Enron's pipeline business. They also argue that pipelines in general are sought after because they are natural monopolies, generate constant revenue streams and are not dependent on commodity prices.

Michael Worms, a utility analyst at **Gerard Klauer Mattison** in New York, explains, "There isn't much gas being used right now because of the mild winter and when you throw in a weak economy, generation is out of favor. So regulated pipelines are very much in favor. NNG specifically has had good growth and is an efficient system."

In terms of the companies Enron is targeting, analysts say these four are obvious candidates that would be interested in owning a pipeline system stretching all the way from Texas to the Great Lakes. They add that interested companies will have to act quickly because once Dynegy owns it outright, they won't be willing to sell.

Calls to officials at Enron, Dynegy, Entergy and LG&E were not returned. **Pat Hemlepp**, an AEP spokesman, and **David Anderson**, a spokesman at TXU, declined to comment.

—A.L.A.

Quote Of The Week

*"With **Enron's** financial state as it is, any price they can get... would help."*—**William Maze**, *a utility analyst at* ***Banc of America Securities****, explaining why Enron is looking to sell* ***Northern Natural Gas*** *(see story, page 1).*

One Year Ago In Power Finance & Risk

Innogy was planning to issue bonds over the summer to refinance the cash component of its GBP1.8 billion acquisition of **Yorkshire Electricity**. [On April 30 Innogy issued GBP300 million of 10-year bonds and EUR500 million of seven-year bonds. Both tranches were underwritten by **Barclays Capital**, **BNP Paribas** and **HSBC**.]