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The Envelopes, Please….
International Power, **InterGen**, **Union Fenosa** and **CMS Energy** have all bagged nominations in *PFR*'s inaugural project finance awards for the European, Latin American and Middle Eastern markets.

For full details, see page 10

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INTERNATIONAL POWER COURTS TECO FOR $7B TIE UP

International Power is holding acquisition discussions with Florida power giant **TECO Energy**, a deal that would add 11 GW of generation capacity to the London-based IPP's 4.4 GW U.S. portfolio and give the company its first exposure to the regulated utility industry. A merger would create a $7 billion outfit given their current market valuations.

Paul Parshley, director of corporate planning and communications at International Power, confirms the two companies have held preliminary discussions about a tie up, but says talks have not developed far enough for the move to be put to International Power's board of directors. He declined further comment on the discussions. **Gordon Gillette**, cfo at TECO Energy and **Laura Plumb**, a company spokeswoman, also declined to comment.

A New York banker familiar with the matter says talks have been ongoing for about a

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PRIVATE EQUITY SHOPS LEAD RACE TO ACQUIRE MIDWEST UTILITY

Private equity giants **Kohlberg, Kravis, Roberts** and **Madison Dearborn Partners** have emerged as the front runners to acquire **Cilcorp**, an integrated utility that is being shopped by **AES**, according to a banker familiar with the matter. He says the cash-strapped independent power producer and its financial advisor **Lehman Brothers** recently received final bids from five suitors and these two financial players are favorites to land the Illinois utility based on their attractive bids. **Dynegy**, **Duke Energy** and **Ameren** are also involved in the auction, he says.

AES announced in February that it is selling Cilcorp as part of plans to shore up its balance sheet and preserve cash. Repeated calls to **Kenneth Woodcock**, head of investor relations in Arlington, Va., were not returned.

(continued on page 11)

S.D. OUTFIT PREPS PROJECT LEVEL BOND FOR VEGAS PLANT

Rapid City, S.D.-based **Blacks Hills Corp.** is looking at tapping the bond market to refinance the construction costs of a 230 MW Las Vegas plant, a move that would herald the first non-recourse bond offering in the power sector this year. **Richard Ashbeck**, senior v.p. of finance, says the company is looking at an April investor roadshow for a 144a deal north of $200 million. The structure and size haven't been settled, as discussions with the rating agencies are continuing in order to achieve an investment-grade rating, he adds.

The move into non-recourse bond funding, which is also a first for the company, is aimed at building a wider investor base and allowing Black Hills to lock in longer maturity funding. Ashbeck says the bank debt market, particularly in the wake of the

(continued on page 12)

International Power Balks At Drax Sale Price

International Power has held discussions with **AES** about buying its 3.8 GW Drax power plant in northern England, but is balking at AES's price tag. **Paul Parshley**, director of corporate planning and communications at International Power, says the companies have held discussions over a sale but that AES is asking too much. He adds International Power will keep its powder dry until asset sale prices come down further in the U.K.

Analysts say AES may be looking to sell Drax as power prices in the U.K. have slumped so far that the plant is unlikely to support AES' bottom line. They add the plant—the largest in the U.K.—has an attractive in-the-money off-take agreement in place with **TXU Europe**.

Tractebel On The Prowl For U.S. Pipeline, Plants

Belgium's Tractebel is planning to snap up a gas pipeline and more merchant power plants in the U.S., in order to expand its North American portfolio of assets. According to **Jacques Van Hee**, a spokesman at Tractebel in Brussels, the company is in the process of evaluating potential generation acquisitions, but would not discuss the matter further. Van Hee declined comment on the potential pipeline acquisition. A New York banker says Tractebel is talking to several banks to advise on the acquisitions, but has not yet hired one.

Tractebel, through its North American unregulated generation arm **Tractebel Power**, operates 47 power facilities that produce approximately 2,000 MW of capacity, says Van Hee. Additionally, it has 10 power projects in construction or development, which will generate 4,480 MW of combined capacity, he says.

Fitch Power Head To Start Consulting Firm

Steven Fetter, managing director and head of **Fitch**'s global power group, has left the agency to launch an energy-consulting firm. Officials in the group say he has not yet been replaced and that **Alan Spen**, executive managing director in New York, is the interim head. Spen did not return calls.

Fetter says his start-up boutique will focus on regulatory and legislative advisory work for utility industry clients and will be based in Rumson, N.J. He has yet to determine a name for the firm.

Italian Gov't Could Force Another Enel Sale

Enel could be forced to unload an extra 2 GW of generation capacity, on top of already announced divestiture plans, as part of a government directive to further deregulate Italy's wholesale power market. An investment banker advising Enel says **Antonio Marzano**, minister for trade and industry, is currently weighing up the idea and will make an announcement shortly. Under the current directive Enel must sell three portfolios of generation assets with a combined capacity of 15 GW.

Last week Enel sold the second portfolio—Eurogen (7,000 MW)—for EUR3.7 billion to **Edipower**, a consortium comprising **Edison**, **AEM Milano**, **AEM Torino**, **Atel**, **Unicredito**, **Interbanca** and **Royal Bank of Scotland**. Last summer it sold the 5,400 MW Elettrogen portfolio to **Endesa.**

Next on the block is Interpower, a 2.6 GW portfolio of assets. The banker says Enel is looking to initiate the tender process shortly and says likely bidders are **Iberdrola** and an **Electrabel**-led consortium as they were the closest bidders in the Eurogen auction.

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Black Hills Wraps Syndication, Meets Strong Demand

Rapid City, S.D.-based **Black Hills Corp.** has closed its $135 million project level financing for two Colorado peaker plants after scaling back allocations by $90 million in the wake of strong demand during syndication. **Richard Ashbeck**, senior v.p. of finance, says the overcommittment level reflects fair pricing, but also adds the company made it clear it viewed the deal as a relationship issue. "The deal is, if you want opportunities with us, you have to step up," he says.

The final allocation saw lead arranger **Bank of Nova Scotia** lend $20 million, against the $35 million it had agreed to commit. **Credit Lyonnais**, **Bank of Montreal** and **Mizuho Financial** each wrote $17 million tickets, after pledging $30 million, and **Helaba**, **National City Bank**, **Union Bank of California** and **NordLB** signed up for $16 million, against $25 million. One banker, who regrets passing on the deal, says one of the non-recourse loan's attractive features is the strong tolling arrangement for the plants. Ashbeck explains that the peakers' capacity is sold for 11 years and 93% of revenues are locked in.

The two plants are an 80 MW facility in Boulder, which was recently expanded from 40 MW, and an 80 MW plant in Denver that is being expanded to 135 MW (PFR, 2/18). The loan has a construction plus five-year tenor.

FirstEnergy Back-Stop Draws In 13 Lenders

Lead arrangers **Barclays Capital** and **Union Bank Of California** have received commitments from 13 other banks for a $421 million letter of credit facility backing sale and leaseback structures for three FirstEnergy subsidiaries. The deal should be finalized today, says one syndicate official, who adds the original March 5 target was missed because some banks in the deal had difficulty meeting that timeline.

Citibank, **Bank One** and **Bank Of New York** have signed up at the co-documentation agent tier and **FleetBoston** has joined as senior managing agent. **Mizuho Financial**, **Mellon Bank** and **Toronto-Dominion Bank** have come in at the managing agent level, and **Comerica**, **Credit Suisse First Boston**, **KBC Bank**, **Key Bank**, **National City Bank** and **Société Générale** are all in as lenders. The syndicator says ticket sizes are between $15-45 million, declining to reveal the individual allocations.

The facility—split into $211 and $210 million tranches—backs a sale and leaseback structure set up in the late 1980s for the Beaver Valley plant in Western Pennsylvania and the Perry Nuclear Power Plant in Perry, Ohio (PFR, 2/25).

Private Equity Markets Remain Open, Says Study

Despite the overall slump in venture capital investments since the technology bubble burst almost two years back, energy technology start-ups still have broad access to private equity financing. A new survey by San Francisco-based private equity investment boutique **Nth Power** says venture capital funding for U.S. energy tech start-ups reached $774.5 million last year, down 36% from 2000, but still an 80% increase from the $442 million level witnessed in 1999. Overall, venture capital investment levels were down 61% last year from 2000 and 31% from 1999.

Rodrigo Prudencio, a principal at Nth Power, says, "The figures show [the energy tech] sector was not immune to the slowdown, but the fact that it declined less than the venture capital market as a whole might suggest energy technology is still in a strong growth period."

Spanish Power Drought Could Turn To Glut

The Spanish power market could suffer from excess generation capacity and falling wholesale power prices within the next few years if the incumbent utilities realize their plant construction plans. While Spain currently has some of the tightest generation reserve margins in Europe, this situation could change swiftly, warns **Andrew Carrie**, director of utility credit research at **Nomura International** in London.

Spain's three largest utilities, **Endesa**, **Iberdrola** and **Union Fenosa**, have all established ambitious development programs and the arrival of **Enel**—through its acquisition of **Viesgo** last year—should further fuel the construction frenzy, argues Carrie.

Endesa has the most ambitious domestic development program, according to Carrie. Last month Endesa's ceo, **Rafeal Miranda Robredo**, said the company plans to invest EUR13 billion on organic expansion in Spain and Latin America and on upgrading existing facilities (PFR, 2/25). Carrie adds that by selling its 2,610 MW Viesgo business last summer, Endesa has given itself the freedom to build more power plants in Spain. Without the Viesgo sale, the Spanish regulatory authorities wouldn't have allowed Endesa to increase its generation market share, he explains.

Carrie's forecast of a potential power flood is in stark contrast to a warning from **BNP Paribas** earlier this year that Spain could suffer to a California-style power blackout over the coming years because reserve margins will get ever tighter (PFR,1/14).

FPL R.I. Loan Draws More Tickets

Lead arranger **Citibank** has rustled up four more banks for **FPL Energy**'s $425 million Rhode Island State Energy Partners project loan, taking the running score of commitments to $380 million. **IBJ** has committed $50 million, **CIT Group** $35 million, **Sumitomo Bank** $30 million and **Arab Banking Corp.** has come in with $15 million, says a syndicate official. The lease-back financing, which funds the construction of a 535 MW gas-fired plant in Johnston, R.I., already has **Royal Bank of Scotland**, **J.P. Morgan** and **HypoVereinsbank** signed up (PFR, 3/11).

After missing the Feb. 8 target closing because of concerns about off-taker arrangements (PFR, 2/25), the deal should close shortly, the syndicator says, clearing the way for the unregulated arm of Juno Beach, Fla.-based **FPL Group** to launch its $2.5 billion construction revolver (PFR, 1/7). Citi and **Bank of Nova Scotia** are the leads on that deal, which the official says is currently in due diligence, with no set launch date. The revolver will fund the construction of three or four plants already under development.

Developers, Bankers Warned On Spot, Forward Price Reliance

Developers and project financiers may be falling into the trap of ignoring the impact low contracted power levels can have on spot price volatility. **Paul Meyers**, v.p. at **Pace Global Energy Services**, who gave a presentation on the issue at **Société Générale**'s recent power shindig in Boca Raton, Fla., says the industry was similarly blind-sided four years back, when power companies mistakenly avoided the forward market because spot prices were so low and then were caught in exaggerated price spikes as demand rose. "The market is sort of priming itself for another 1998, because we have a whole bunch of people in the spot market," he says.

Part of the problem is that bankers and developers are too heavily emphasizing the predictive qualities of forward prices, explaines Meyers: a view that a number of attendees admitted they had been doing. "You can't take the forward curve as gospel. Curves are one indicator of current sentiment," notes Meyers. He adds forward curves should be viewed as indicators of the relative balance of buying and selling activity.

Meyers also notes the issue is in part a reflection of the relative immaturity of power portfolio management approaches. The industry has moved between two extremes: too reliant on spot, causing spot prices to be too volatile and then switching too much into forwards raising the forward price. There is a need for balance between spot exposure and the use of forwards, he says, and at the moment that balance is again weighted toward spot. For example, many of the current merchant deals and related deal covenants promote the focus on the spot market, rather than using a balanced forward sale structure, he says.

Entergy-Koch Adds Weather Pro

Entergy-Koch Trading has added former **Enron** weather director **Marc Graubart** to its Houston weather origination team. Graubert's addition takes the marketing team to three, and his focus is on Latin and North American origination. One rival characterizes EKT as a strong weather trading shop, as opposed to being totally end-user focused. Graubert says building end-user business is a priority for the firm.

Since the Chapter 11 filing last December, the bulk of Enron's weather team has exited for new shops, the latest being **Steven Vu**'s move to **American Electric Power** (PFR, 3/18).

Barclays Readies Bold Push Into Energy Trading

Barclays Capital plans to become a heavy hitter in the U.K power market with its trading volume matching that of the dedicated power trading shops and utilities. "I would hope that we would be deep in the market shortly. I expect to see us up the rankings alongside the utilities," says **Richard Lewis**, newly appointed head of U.K. power and gas.

Lewis and **Joe Gold**, head of continental power and gas, led a team of 25 front and middle office traders and marketers to Barclays last month from bankrupt energy concern **Enron Europe** (PFR, 2/11). "With such a big investment, [Barclays] is not setting up to become a niche player," explains Lewis. He adds the bank has no plans to add generation capacity to backstop its trading operation.

Lewis, who joined Barclays last week after spending the first part of the year helping to unwind Enron's trading book, says the London-based bank's energy desk will be customer-focused. It is looking to provide Barclays' clients with pure energy risk-management products and more structured financial deal's with embedded energy-related features. He notes Barclays' traditional role as a U.K. commercial lender gives it's a deeper relationship with clients than that enjoyed by pure investment banks.

The former Enron team includes 15 traders and analysts and 10 people focused on sales and origination. **Simon Hastings** will head up U.K. power trading, **Paul Meades** will lead continental European power trading and **Rob Bailey** and **Richard Shaw** will head up U.K. and continental European origination, respectively. **Peter Crilly** and **Meindert Witteveen** will, respectively, head U.K. and continental gas trading.

Corporate Strategies

CMS Unit Refinances Debt

Consumers Energy tapped the market last week for $300 million with 6% three-year bonds to refinance an issue of the same size it called in December. The strategy allowed the utility subsidiary of Dearborn, Mich.-based **CMS Energy** to take-out 6 3/8% coupon debt, says spokesman **Kelly Farr**.

The new issue, priced at 99.977, was led by **Banc One Capital Markets** and **Barclays Capital**. Farr says the company has a number of relationship banks and also uses a bid process for some financing deals, but he was unable to elaborate on why the two were selected. Consumers Energy is the fifth-largest investor-owned electric and natural gas utility in the U.S., covering 1.7 million customers in Michigan's Lower Peninsula.

Dominion Lands A First

Dominion believes it has become the first power company to execute a combined stock and convertible deal through an overnight sale. **Scott Hetzer**, senior v.p. and treasurer, says while it's common to issue either stock or convertibles in these types of overnight transactions, combining the two hasn't been done in the sector before. This reflects the fact two distinct types of buyers are being targeted and Wall Street firms handling the sale typically don't operate combined equity and convertible desks, he says. An overnight transaction is a deal executed without marketing after the public markets close, normally via a block trade.

Salomon Smith Barney bought the $550 million of common stock in a block trade and also placed the $291 million in convertibles, after coming in with the most competitive bid. Potential lead firms were called at 3.30pm on the launch day and had to have bids in by 4.15pm with the deal closing 15 minutes later, Hetzer says. Calls to Salomon officials involved in the deal were not returned.

The Richmond, Va.-based power and gas player settled on the $550 million/$291 million split to balance the dilutive impact of the deal against the desire of rating agencies for common equity issuance. Hetzer notes that convertibles typically get an 80% weighting as equity from the agencies. The issue is part of Dominion's long-stated goal of getting its debt-to-capitalization ratio down to 55% by year-end, he says, adding that with retained earnings over the rest of the year the target will be met. The ratio hit 67% as a result of the leveraged acquisition of **Consolidated Natural Gas** in 2000.

The funds have also been earmarked for the equity component of its planned acquisition of a 515 MW plant from **Mirant** (PFR, 3/4). The $182 million price tag will be funded 45% from equity and 55% from corporate-level debt. Hetzer says that given the relatively small size of the debt component there won't be a standalone deal, rather it will be rolled in to general funding.

Kansas Utility Refinances MTNs

Kansas City, Mo.-based **Kansas City Power & Light** issued $225 million of five-year notes in mid-March to refund $200 million of outstanding MTNs that mature later this month. An investor relations official at the Midwest utility says it also wanted to take advantage of the tight spread over treasuries and the low interest-rate environment. "It was a great time for us to come to market. There was a lot of demand and the pricing was good," he says.

The A2/BBB- rated deal was priced on March 8 and offers a spread of 140 basis points. It pays a coupon of 6% and was priced at 99.795 to yield 6.048%, according to the official. **Banc of America Securities** and **BNP Paribas** co-led the deal.

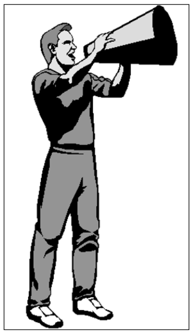
The official says the original two-year $200 million floating-rate bond was priced at three months LIBOR plus 15 basis points and was offered at par. The proceeds of that deal were used to maintain or upgrade existing power projects, notes the investor relations official.

Vattenfall Deal Thrice Oversubscribed

Demand for Vattenfall's planned EUR500 million ($441 million) bond offering, priced last Wednesday, reached EUR1.3 billion as continental European institutional investors flocked to the deal. **Fraser Ross**, a syndicate manager at **Deutsche Bank**, one of the two joint-lead arrangers of the deal, says it received EUR200 million of commitments when it began the book-building effort last Monday and a further $1.1 billion on Tuesday. Healthy investor appetite allowed the Swedish utility to increase the offering to EUR600 million and price the deal at 84 basis points over swaps, inside the 85-90 basis point price talk range. The seven-year deal pays a 6% coupon and was priced at 99.54 to yield 6.08%.

Ross says the strong demand partly reflects the lack of liquidity in the secondary market presently. This meant investors looking to add paper to their accounts needed to jump into the primary market. He adds that **Moody's Investors Service** and **Standard & Poor's** decision to take Vattenfall's rating off review two weeks back also gave investors comfort with the credit.

The deal's success justifies Deutsche Bank and co-lead **ABN AMRO**'s decision not to pre-market the deal through a road show. Prior to launching Ross said it advised Vattenfall to forego a road show because the utility marketed a similar offering last fall when it first looked to tap the market. The original deal was shelved last September following the 9/11 terrorist attacks in the U.S.



View Point: Airline-Style Management Will Prompt More Bankruptcies

*The failures of **PG&E** and **Enron** are just the beginning. The adoption of revenue and cost management strategies pioneered by the U.S. airline industry is likely to heat up competition in the power industry and lead to the shakeout of the weakest players, argues **Jerry Jackson**, president of **Jackson Associates**.*

Within a year the largest electric utility and the largest energy company in the U.S. have filed for bankruptcy. While both events are associated with the deregulation of electricity markets and have raised concerns in some quarters, the movement towards deregulation continues with Texas becoming the most recent state, as of Jan. 1, to open its markets to competition.

PG&E was clearly caught in the web of poor deregulation design. While Enron's debacle was the result of a different set of factors, its collapse was related to power trading, which itself arose from the deregulation of wholesale electricity markets. These events together raise questions about the extent to which continuing deregulation might lead to additional corporate failures. That is, are PG&E and Enron just the tip of the iceberg; the first in a series of power sector failures over the next decade?

Revenue Management Strategies

The answer is yes. But future failures will play out in a very different way with different results. Future energy supplier failures are inevitable because electric markets are poised to undergo a market transition similar to that of the airline industry in the 1980's and early 1990's. One of the most interesting aspects of the competitive struggles in the airline industry was the role that revenue management strategies played as a catalyst for competition and as a primary determinant of competitive market success.

Revenue management is an optimization technique, which combines detailed pricing strategies with customer and market data to maximize profits. The failures of **Pan American Airways**, **Eastern Airlines** and **Peoples Express** are attributed, in large part, to belated recognition of the benefits provided by revenue management strategies. **American Airlines**, which on the other hand was one of the most successful adopters of these strategies, estimated that revenue management provided it with an additional $1.4 billion in revenue and $892 million in profits from 1989-1991.

Similar Industries

A comparison of today's power markets with the 1980's airline industry identifies five similarities which suggest that revenue and cost management strategies will also drive fierce competition and serve a pivotal role in determining the winners and losers in the newly competitive electric markets. These similarities include:

- Politically-oriented management traditions become entrenched in regulated industries providing a focus on political objectives and generally ignoring critical market issues. PG&E accepted a deregulation plan that accommodated its politically sensitive "need" to recover as much stranded costs as possible while ignoring the realities of pricing and costs, which ultimately resulted in bankruptcy. While the details of Enron's spectacular failure will not be known for some time, the kind of management hubris typically bred by regulation (Enron's roots were in the regulated gas industry) appears to have been in full force until the end. Ingrained regulated corporate mentality guarantees that many established energy companies and utilities will fail because they underestimate the realities of operating in real markets. The kinds of questionable activities of Enron and its auditors now under scrutiny are not likely to be repeated in the future. So another meltdown is not likely to occur; rather, electric companies that continue to operate with a regulated mentality will, like Eastern and Pan Am, slowly bleed red ink as they lose their most profitable customers and markets to more savvy competitors.
- Discrepancies between individual customer cost of service and pricing in regulated markets provide a huge profit potential for innovative pricing strategies in the early stages of competition. Revenue management provides a quantitative strategy for optimizing electric rates for individual customers and customer segments. The most profitable quintile of electric customers typically provide returns of 30% of commodity revenue while the least profitable quintile account for losses of the same magnitude. Electricity providers without empirically-based pricing strategies will find their customer base, revenues and profits shrinking as their most profitable customers are enticed away with more competitive price offers and their existing customers reflect an increasing portion of unprofitable customers.
- Electricity providers have as much potential pricing flexibility with respect to pricing power as peak hours and peak seasons approach as airlines have in pricing tickets as the time of departure approaches. Furthermore, power providers can also exert more control over the cost of serving individual customers yielding greater potential for increasing revenue and reducing cost at the same time.
- Internet interfaces and advanced metering technologies will provide the same instant information flow and fast market responses to revenue and cost management strategies as that provided by the

introduction of electronic fare and ticket distribution systems which occurred in tandem with airline deregulation.

- The relatively low cost of entering both the airline and electric industries guarantees entry of low cost competitors in markets served by inefficient suppliers. **Southwest Airlines** identified a niche area consisting of small and mid-sized markets ignored by the major airlines. It minimized the cost of service with a variety of innovations such as e-tickets, first-come-first-served seat selection and flexible job responsibilities and in the process became the most consistently profitable airline in the U.S., siphoning revenue and profits from other players. Similarly, inefficient electricity providers will prompt the entry of more efficient energy service providers siphoning revenue and profits from incumbent players.

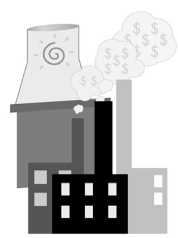
A Cut-Throat Future

While energy suppliers can expect a decade of fierce, cut-throat competition driven by revenue and cost management-based strategies, consumers will benefit from improved system efficiencies and associated lower prices. Consumers will experience increased competition for their business but will typically be insulated from energy supplier failures because the wires portion of electric distribution will continue to be regulated with the local distribution utility assuming the role of electric provider of last resort. That is, the failure of a competitive power provider will result in its customers being automatically switched back to the competitive arm of the local distribution utility.

The end result will be a much stronger, more reliable, more efficient and less expensive electricity supply system. The industry will experience mergers and other consolidations as companies with successful revenue and cost management strategies starve less perceptive competitors out of business. Consumers will benefit as electricity prices and service options more closely match their individual needs and as suppliers provide more service choices tailored to more well-defined market segments and niche markets.

About The Author

Dr. Jerry Jackson provides strategic marketing and planning services to utilities, energy service providers, and other energy-related organizations. Prior to forming Jackson Associates in 1981, he headed the applied research division and was a senior research scientist at the ***Georgia Tech Research Institute****. He can be reached at* jjackson@ntrnet.net *or 919-967-9000.*



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
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	-	
ADWEA	Um Al Nar	Abu Dhabi	1,100	Gas & Water Desalination	CSFB	Expected to send out RFPs in April.
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	
Enel	Interpower	Italy	2,611	-	Lehman, Merrill, CSFB	-
Enron	Bahia Las Minas	Panama	355	Various	PwC	Intention to sell.
	Pueto Quetzal	Guatemala	110	-	(administrator)	
	PQPLLC	Guatemala	124	-	-	
	Margarita II	Nicaragua	70.5	-	-	
	EcoElectrica	Puerto Rico	507	-	-	
	Puerto Plata	Dominican Republic	185	-	-	
	Cuiaba	Brazil	480	-	-	
	Nowa Sarzyna	Poland	116	-	-	
	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.	1875			
	Wilton	U.K.	154			

(Continued)

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PFR - MARCH 4, 2002

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 and since Berkshire has a lot of capital, it's a win-win situation." Officials

MARCH 8, 2002

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FINANCIAL TIMES

Warren Buffett offers helping hand to Williams.
By SHEILA MCNULTY

Williams Companies, the US energy group, reported a net loss of $477.7m for 2001 assume the debt from a former telecommunications subsidiary, but the company ou strengthen its balance sheet.

The Tulsa, Oklahoma-based company agreed to sell a pipeline to Warren **Buffett**'s empire of companies for $450m. Williams also agreed to raise $275m through the s convertible preferred stock to the Berkshire Hathaway group.

PFR - FEBRUARY 4, 2002

U.K. UTILITY PUTS 600 MW U.S. WIND BIZ ON THE BLOCK

U.K. utility **Innogy** has put its U.S. wind farm business up for sale and hired **J.P. Morgan** to find a buyer. An official familiar with the sale says the portfolio, which consists of two 20 MW farms in California and a further 600 MW of projects in construction or under development in California, Texas and Pennsylvania, could fetch Innogy some $300 million.

Innogy, through its **National Wind Power** (NWP) subsidiary, is the largest developer, owner and operator of wind farms in the U.K. One market watcher who was unaware of the sale, reasons Innogy's decision to exit the

FEBRUARY 11, 2002

The **Guardian**

Innogy to sell US windfarms

Geoffrey Gibbs

Innogy, the biggest domestic electricity supplier, wants to sell its American windfarm business to concentrate on core generation and supply operations in Britain.

US industry experts say that wind power projects cost about $1m per megawatt to install, suggesting the British group could cash in more than $100m (£68m) at a time when new projects are being held up by a congressional tax wran-

PFR - FEBRUARY 4, 2002

Aiming For No. 1

XCEL ENTERS MERGER TALKS; LOOKS TO BUY BACK NRG

Xcel Energy, one of the largest electric utilities in the U.S., is courting **FirstEnergy**, **TXU** and **Entergy** as potential merger partners and at the same time is looking to repurchase the remaining 20% stake of its unregulated IPP affiliate, **NRG Energy**, which it partially spun off in May 2000. **Lehman Brothers** is advising the Minneapolis-based utility on the concurrent strategies. **Paul Adelmann**, a spokesman at Xcel Energy, confirmed the company is looking at these options, but declined to elaborate.

Xcel, a utility serving 12 states in the Midwest and Southwest, has a

FEBRUARY 19, 2002

WALL STREET JOURNAL

By a WALL STREET JOURNAL *Staff Reporter*

MINNEAPOLIS—**Xcel Energy Inc.**, an electricity and natural-gas company, said it plans to begin an exchange offer to buy the 26% of independent power producer **NRG Energy** Inc. that Xcel doesn't already own. Both companies are based here.

Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
IVO Energy	Brigg	U.K.	240	Gas	BNP Paribas	
	South Humber	U.K.	1,240	Gas	-	
	Grangemouth***	U.K.	130	Gas	-	
	Edenderry	Ireland	120	Peat	-	
Independent Energy	Various	U.K.	130	N/A	KPMG	KPMG is handling the asset sale after Independent Energy went into receivership.
MARCOR Remediation (A broker acting for an undisclosed seller)	-	Calif.	5.7	Wood	-	-
North Atlantic Energy	Seabrook*	N.H.	408	Nuclear	N/A	Must be sold by Dec. 2003.
NRG/Xcel	CEEP	Poland	10 (10% stake)	-	-	Is currently selecting a financial advisor
	Csepel II	Hungary	389	Gas/Oil	-	
	ECK	Czech Republic	350 (44% stake)	Coal/Gas/Oil	-	
	Enfield	U.K.	380 (25%)	Gas-fired	-	
	Killingholme A	U.K.	680	Natural Gas	-	
	MIBRAG	Germany	238 (50% stake)	Coal	-	
	Gladstone Power	Australia	1,500 (37.5% stake)	Coal	-	
	Flinders	Australia	760	Coal	-	
	Loy Yang A	Australia	2,000 (25% stake)	Coal	-	
	Hsinchu	Taiwan	400 (60% stake)	Gas-fired	-	
	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil	-	
	Collinsville	Australia	192 (50% stake)	Coal	-	
	TermoRio	Brazil	1040 (50% sake)	Gas	-	
	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	-	
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	-	
	Ghubratt	Oman	507	CHP	-	
	Wad Al-Jazzi	Oman	350	Gas	-	
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch &	Expects to sell Lennox and Lakeview shortly.
	Lakeview	Ontario	1,140	Coal	Scotia Capital-	
	Atikokan	Ontario	215	Coal	-	
	Thunder Bay	Ontario	310	Coal	-	
	Mississagi River	Ontario	490	Hydro	-	
Public Service Co. of New Hampshire (Northeast Utilities)	Merrimack	N.H.	475.8	Coal	J.P. Morgan	Subject to approval for rate settlement by PUC and state legislature.
	Newington	N.H.	415	Oil/gas	-	
	Schiller	N.H.	146.6	Oil/gas	-	
	Lost Nation	N.H.	19.1	Diesel	-	
	Merrimack	N.H.	42.2	Diesel	-	
	Schiller	N.H.	18	Diesel	-	
	White Lake	N.H.	23	Diesel	-	
	Amoskeag	N.H.	17.5	Hydro	-	
	Ayers Island	N.H.	9.1	Hydro	-	
	Canaan	Vt.	1.1	Hydro	-	
	Eastman Falls	N.H.	6.5	Hydro	-	
	Garvins Falls	N.H.	12.1	Hydro	-	
	Gorham	N.H.	2.1	Hydro	-	
	Hoolsett	N.H.	1.95	Hydro	-	
	Jackman	N.H.	3.55	Hydro	-	
	Smith	N.H.	14.2	Hydro	-	
Reliant Resources	Reliant Energy Power Generation Benelux	Netherlands	3,476	Mixture	Merrill Lynch	Is looking to seal sale imminently
	Argener	Argentina	160	CHP	-	
TXU	Lake Creek	Texas	323	Gas	Merrill Lynch	Reviewing sales strategy.
	Tradinghouse	Texas	1,340	-	-	
	River Crest	Texas	110	-	-	
	Mountain Creek	Texas	893	-	-	
	Parkdale	Texas	327	-	-	
	North Main	Texas	123	-		
	Monticello	Texas	1,900	Coal	Merrill Lynch	Is looking to sell an undisclosed number of its coal assets.
	Martin Lake	Texas	2,250	-	-	
	Big Brown	Texas	1,150	-	-	
	Sandow	Texas	545	-	-	
Wisconsin Energy	Bridgeport	Conn.	1,100 (combined)	-	-	Has put up for sale following collaspe of NRG deal.
	New Haven	Conn.	1,100 (combined)	-	-	

* North Atlantic Energy owns 34.8% of Seabrook
*** Fortum owns 75% of Grangemouth. Mitsubishi owns the remainder.

Power Project Finance Award Nominations For 2001

Power Finance & Risk *will present its inaugural power project finance awards on Monday April 15. Below are nominations for the best Latin American, European and Middle Eastern and North African deal's of last year. While none of these markets proved as active as the U.S., each had a scattering of transactions and an even smaller number that stood out in terms of structure, pricing or size. If you want to have your say on which of the nominations should win, please e-mail your thoughts to* wainger@euromoneyplc.com. *All responses will be treated in confidentiality.*

Best European Deal

• **Energias Eolicas Europeas**' non-recourse financing for the construction of a 1,173 MW wind energy project in the Castilla La Mancha region of Spain, was one of the few European project-level loans to reach the market last year. But even in a bumper year this landmark deal would have stood out from the field, enthuse lenders. The EUR814 million loan is by far the biggest wind-energy loan to date and should prove a bellwether transaction from the numerous other wind projects in early development, they add.

The **Westdeutsche Landesbank**, **Banco Bilbao Vizcaya Argentaria**, **Banco Espanol de Credito**, **Ahorro Corp.**, and **Crédit Agricole Indosuez**-led deal drew in some 30 banks during syndication last summer as lenders flocked towards the relatively rich pricing and the comfort of partial corporate guarantees. The sponsor's willingness to offer limited guarantees against the risk of low wind levels was a particularly useful addition, says one banker.

• **International Power**'s GBP175 million ($248 million) financing for the acquisition of the Rugeley power plant in the U.K., which launched late November, proved a tough loan to syndicate and drew as much criticism as praise. But many commentators applaud the London IPP and its lead financiers **ING Bank** and **TD Securities**, for adopting an innovative strategy and pushing the envelop in terms of structure.

The novel move was to adopt a mini-perm structure, common in the U.S. market, but until now unheard of in Europe. International Power adopted a seven-year partial amortization structure so it can refinance the debt once it's fitted the plant with FGD equipment, because it expects U.K. wholesale power prices to firm by the maturity date and because is believes banks are becoming less willing to hold long-dated debt.

Best Latin American Deal

• **InterGen**'s $600 million financing for the construction of La Rosita I and II (1,060 MW) won widespread support from many financiers. They rave about the **Citibank**, **BNP Paribas** and the **Export Development Corp.**-led deal for a variety of reasons. It's the largest ever non-recourse Mexican power loan and the first Mexican IPP to sell power into California. Financiers also highlight the portfolio's well-diversified off-take and marketing agreements as a source of security. The bulk of the output is contracted on a take-or-pay basis (50% to the **Comision Federal de Electricidad** and 20% to **Coral**, a **Shell** subsidiary) and the balance is sold into Southern California on a merchant basis.

• **Union Fenosa**'s $600 million loan for the construction of Tuxpan III and IV (938 MW), two combined cycle gas turbine plants in Vera Cruz, Mexico, is another standout deal. It matches La Rosita as the biggest Mexican IPP loan. The deal has yet to close, but bankers say it is receiving a positive reception in syndication, partly because it's selling all of its output to Mexico's CFE under a 25-year PPA. The joint lead arrangers are **Deutsche Bank** and **Bank of Tokyo-Mitsubishi**.

• InterGen and **AEP Resources**' $113 million non-recourse financing for the construction of the 601 MW El Bajio CCGT plant in Guanajuato, Mexico, also receives plenty of kudos from financiers. The **Deutsche Bank** and **Inter American Development Bank**-led deal entailed the creation of a SPV to build, own and operate the plant and was the first project to incorporate power sales to a third party. The plant is also being funded through a $215 million **U.S. Export-Import Bank** facility and a $136 million IDB loan.

Best North African & Middle Eastern Deal

• **CMS Energy**, **International Power** and the **Abu Dhabi Water & Electricity Authority**'s Al Shuweihat S1 project-level loan was in many ways the standout transaction in the Middle Eastern power market last year. In terms of size alone it deserves recognition, note many bankers. The $1.3 billion deal is the largest ever project loan in the Middle Eastern power sector, eclipsing the $1 billion Taweelah A1 non-recourse loan that closed the previous year. The sheer size meant that lead arrangers **Citibank**, **Barclays Capital**, **Royal Bank of Scotland**, **Bank of Tokyo-Mitsubishi**, **Kreditanstalt für Wiederaufbau**, **National Bank of Abu Dhabi** and **Abu Dhabi Investment** had to launch a Herculean syndication

Power Project Finance Award Nominations For 2001 (cont'd)

effort to fully place the deal.

Another standout feature was the late inclusion of a $250 million Islamic tranche. This was incorporated at the eleventh hour, following the 9/11 terrorist attacks, to broaden the appeal of the deal among Middle Eastern banks unable to participate in interest-paying loans. Admirers say this feature was both highly original and efficiently executed.

• **AES**' $572 million Ras Lafan loan, which financed the construction of a 700 MW gas-fired power plant and water desalination facility in Qatar, also drew considerable support for its ability to withstand the fallout from 9/11.

The timing of the deal couldn't have been more inopportune, with lead banks **Barclays Capital**, **International Bank of Japan**, **BNP Paribas**, **Arab Banking Corp.**, **ANZ Investment Bank**, **Bank of Tokyo-Mitsubishi**, **Gulf International Bank**, **HSBC**, **Qatar National Bank** and **Société Générale**, originally slating launch for mid September. While many pundits were advising AES to ice the deal till the new year, the lead arranges boldly launched syndication in November despite political tensions in the region remaining acute. Financing was successfully wrapped up in early February with 10 more lenders committing some $312 million

• **Electricité de France**'s $750 million Port Said/Suez Gulf loan backing the construction of two 700 MW CCGT power plants in northern Egypt wins praise from lenders for its tight structure and strong syndication effort. Between the March launch and June close **Barclays Capital**, **Société Générale** and **Crédit Lyonnais** signed up five arrangers and eight co-arrangers. The loan also wins respect for being Africa's largest IPP loan to date.

Financing Record (MARCH 14 - MARCH 21)

Bonds

Issue Date	Maturity	Issuer	Amount ($mil)	Offer Price	Type of Security	Coupon (%)	Moody's	S&P	Bookrunner(s)
03/14/02	03/15/12	Williams Cos	650	99.102	Fxd/Straight Bd	8.125	Baa2	BBB	Lehman/JP Morgan
03/14/02	03/15/32	Williams Cos	850	98.626	Fxd/Straight Bd	8.75	Baa2	BBB	Lehman/JP Morgan
03/15/02	03/15/07	Korea Hydro and Nuclear Power	98.3	95.64	Fxd/Straight Bd	6	-	-	Daishin
03/15/02	03/15/05	Korea Hydro and Nuclear Power	52.9	98.32	Fxd/Straight Bd	6	-	-	CJ Investment
03/18/02	03/15/05	Consumers Energy(CMS Energy)	300	99.977	Notes	6	Baa3	BBB+	Bank One/Barclays Capital
03/20/02	04/01/32	Entergy Louisiana (Entergy)	150	100	First-Mtg Bonds	7.6	Baa2	BBB+	Morgan Stanley/Salomon

M&A

Date Announced	Date Effective	Target	Target Advisors	Target Country	Acquiror	Acquiror Advisors	Acquiror Country	Value ($mil)
03/14/02	-	Slovensky Plynarensky Prumysl	CSFB	Slovak Rep	Investor Group	Dresdner Kleinwort Wasserstein	France	2700
03/15/02	-	Elettra GII (Lucchini)	-	Italy	RWE Power	-	Germany	61.754
03/15/02	-	Karaganda Power	-	Kazakhstan	ORMAT	-	Israel	-
03/17/02	-	Eurogen	CSFB/Lehman Bros/ Merrill Lynch	Italy	Edison SpA (Montedison SpA)	Morgan Stanley/Rothschild Italia	Italy	3262.29
03/18/02	03/18/02	Slupska Energetyka Cieplna		Poland	Sydkraft		Sweden	9.444

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

PRIVATE EQUITY

(continued from page 1)

New York-based KKR, one of the best known buyout shops in the U.S., owns a 24.8% voting stake in **DPL**, the parent of Ohio utility **Dayton Power & Light**. KKR paid $550 million for the stake in February 2000. A utility banker who was unaware of KKR's latest foray into the power sector says its interest in Cilcorp is unsurprising given it's in Illinois, an adjacent state to DPL's home turf. He also notes that KKR unsuccessfully tried to monetize its DPL investment last year through a trade sale (PFR, 2/12/01). The banker speculates this failure may have prompted KKR to bulk up its utility holdings to make an eventual sale easier to execute. Calls to **Scott Stuart**, a KKR partner who sits on the board of DPL, were not returned, and a public relations official representing KKR declined comment.

Chicago-based Madison Dearborn, with $7.5 billion in assets, presently has yet to make any power sector investments, but has bid on a number of deals within the past few years and is beginning to see opportunities emerge as stock market valuations have fallen. "The dynamics have changed. The big question is what are the quality of assets up for sale," notes **Dusty Huscher,** managing director. He declined to comment on whether Madison Dearborn has bid for Cilcorp.

Bankers say financial buyers' newfound interest in the power sector makes sense given how far the valuations of most

IPPs and some utilities have fallen in recent months. These companies come in when stock market valuations have taken a beating, and hope to profit from a turnaround in sentiment, explains one banker.

Another financial player looking to snap up power companies on the cheap is **Berkshire Hathaway** (PFR, 3/4). On March 8 **Warren Buffett**'s investment vehicle purchased a gas pipeline from **Williams** for $450 million and agreed to invest a further $250 million in the Tulsa, Okla., energy concern.

Senior executives and spokespeople at Dynegy, Duke and Ameren, either declined to comment or did not return calls. Calls to bankers at Lehman were not returned.

—Will Ainger & A.L.A.

INTERNATIONAL

(continued from page 1)

year. The companies have not yet acted because of market uncertainty stemming from the economic recession, the impact of the 9/11 terror attacks, a mild winter and, most recently the **Enron** meltdown. He says, "You'd think that after a year they'd say 'let's get moving', but it's reasonable given all of the activity we saw in 2001." A London M&A banker adds that talks stalled late last year, but are thought to have picked up pace again recently.

Analysts contacted by *PFR* were unaware of the sale. **Michael Worms**, a utility analyst at **Gerard Klauer Mattison** in New York, says it is not surprising to see an independent power producer looking to acquire a utility as well as its unregulated generation business. "More than six months ago IPPs were market favorites, but their focus now is to repair balance sheets, maintain credit ratings and pull back on construction. So a company that has a regulated arm is attractive because it provides the stability that an IPP cannot."

However, a London M&A banker was unconvinced by the logic of a tie-up. He notes that International Power, as a high growth IPP, is afforded a higher price-earning multiple than a utility. If it enters the utility sector it would have to be re-rated downwards. The banker argues that International Power would be better advised to buy TECO's unregulated generation arm **TECO Power Services**.

Parshley says International Power has a war chest of approximately $1 billion and that it could potentially tap the markets for additional capital for upcoming acquisitions. It has a GBP2.315 billion ($3.3 billion) market capitalization against TECO's $3.7 billion.

TECO Energy includes **Tampa Electric**, a Florida utility; TPS, its IPP arm; **TECO Transport**; **TECO Coal**, a coal mining operation; **TECO Solutions**, a construction company and **Peoples Gas Systems**, a natural gas distributor. It has 11 GW of generating capacity, with 4 GW at Tampa Electric and 7 GW at TPS. "TECO has successfully diversified its business over the past several years with 35% of its earnings coming from its non-core utility businesses. There is not a lot of volatility with this company and it has had solid, healthy growth," enthuses **David Burks**, a utility analyst at **J.J.B. Hilliard W. L. Lyons** in Louisville, Ky.

—Amanda Levin Arnold

S.D. OUTFIT

(continued from page 1)

mergers of the last few years, is more comfortable with maturities of around five years, but a bond deal would open up the 15-20 year part of the curve.

Jennifer Powers, managing director at **Credit Suisse First Boston** in New York, says the power non-recourse bond market is currently in a fallow period. "We are in a lull between the [periods] when the acquisitions of utility plants were financed and the maturing of the mini-perm financings for green-field programs," she says. Most bank debt mini-perm financings were set up on the premise that there would be a capital market takeout, and she expects this to start happening over the course of this year as the mini-perms start to mature.

Construction of the project, acquired from **Enron** last summer (PFR, 7/27), has been financed on balance sheet and the plant is set to come online in September, Ashbeck says. **ABN AMRO** has been snagged to lead the deal, but other banks will likely take a role as well, he adds.

—Peter Thompson

Quote Of The Week

"You can't take the forward curve as gospel."—**Paul Meyers**, *v.p. at **Pace Global Energy Services**, cautioning developers not to rely on the predictive qualities of forward prices (see story, page 4).*

One Year Ago In Power Finance & Risk

PSEG Global and its financial advisor **BNP Paribas** shortlisted **ANZ Investment Bank**, **Westdeutsche Landesbank** and **Barclays Capital** to arrange a non-recourse bank loan to finance the construction of a $250 million 200 MW gas-fired power plant at Salalah, a port in southern Oman. [WestLB won the mandate in May and alongside BNP launched syndication of a $225 million non-recourse loan last month. The 16.5-year deal pays a spread of 125 basis points over LIBOR during construction. The plant is being built by **Dhofar Power**, a consortium comprising PSEG, **Shell** and a group of Omani contractors.]