

# power finance & risk

The exclusive source for power financing and trading news

www.iipower.com

A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

MARCH 15, 2004

VOL. VII, NO. 11

## Web Exclusive

A syndicate of creditors has foreclosed on the 526 MW Attala power plant in McAdams, Miss., after a public auction of the gas-fired plant on March 5.

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

## Drax Beefs Up Trading

**Drax Power**, operator of the U.K.'s largest power plant, is looking to hire a head of trading and risk management as the coal-fired generator looks to become a more proactive trader.

*See story, page 5*

## At Press Time

Conoco Seeks Speedy Sale 2  
Becker Seen Leaving Citi 2

## In The News

City Trader Adds AES Counsel 3  
Cinergy Takes On Mirant Structurer 3  
French Combine Eyes Project Bond Play 4  
BMO Loses Trader 4

## Corporate Strategies

Southern Unit Swaps To Fixed 5

## Departments

Recaps 6  
Financing Record 7

**COPYRIGHT NOTICE:** No part of this publication may be copied, photocopied or duplicated in any form or by any means without Institutional Investor's prior written consent. Copying of this publication is in violation of the Federal Copyright Law (17 USC 101 et seq.). Violators may be subject to criminal penalties as well as liability for substantial monetary damages, including statutory damages up to \$100,000 per infringement, costs and attorney's fees. Copyright 2004 Institutional Investor, Inc. All rights reserved.

For information regarding individual subscription rates, please contact Joe Mattiello at (212) 224-3457.

For information regarding group subscription rates and electronic licenses, please contact Dan Lalor at (212) 224-3045.

## SEMPRA/RIVERSTONE SEEN ACQUIRING AEP MERCHANT PORTFOLIO

A joint venture between San Diego-based **Sempra Energy** and New York private equity shop **Riverstone Holdings** is reportedly poised to acquire a 10-plant 3.8 GW merchant generation portfolio in Texas from **American Electric Power**. Wall Street bankers close to the process say a sales announcement is likely to be made within the next few days following the withdrawal of the only other bidder left in the auction process, **Texas Pacific Group**.

Mark Snell, cfo at **Sempra Energy Global Enterprises**, the unregulated arm of the

*(continued on page 8)*

## DEVELOPMENT BANK READIES WEATHER-LINKED BOND; REPORTEDLY TRANSFERS EKT RISK

The **Inter-American Development Bank** is preparing to launch a \$300 million weather-linked bond offering, a deal that will transfer to the capital markets an esoteric portfolio of weather exposures, believed to be held by **Entergy-Koch Trading**. **ABN AMRO**, which structured the Taiwanese dollar-denominated bond offering, is expected to launch the deal to local investors within the next few weeks, according to *PFR* sister publication *Derivatives Week*.

If successful, the offering will likely mark only the second time that a weather-linked

*(continued on page 7)*

## Second Time Lucky?

## MORGAN STANLEY LANDS CALPINE MANDATE

**Morgan Stanley** has snared the lead role in underwriting a \$2.4 billion refinancing package for Calpine's CCFC-II power plant construction revolver. The appointment comes after **Deutsche Bank** was dropped from the lead position earlier this month for failing to execute a \$2.3 billion deal (*PFR*, 3/8). Calpine spokesman **Rick Barraza** did not return calls.

**Morgan Stanley** has improved the terms of the deal in several ways to avoid the structural weaknesses that scared potential investors and unhinged **Deutsche Bank's** earlier effort. The bulge bracket firm has tightened the financings' covenants, increased collateral security and incorporated a \$100 million three-year spark-spread hedge to ensure debt

*(continued on page 8)*

## TPG PREPS PORTLAND GENERAL BEAUTY CONTEST

**Texas Pacific Group** is looking to hire a bank to arrange and underwrite an \$800 million bond and loan package to finance part of its already announced \$2.35 billion purchase of **Portland General Electric** (PGE).

The Fort Worth-based private equity firm recently filed an application for regulatory approval with the **Oregon Public Utility Commission** to acquire the utility and will likely hold a beauty contest in New York at the end of this month or early April to choose a lead underwriter, say market watchers. **Owen Blicksilver**, a spokesman for TPG,

*(continued on page 8)*

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



## At Press Time

## ConocoPhillips Launches Texas Sale; Seeks Quick Divestiture

ConocoPhillips has launched a sale of its 50% interest in the Ingleside Cogeneration plant in Texas and is looking to complete a fast-track sale by June.

According to a sales memo sent out by the oil company, indicative bids on the 440 MW natural gas-fired plant are due this month, after which a shortlist of bidders will be invited to conduct more due diligence and submit firmed-up proposals by April 8. The Houston-based company hopes to complete a sale by June 1. Calls to the media department at ConocoPhillips were not returned.

The four-year-old plant, situated north of Corpus Christi, is jointly owned by Occidental Chemical, which also has an off-take contract with the plant for an adjacent OxyChem petrochemical plant (PFR, 3/8).

## Commodity Trading Head Seen Leaving Citi

David Becker, global head of Citigroup's commodity trading desk, is reportedly set to leave the bank. A Citi official says New York-based Becker is on vacation and still on the bank's payroll, but adds he will not be return to the firm. Repeated calls to Becker's voicemail at Citi were not returned. Joe Toussaint, head of power trading and Danielle Romero, a spokeswoman at the bank, declined comment.

Becker, a veteran Citi banker, was responsible for hiring Toussaint last year to build up a power trading team (PFR, 12/3).

## Cinergy Looks To District Heading For Growth

Cinergy is looking to expand into the district heating and cooling system business and is vying for Tractebel North America's Trigen Energy as well as Dominion Resources' Cleveland Thermal district heating system. Market watchers says Cincinnati-based Cinergy's inability to execute a utility merger (PFR, 2/15) is prompting it to look at the niche district heating market. Steve Brash, spokesman from Cinergy, declined to comment.

While Cinergy would like to buy Trigen, a collection of district heating assets that has being shopped by Banc of America Securities since last fall, its main focus is on Cleveland Thermal.

"The reason the Trigen auction has taken so long, is that it's spread out across many states and any sale is slow going [because of] all the permits required from local authorities," says an investor involved in the process. However, Cleveland Thermal is located in just one city and would be a natural fit for Cinergy as its utility arm already serves Cleveland.

Trigen comprises seven district heating plants serving office buildings in Philadelphia, Baltimore, St. Louis, Trenton, N.J., and the state of Oklahoma. Grace Ferry, a contracted 150 MW generation plant in Philadelphia, which is connected by a steam loop, is also in the package.

## power finance & risk

The exclusive source for power financing and trading news

### EDITORIAL

TOM LAMONT  
Editor

STEVE MURRAY  
Deputy Editor

VICTOR KREMER  
Executive Editor [London]  
(44 20) 7303-1748

WILL AINGER  
Managing Editor [London]  
(44 20) 7303-1735

PETER THOMPSON  
Senior Reporter [Chicago]  
(773) 525-6978

NINA SOVICH  
Associate Reporter [New York]  
(212) 224-3226

ARADHNA DAYAL  
Hong Kong Bureau Chief  
(852) 2912-8009

STANLEY WILSON  
Washington Bureau Chief  
(202) 393-0728

JANA BRENNING, KIERON BLACK  
Sketch Artists

### PRODUCTION

DANY PEÑA  
Director

LYNETTE STOCK, DEBORAH ZAKEN  
Managers

MICHELLE TOM, ILIJA MILADINOV,  
MELISSA ENSMINGER, PHILIP CHIN  
Associates

JENNY LO  
Senior Web Production Designer

TIMOTHY O'SHAUGHNESSY  
Web Production Designer

MARIA JODICE  
Advertising Production Manager  
(212) 224-3267

### ADVERTISING

MIKE McCAFFERY  
Publisher, Director of Advertising Sales  
(212) 224-3534  
mmccaffery@iineus.com

NAZNEEN KANGA  
Publisher  
(212) 224-3005  
nkanga@iineus.com

PAT BERTUCCI, MAGGIE DIAZ,  
KRISTIN HEBERT, TAMARA WARD  
Associate Publishers

JENNIFER FIGUEROA  
Media Kits  
(212) 224-3895

### PUBLISHING

GUY A. CROSSLEY  
Group Publisher

ELAYNE GLICK  
Director of Marketing & Circulation  
(212) 224-3069

STACEY FINK  
Marketing Manager (212) 224-3099

MEREDITH SHELLEY  
Renewals Manager (212) 224-3096

VINCENT YESENOSKY  
Senior Fulfillment Manager  
(212) 224-3096

### INDIVIDUAL SUBSCRIPTIONS

One year - \$2,495 (in Canada add \$30 postage, others outside U.S. add \$75).

JOE MATTIELLO  
Director of Sales (212) 224-3457

KEN LERNER  
Account Executive [New York]  
(212) 224-3043

JOVITA WALKER  
Account Executive [New York]  
(212) 224-3824

THOMAS GANNAGE-STEWART  
Account Executive [London]  
(44-20) 7779-8998

ADI HELLER  
Account Executive [Hong Kong]  
(852) 2842-6929

### GROUP SUBSCRIPTIONS/ ELECTRONIC LICENSES

GEORGE WITTMAN  
Client Development Manager  
(212) 224-3019

### REPRINTS

AJANI MALIK  
Reprint Manager (212) 224-3205  
amalik@investor.net

### CORPORATE

CHRISTOPHER BROWN  
Chief Executive Officer

DAVID E. ANTIN  
Director of Finance and Operations

ROBERT TONCHUK  
Fulfillment Director

**Customer Service:** PO Box 5016,  
Brentwood, TN 37024-5016.  
Tel: 1-800-715-9195. Fax: 1-615-377-0525  
UK: 44 20 7779 8704  
Hong Kong: 852 2842 6950  
E-mail: customerservice@iineus.com

**Editorial Offices:** Nestor House,  
Playhouse Yard, London, EC4V 5EX,  
England. Tel: (44 20) 7303-1735  
Email: wainger@euromoneyplc.com

**Power Finance & Risk** is a general  
circulation newsweekly. No statement in  
this issue is to be construed as a  
recommendation to buy or sell securities  
or to provide investment advice.

**Power Finance & Risk** ©2004  
Institutional Investor, Inc.

**Copying prohibited without the  
permission of the Publisher.**

**Institutional  
Investor NEWS**  
INTELLIGENCE FIRST

## Ex El Paso Developer Joins Micro Turbine Concern

David Sims, formerly a senior v.p. for development and asset management at El Paso Merchant Energy in Houston, has joined Ingersoll-Rand Energy Systems in the new position of sales manager covering the Houston region. After leaving El Paso in 2002, Sims set up DMS Energy Services to provide consulting and contractual support to owners of power generation. DMS is in the process of being wound up.

Sims, who declined comment, joined the Davidson, N.C.-based micro turbine arm of industrial manufacturer Ingersoll-Rand last month.

## UBS Recruits Morgan Stanley Energy Marketer

UBS Energy has hired Catherine Flax, head of North American power origination and structuring at Morgan Stanley in New York, as a managing director in Stamford, Conn., responsible for U.S. structured transactions. She reports to Louise Kitchen, managing director.

Flax spent six years at Morgan Stanley and previously worked for Williams Cos, the City of Tulsa's treasury department and the University of Nebraska, according to UBS spokesman Kris Kagel. He adds the hire reflects UBS' desire to build its presence in the energy marketplace. Flax could not immediately be reached for comment.

Kamal Haman, a structurer at Morgan Stanley, has been promoted to fill Flax' position, says an official at the firm.

## Foundation Lands AES' General Counsel

Foundation Energy, a nascent energy trading boutique in London, has hired Yehuda Cohen, general counsel for Europe and Africa at AES, as its general counsel. Cohen joins April 1 and will remain at AES until then. The appointment reflects Foundation's desire to fill senior positions before it begins trading within the next few weeks (PFR, 3/1).

Cohen joined AES almost a year ago and, among other things, worked on the restructuring of Drax' equity ownership and the sale of the AES Barry power plant to Centrica. He was previously general counsel at Dynegy Europe. At Foundation he rejoins fellow former Dynegy executives Barnaby Reason and Marcello Romano.

"It is a very exciting opportunity to join a new energy trading company during its early stages. Foundation is the first truly independent and stand-alone energy trader and marketer to emerge in Europe since the withdrawal of most of the U.S.

merchant energy players," says Cohen. Christian Wright, a spokesman at AES, declined to comment.

## Cinergy Hires Mirant Structurer

Cinergy has hired Jason Page, a structurer covering the western power market at Mirant. The position became open following a recent restructuring at Cinergy and further hires in structuring are expected, according to an official familiar with the move.

Page is believed to have been made redundant in the most recent round of cuts at the Atlanta-based IPP, the official adds. Page, who worked at Aquila prior to Mirant, could not be reached. He is expected to join the Midwest utility in Cincinnati in the coming weeks. Officials at Cinergy declined comment. David Payne, a spokesman at Mirant, did not return calls.

## HBOS Eyes London Project Finance Consolidation

Halifax Bank of Scotland is planning to consolidate its European power and energy project finance teams in London, as part of a broader restructuring of the groups, say officials close to the bank. The move would see the closure of HBOS' Edinburgh-based power project finance desk and staffers would either be transferred to London or assigned to other departments.

HBOS most recently took a mandated lead arranger position on RWE Innogy's GBP300 million Beaufort Wind project financing (PFR, 3/8)

## NRG Considers Relocating To New Jersey

NRG Energy, the Minneapolis-based independent power producer that recently emerged from bankruptcy protection, is reportedly considering relocating its head office from Minnesota to Princeton, N.J. Market watchers say newly installed Chief Executive David Crane is one of several executives pushing for the move as his family lives in the Garden State. Lesa Bader, a spokeswoman at NRG, says she's unaware of any plans to relocate.

Market watchers say relocating to the New York tri-state area makes sense for NRG given that it is owned by a group of mostly New York-based banks and investment funds and has to deal with these owners on a regular basis. They add that NRG's ties to Minneapolis and Minnesota were loosened when its parent, local utility Xcel Energy, divested ownership last May as part of the IPP's Chapter 11 filing. Lastly, market watchers note that as more than half of NRG's 16 GW U.S. generation portfolio is located in the Northeast and Mid-Atlantic states, Princeton offers geographical advantages.



## French Bank Eyes Project Bond Growth In Reorg

The soon-to-be-merged **Crédit Agricole Indosuez/Crédit Lyonnais** combo is looking to bolster its presence in the project bond market and has charged **Liam O'Keefe**, until now head of Lyonnais' London project finance unit, to lead the effort.

As part of a restructuring at the new French banking heavyweight, which officially comes into being May 1, London-based O'Keefe has been appointed global head of project development. An official close to the matter says one of O'Keefe's initial tasks is to raise the bank's ranking from 15th to nearer the top of the project bond underwriting league. "There's a lot of potential, especially in the renewable sector," says the official. O'Keefe declined to comment.

The reorganization will also see **Alan Baker**, Lyonnais' head of power project finance in London, becoming global head of power coverage, where he will be responsible for maintaining client relationships outside France and originating new deals.

**Jean Francois Grandchamp**, recently appointed deputy global head of power project finance, will also head up project finance in London and have coverage of Western Europe outside France, the E.U. accession countries, Saudi Arabia and South Africa. The rest of the Middle East, North Africa, France and Eastern Europe will be covered from Paris.

CAI's Paris-based **Alexandra Boleflawski** was appointed global head of power project finance last December (PFR, 12/16).

## Irish IPP Targets Project Finance Mart.

**ESB International** expects to approach the bank market in the third quarter of this year to finance construction of an 800 MW generation project at Marchwood on England's south coast. **David McNamara**, project director, says the Dublin-based IPP will commence negotiations with banks late this summer in the hope of having non-recourse debt in place during the first quarter of 2005. The project will cost "several hundred million sterling to complete" and is scheduled to come on line in 2007-8, he says.

In the meantime, ESBI is reportedly talking to **Centrica**, **ScottishPower** and **Scottish and Southern Energy** about signing long-dated gas supply and power offtake contracts with the new plant. McNamara confirmed it's talking to several U.K. utilities, but declined further comment. Bankers say that signing the energy contracts is crucial to the project's success, given lenders' unwillingness to bankroll merchant assets.

Market watchers say Centrica is the most likely tolling counterparty, given that it will have lost its largest offtake

contract, a 38 TWh contract with **British Energy** covering some 20% of its electricity demand, about the time the Marchwood plant comes on line. **Andrew Turpin**, a spokesman at Centrica, confirms that it's looking to hedge this generation shortfall, but declined further comment.

Last month ESBI announced it had purchased **Aquila** subsidiary **Marchwood Power**, a Southampton based company. McNamara says Marchwood's attractive position in southern England and its good access to the grid attracted it to the project.

## Gas Trader Exits BMO New York

**Eric Plateis**, v.p.-fixed price natural gas trading at **BMO Nesbit Burns** in New York, has left the firm. Plateis says he is looking at several entrepreneurial opportunities, adding that he felt it was time to leave trading. Prior to BMO, Plateis had a three-year stint at **Constellation Power Source**, where he traded electricity, natural gas and crude oil, and before that was vice chairman of the **Commodities Exchange, Inc.** (COMEX), which merged with the **New York Mercantile Exchange** in 1994. Officials at BMO declined comment.

## Lyonnais Launches Czech Retail Round

Mandated lead arranger **Crédit Lyonnais** launched retail syndication last Tuesday off a CZK6.7 billion (\$260 million) loan refinancing existing project-level debt at Czech IPP **ECK Generating**.

Market watchers say the French bank is looking to raise at least \$70 million in Czech crown-denominated capital during a second round of syndication, adding it expects between five and eight banks to sign up. Lyonnais is offering commitment fees of 60 and 50 basis points for retail tickets of roughly \$18 million and \$14 million, respectively. The 15-year loan pays a margin of 130 basis points over LIBOR at the outset, rising to 150 basis points by the close.

Lyonnais has asked banks to respond by April 1, and hopes to wrap up syndication by the middle of next month. Officials at Lyonnais in London declined to comment.

The loan is replacing outstanding principal on a roughly \$300 million **International Finance Corp.**-sponsored loan that was put in place seven years back to fund the \$400 million refurbishment and expansion of an ECK power plant at Kladno into a 300 MW cogeneration facility.

The refinancing effort reflects a change in ownership at ECK. Swiss utility **Aare-Tessin Ltd. for Electricity** acquired a 44% stake in ECK from **NRG Energy** in 2002 and doubled its stake to 89% last spring through the acquisition

of minority stakes held by El Paso Energy International, TECO Power Services and Mosbacher Power Partners.

A senior syndication round closed Feb. 6 with the addition of Bank Austria Creditanstalt, Bayerische Landesbank, ING, KfW and Société Générale.

## Drax Beefs Up Trading

Drax Power, a bank-owned energy company that operates the 4 GW Drax coal-fired power plant in Yorkshire, England, has begun beefing up its trading desk as it looks to become a more proactive trader of its output, according to market watchers.

The company recently began looking for a new executive to run trading and risk management and last month re-hired John Norling, a former AES Drax power trader who left AES roughly a year ago before the plant was handed over to its creditors. Drax has three full-time power traders as well as several shift traders. Norling declined to comment and calls to John Readsaw, a human resources official, were not returned.

The appointments come as Drax Chief Executive Gerald Wingrove looks to build a management team. Market watchers say he is looking to hire a chief financial officer and a head of procurement.

Drax is Europe's largest power plant and provides roughly 7% of the U.K.'s generation.

## Corporate Strategy

### Southern Fixes Rates Ahead Of Debt Issues

Alabama Power is set to raise some \$470 million in the bond market later this year and paved the way for the offering recently through a pair of floating-to-fixed interest-rate swaps.

Southern Co., the parent of the Alabama utility, entered a \$250 million five-year swap and a \$220 million three-year swap to lock in rates ahead of a planned debt issue, explains Todd Perkins, manager covering credit and risk oversight in Atlanta. He explains that locking in a fixed rate removes any uncertainty from the transaction. Gaining protection against a possible interest rate hike may be an extra benefit, he adds.

Perkins says Southern entered the swaps with several counterparties and they were chosen according to price. He declined to name the firms.

Alabama Power last tapped the capital markets in the middle of last month with a \$100 million offering of 5.3% preferred shares to refinance maturing debt (PFR, 1/3). At the time Assistant Treasurer Randy DeRieux told PFR that the utility had more debt to pay down later this year.

## SUBSCRIPTION ORDER FORM

www.iipower.com

☐ **YES!** Please send me 1 year (51 issues) of **Power Finance & Risk** at the special price of \$2,195\*. Once I have subscribed I can select a permanent User ID and Password to www.iipower.com at no extra charge.

NAME B40301

TITLE FIRM

ADDRESS

CITY/STATE POSTAL CODE/ZIP COUNTRY

TEL FAX E-MAIL

### Options for payment:

- ☐ Bill me ☐ Check enclosed (please make check payable to Institutional Investor News)  
☐ I am paying by credit card: ☐ Visa ☐ Amex ☐ Mastercard

CREDIT CARD NUMBER EXPIRATION DATE SIGNATURE

The information you provide will be safeguarded by the Euromoney Institutional Investor PLC group, whose subsidiaries may use it to keep you informed of relevant products and services. We occasionally allow reputable companies outside the Euromoney Group to mail details of products which may be of interest to you. As an international group, we may transfer your data on a global basis for the purposes indicated above.

- ☐ Please tick if you object to contact by telephone.  
☐ Please tick if you object to contact by fax.

- ☐ Please tick if you object to contact by email.  
☐ Please tick if you do not want us to share your information with other reputable businesses.

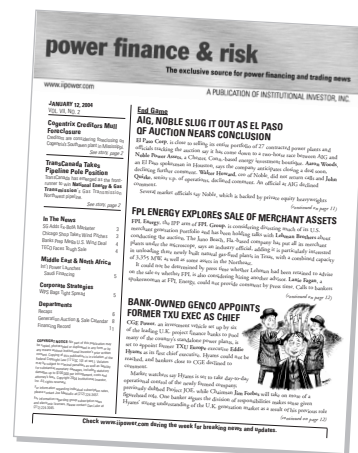
\* In Canada, please add US\$30 for postage. Other non-U.S., please add US\$75.

**Institutional Investor NEWS**  
 INTELLIGENCE FIRST

**UNITED STATES**  
 Tel: 1-212-224-3570  
 Fax: 1-615-377-0525  
 Email: customerservice@iinvest.com  
 Institutional Investor News  
 P.O. Box 5016  
 Brentwood, TN 37024-5016

**UNITED KINGDOM**  
 Tel: 44 20 7779 8998  
 Fax: 44 20 7779 8619  
 Email: tgstewart@euromoneyplc.com  
 Thomas Gannagé-Stewart  
 Institutional Investor News  
 Nestor House, Playhouse Yard  
 London, EC4V 5EX, England

**HONG KONG**  
 Tel: 852 2842 6929  
 Fax: 852 2973 6260  
 Email: hellera@iinvest.com  
 Mail: Adi Heller  
 Institutional Investor News  
 5/F, Printing House, 6 Duddell Street  
 Central, Hong Kong, China



## 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.*

### Asia

- Thailand has delayed an initial public offering of shares in state-owned power company **Electricity Generating Authority of Thailand** in the wake of trade union protests. Amidst threats of strike action, Energy Minister **Prommin Lertsuridej** said the government would postpone the IPO because more time was needed to complete certain technical aspects of the deal and to make the deal more transparent to the public. EGAT workers are protesting not only the lack of transparency but also because they fear privatization could lead to layoffs and higher electricity prices (*Dow Jones*, 3/5).

### Europe & Middle East

- London-based **International Power** has acquired E.on's minority stakes in a 478 MW gas-fired power plant in Turkey and 586 MW gas-fired plant in Pakistan for GBP29.6 million (\$54 million) including the assumption of GBP8.6 million of debt (*Financial Times*, 3/10).
- The U.K.'s power transmission and distribution networks are underinvested, and unless capital expenditure is doubled, the system's security is threatened, according to a report by the U.K. Parliament's Trade and Industry Select Committee. The Resilience of the National Electricity Network Report also called for national regulator **Ofgem** to change its incentive scheme and criticized it for being too focused on reducing customer bills (*Dow Jones*, 3/10).
- Spain's **Endesa** has hired investment banks **InverCaixa**, **BNP Paribas** and **Credit Suisse First Boston** to prepare the sale of its 11.64% stake in water company **Sociedad General de Aguas de Barcelona**. At current market prices, the stake is worth around EUR220 million (*Dow Jones*, 3/10).
- German utility **E.on** is interested in taking part in the privatization of Romanian gas distribution companies **Distrigas South** and **Distrigas North**. **Burckhard Bergmann**, chief executive of E.on gas unit **Ruhrgas**, said that the group would take part in the bidding, with an offer in the hundreds of millions of euros. E.on is interested in acquiring one of the two companies, Bergmann said. The Romanian government will only allow each bidder to make an offer for one of the

two. France's **Gaz de France** has also come forward as a likely bidder (*Dow Jones*, 3/10).

### U.S. & Canada

- ScottishPower** subsidiary **PacifiCorp** has been awarded permission by the **Utah Public Service Commission** to begin construction of a new 525 MW gas-fired plant near Salt Lake City. Construction of the roughly \$350 million plant is expected to begin this month (*Financial Times*, 3/6).
- The U.S. **Nuclear Regulatory Commission** has given **FirstEnergy** permission to restart its Davis-Besse nuclear power plant, capping an extensive two-year repair outage at the facility (*Dow Jones*, 3/6).
- Pacific Gas & Electric**, the bankrupt Californian utility unit of **PG&E Corp.** has secured commitments for \$2.9 billion in credit facilities for working capital and to refinance pollution control bonds. The utility said the funds may also be used to pay a portion of creditor claims when its bankruptcy reorganization plan becomes effective (*Reuters*, 4/9).
- Westar Energy** has filed to sell up to \$500 million of debt and first-mortgage bonds and about 2.83 million common shares under a Securities and Exchange Commission shelf registration (*Dow Jones*, 3/10).
- American Electric Power**, the largest U.S. power producer, has agreed to sell its stake in four power plants to **Bear Stearns** for \$156 million, as part of its strategy to divest non-core assets and cut debt. AEP said the deal would result in a pre-tax gain of about \$100 million, mainly from the sale of two power plants in Florida (*Reuters*, 3/10).
- Cinergy** is prepared to go to trial to defend itself against a government air pollution lawsuit as the utility may not be able to finish power plant upgrades in Ohio and Indiana under a settlement it proposed in late 2000. The Clinton administration sued Cinergy, **American Electric Power** and **FirstEnergy** in 1999, accusing the utilities of rebuilding power plants without installing state-of-the-art controls required by the Clean Air Act to keep polluting gases and soot from reaching the atmosphere (*Cincinnati Post*, 3/10).

## DEVELOPMENT BANK

(continued from page 1)

bond has been brought to market. One of EKT's two principal backers, **Koch Industries**, issued a \$50 million 144A offering some four and a half years back (PFR, 10/25/99). The "Kelvin" deal proved difficult to place and, as such, has yet to be replicated, say weather traders.

**Alex Schippers**, global head of weather and insurance at ABN in the Netherlands, and **David Sibert**, president of EKT, declined comment. **Daniel Drosdoss**, spokesman at the IADB in Washington, was unable to provide details.

"This is a...unique structure," says a derivatives marketer at a European investment bank. The coupons will be linked to the performance of a dizzying array of global weather risks, ranging from wind speed in Spain to snow depth at Fukushima, Japan, according to an indicative term sheet obtained by *PFR* sister publication *Derivatives Week*.

The bond issue will be split into three tranches and offer a guaranteed coupon in the first year. The initial coupon on the five-year tranche is 2.5%, 3.5% for the seven-year slug, and 4% for the 10-year notes, according to an official at Taiwanese securities house **Barits International Securities**, which is participating in the underwriting. After the first year the coupons are linked to the weather index and may fluctuate, but

the principal is guaranteed by the IADB.

The high guaranteed coupon in the first year, together with the principal protection, is likely to entice yield-hungry Taiwanese investors, despite the deal's complexity, explains the Barits official. "There's a lot of pressure on fund managers to perform," he continues, noting that yields on seven-year domestic corporate debt average 1.76%.

Indeed, ABN has upped the size of the transaction to TWD13 billion from TWD10 billion and added the five and seven-year tranches in recent weeks in response to demand.

The deal consists of 24 derivatives positions across nine countries, including two long swaps on wind speed in Denmark and the U.S., a short call on temperature and sunshine in Melbourne, a short collar on true average temperature in Osaka, Japan, a short put on Spanish hydro reservoir levels and a short put on the two coldest days in Essen, Germany, according to a term sheet.

The deal's attractive yield and non-correlated risk, however, have not convinced everyone it will be a sure-fire hit. Domestic shop **Capital Securities** recently pulled out of a proposed distribution deal with ABN because of concerns over transparency and a potential lack of appetite for such an exotic instrument, according to a marketer at the firm.

To see an indicative term sheet, please visit *PFR's* Web site ([www.iipower.com](http://www.iipower.com)).

—Matt Tremblay

## Financing Record (FEBRUARY 17 - MARCH 11)

### M&A

Date Announced	Date Effective	Target	Target Advisors	Target Country	Acquiror	Acquiror Advisors	Acquiror Country	Deal Value (\$mil)
2/17/04	-	Brazos-Natural Gas Facility	Lehman	U.S.	Calpine Constr Finance	-	U.S.	175
2/17/04	-	Electrabel-Hydroelectric	-	Belgium	Ecopower	-	Belgium	-
2/17/04	2/23/04	First Power Utilities	-	India	KLG Systel	-	India	-
2/17/04	-	LIG Pipeline	Goldman Sachs	U.S.	Crosstex Energy	Lehman	U.S.	76.2
2/17/04	2/17/04	Northern Star Generation	-	U.S.	Northern Star Generation	-	U.S.	-
2/17/04	-	Northern Star Generation	-	U.S.	Ontario Teachers' Pension Plan	-	Canada	-
2/19/04	2/19/04	Marchwood Power	-	U.K.	ESB International	-	Ireland-Rep	-
2/20/04	-	Vertical Wind Turbine-Windcran	-	U.S.	First National Power	-	Canada	-
2/21/04	-	Kasargod Power	-	India	Octagon Consolidated	Commerce	Malaysia	4.336
2/21/04	-	RVK Energy	-	India	Octagon Consolidated	Commerce	Malaysia	8.803
2/23/04	2/23/04	Turk Edison Enerji	-	Turkey	Entek Elektrik Uretim	-	Turkey	66.826
2/24/04	-	Gas Transmission NW	Lazard	U.S.	TransCanada	JP Morgan/SG Barr Devlin	Canada	1,703.00
2/24/04	-	Palo Duro Pipeline-Cert Natura	-	U.S.	Enbridge Energy	-	U.S.	13
2/24/04	-	Chongqing Yuyong Elec Power	-	China	Chongqing Jiulong	-	China	0.753
2/25/04	-	DEPA	JP Morgan/EFG Eurobank	Greece	Gas Natural	-	Spain	356.294
2/26/04	2/26/04	Carib Power	-	Trinidad&Tob	Centennial International	-	U.S.	-
2/26/04	-	Eco Power	-	Japan	Kansai Electric Power	-	Japan	4.566
2/26/04	2/26/04	Fife Power Station	-	U.K.	Scottish & Southern Energy	-	U.K.	22.908
2/26/04	-	Ratchaburi Power	-	Thailand	PTT PCL	-	Thailand	6.36
2/27/04	-	Oyster Creek,Michigan Power	-	U.S.	Undisclosed Acquiror	-	Unknown	-
3/1/04	-	AEP-South Texas Project	CSFB	U.S.	Cameco	-	Canada	333
3/3/04	-	SNET	-	France	Endesa	-	Spain	-
3/5/04	-	Grupo Ferrovial	-	Spain	Agua de Valencia	-	Spain	-
3/8/04	-	478 MW Trakya CCGT	-	Turkey	International Power	-	U.K.	54.766
3/8/04	-	586 MW Uch CCGT	-	Pakistan	International Power	-	U.K.	-
3/9/04	-	United-Coal-Fired Station	-	U.S.	Dominion Resources	-	U.S.	-
3/10/04	-	American Elec-Power Plants(4)	-	U.S.	Bear Stearns	-	U.S.	156

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



## TPG PREPS

(continued from page 1)

declined to comment.

**Credit Suisse First Boston**, **J.P. Morgan** and **Lehman Brothers** are the lead candidates to land the mandate, say Wall Street financiers, adding that **Deutsche Bank** is also putting together a bid. CSFB, which advised PGE's parent **Enron** on the sale, is seen by many as the strongest contender. It wrote a so-called 'Highly Confident Letter' to the Oregon Public Utility Commission on behalf of TPG on March 8, stating that the bank could arrange the financing to fund the acquisition should the need arise. However, one banker warns that a perceived conflict of interest resulting from CSFB's role advising the seller may lead TPG to pick a different bank. **Pen Pendleton**, spokesman at CSFB, declined to comment.

A lawyer involved in the acquisition process notes that continued uncertainty regarding PGE's status under the Public Utility Holding Company Act (PUHCA) may delay TPG's purchase beyond the second quarter. He notes the **Securities and Exchange Commission** decided against upholding PGE's PUHCA exemption last December and argues this could hinder TPG's ability to execute a deal if the SEC also deems that the private equity player would also have to comply with PUCHA regulations. —*Nina Sovich*

## SEMPRA/RIVERSTONE

(continued from page 1)

Californian energy company that is looking to invest in distressed generation, declined to comment. **Owen**

**Blicksilver**, a TPG spokesman, says the company is looking to

acquire generation in Texas, but declined further comment. A spokeswoman at AEP declined to comment.

One financier says Semptra and Riverstone have bid in the \$400-500 million range. He adds both Semptra and Riverstone are believed to be providing equity capital to fund the deal and Semptra affiliate **Semptra Energy Resources** will operate the portfolio.

An official close to the process says the joint venture is almost entirely motivated by a desire to get its hands on the 632 MW Coletto Creek coal-fired station, which is widely viewed as the jewel in the crown. With gas-fired generation operating on the margin in Texas, cheap base-load coal-fired plants tend to be the most profitable, he explains. The official adds the J.V. intends to mothball most, if not all, of the eight aging gas-fired plants, most of which came on line in the 1940s and 1950s, and



Coletto Creek

struggle to compete against more modern CCGT plants in the Lone Star State. The gas-fired plants account for some 3.175 GW of notional capacity, though many of these assets were partially mothballed in late 2002.

Coletto Creek, the only coal-fired plant in the AEP portfolio, had a 76% capacity factor in 2002, highlighting its strong performance. Most of the gas-fired assets offered capacity in the 20-30% range, according to a sales memo distributed by American Electric Power and its advisor **Credit Suisse First Boston**.

Riverstone, an affiliate of **The Carlyle Group**, was set up in 2001 with some \$222 million of equity commitments to invest in the energy sector. Having made several oil and gas investments it raised additional capital in 2002. Calls to **Christopher Ullman**, a spokesman at Carlyle in Washington, were not returned.

—*Will Ainger*

## MORGAN STANLEY

(continued from page 1)

repayments are made even if generation margins deteriorate, according to *PFR* sister publication, *Loan Market Week*.

The reworked deal prevents Calpine from substituting one power plant backing the financing for another and also requires asset sale proceeds to be earmarked to pay down debt. Furthermore, investors will have the direct lien on two-thirds of the California plants backing the deal and a lien on the stock on Calpine's Goldendale plant.

A market watcher says the new loan and bond package is divided into four tranches, including an \$800 million super-senior secured five-year floating-rate loan/bond callable in year three and priced at LIBOR plus 3.5-3.75%. The remainder of the debt consists of a \$855 million six-year senior secured note/loan that's not callable until year four and priced at LIBOR plus 5.5-5.75%; a \$550 million seven-year secured floating-rate note priced at LIBOR plus 8.75-9%; and a \$200 million seven-year secured fixed rate note priced at 11.25-11.5%.

There is also a new \$200 million revolver being led by **Scotia Capital**. Scotia and **Credit Suisse First Boston** are the leads on CCFC-II's existing bank debt.

Deutsche Bank was in the market last month with a \$2.3 billion loan and bond deal to refinance the CCFC-II. The facility included \$1.3 billion of non-recourse first-lien term loans and \$1 billion of second-lien notes. Price talk on the loan before the transaction was pulled was LIBOR plus 4.25%. —*Amy Cohen*

## Quote Of The Week

"It is a very exciting opportunity to join a new energy trading company during its early stages." —**Yehuda Cohen**, **AES'** general counsel for Europe and Africa, explaining why he's joining **Foundation Energy** (see story, page 3).