

power finance & risk

The exclusive source for power financing and trading news

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WestLB Plots Close For El Paso Deal

El Paso Corp. is set to close a \$278 million non-recourse loan, led by **WestLB**, to fund the expansion of its Cheyenne Plains gas pipeline.

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PwC Study Shows Spike In Energy M&A

Energy M&A spiked last year with 459 deals against 398 in 2003, according to a report by **PricewaterhouseCoopers**.

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CSFB, QUEENS DEVELOPER LOCK HORNS ON REFINANCING GIG

Credit Suisse First Boston is pushing Astoria Energy to honor an agreement the bank says gives it the right to lead a refinancing for the developer's 1GW project in Queens. The investment bank led a \$725 million construction loan for the developer last year, but a new deal that will pay off the B loan is being led by Calyon (PFR, 3/21), and the French firm stands to pocket \$15-20 million for



(continued on page 12)

COGENTRIX, COVANTA FIRE UP NEW LOANS

Two energy financings totaling \$1.84 billion are heating up the market. **Goldman Sachs** and **Credit Suisse First Boston** are gearing up to launch a \$1.14 billion loan for **Covanta Energy Corp.**, while Goldman is pitching a \$700 million credit for **Cogentrix Energy**. According to *PFR* sister publication *Loan Market Week*, these two deals are garnering attention because both have contracted cash flows. Cogentrix is virtually 100% contracted with investment grade-utilities and Covanta has contracts with municipalities, says a banker.

The Covanta loan, which is being pitched ahead of an April bank meeting, backs the

(continued on page 12)

CONSORTIUM SET TO LAND \$2.4B SAUDI PLANT BID

A consortium of Saudi Arabian and Malaysian companies is set to be unveiled as the winner of a tender to build a \$2.4 billion plant near Jeddah in Saudi Arabia and has started hammering out financing. The 950 MW SHOIBA independent water and power project will be leveraged at 80%, says **Ghazali Inam**, cfo at **Riyad Bank** in Riyadh, which has been selected to arrange funding. Financing should be secured by the end of the third quarter with ground breaking in 2006.

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AQUILA TAPS LEHMAN, BLACKSTONE FOR UTILITY SALE

Aquila has tapped **Lehman Brothers** and the **The Blackstone Group** to act as its advisors on the possible sale of utilities in five states. The Kansas City-based player has worked with Lehman on several past deals including a \$110 million revolver issued in September, says **Al Butkus**, noting it has also worked with Blackstone on an equity exchange two years ago. The two firms have figured prominently as power companies have looked for

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

AEP Set To Wrap Re-Charged Revolver

American Electric Power is set to complete, via WestLB, syndication of a \$127.7 million corporate revolver. The Columbus, Ohio, company was expected to wrap the loan last week as *PFR* went to press in a holiday shortened week. The 10-year facility is priced at LIBOR plus 1 3/8% and will be ramped up by 1/8 % increments every three years (PFR, 2/21). **Randy Boteler**, director of corporate finance at AEP, declined to comment as did officials at WestLB's New York syndications group.

WestLB Nears Close For El Paso Syndication

El Paso is set to close a \$278 million non-recourse loan to fund the expansion of its Cheyenne Plains gas pipeline by April 5. Lead banker WestLB is pitching a 10-year loan with pricing at 1 3/8 % over LIBOR for the first four years, 1 1/2 % over for the next three, settling at 1 5/8 % over the remaining term. Originally, El Paso was looking for a five-year construction loan with base pricing of 222 basis points over LIBOR and a 50 basis point commitment fee (PFR, 8/13).

The Houston energy company launched the financing effort about six weeks ago (PFR, 2/21). Calls to **Bill Baerg**, manager of investor relations at El Paso in Houston, were not returned by press time and WestLB officials declined to comment.

On The Rise

PwC Highlights Energy M&A Spike

Energy M&A spiked last year with 459 deals against 398 in 2003, according to a report by **PricewaterhouseCoopers**. Activity increased as players shed non-core assets in an effort to shore up balance sheets, says **John McConomy**, lead partner for PwC's power and utilities practice in New York.

The report, called *Power Deals 2004*, notes the total fell short of the 479 mark reached in 2000. The total value of the deals was higher, with \$66 billion in domestic transactions last year compared to \$26 billion. McConomy expects continued focus on corporate-level M&A activity this year in the wake of **Exelon's** acquisition of **Public Service Enterprise Group** (PFR, 12/23) although deal flow will continue to be hampered by regulatory restrictions. The Public Utility Holding Company Act continues to restrict acquisition activity, he notes.

Energy firms are increasingly looking to create a concentrated regional footprint rather than setting their sights abroad, McConomy says. The study highlights **Edison Mission Energy's** \$5.5 billion sale of its international assets to **International Power** (PFR, 12/15/03) and **TXU Corp.'s** sale of its Australian assets as examples of energy players' efforts to refocus on domestic operations. And McConomy says there is plenty of room for continued consolidation. "Companies are trying to figure out how to meet Wall Street growth expectations, and regional acquisitions are one way to do that," he comments.

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**Institutional
Investor NEWS**
INTELLIGENCE FIRST

Okla. Gas Co. Circles Canadian Midstream

SemGroup is on the lookout for natural gas acquisitions, including pipelines and gathering systems. The Tulsa, Okla., midstream player is homing in on Alberta, Canada, where it is building a beachhead, says **Frank Panzer**, director of commercial development. It recently acquired four gas processing plants and more than 600 miles of natural gas gathering pipelines from **BP Canada Energy** and **Chevron Canada Resources**, he says.

SemGroup is looking for physical assets that will complement its natural gas marketing operations. "We're always interested in new assets," Panzer comments. Via its Calgary subsidiary **Seminole Canada Gas**, the company markets more than 500 million cubic feet per day of physical and financial natural gas.

Earlier this month, SemGroup subsidiary **SemCanada**, completed its acquisition of **Central Alberta Midstream**. Panzer declined to disclose the purchase price for its BP and Chevron purchase.

Morgan Stanley To Bulk Up Trading

Morgan Stanley plans on adding junior- and senior-level staffers to its power trading group here and abroad over the next several months. **Simon Greenshields**, global head of gas, power trading and originations in Purchase, N.Y., says the commodities business is a growing one for the firm particularly as crude oil prices threaten \$60 per barrel, creating volatility and opportunity in power.

The effort is unrelated to last week's departure of senior trader **Bo Taylor** who left to head up **JPMorgan Securities** power desk (PFR, 3/21), says Greenshields, noting the firm has not made any decision as to Taylor's replacement. "We are looking at the

situation and reviewing are options both internally and externally," he adds.

Morgan Stanley's build-out plans will be contingent on available talent. Last year, it hired 27 hires throughout the group and could make a similar push this year. Greenshields declined specify how many new hires would be made or name recruits. The firm has 215 staffers in its global commodities group.

Dominion Eyes Loan For Kewaunee Purchase

Dominion Resources plans on obtaining a fresh bank loan to fund at least half the \$220 million purchase of the Kewaunee nuclear plant in Carlton, Wis. The Richmond, Va. company will fund the remainder with cash from an equity offering, says spokesman **Mark Lazenby**. As it fleshes out details of its debt including terms, structure and arrangers, it will issue commercial paper to wrap the acquisition, he notes.

The equity portion will be drawn from a forward share agreement under which 10 million shares of common stocks were issued to **JPMorgan** at \$65.12 underwritten by **Merrill Lynch**. Lazenby declined to provide further details on the planned financing. Calls directly to **Scott Hetzer**, treasurer, were directed to Lazenby.

The company has been eyeing the Wisconsin nuclear plant since 2003 (PFR, 11/10/03) but only recently got the green light from the **Wisconsin Public Service Commission** to purchase it from **Wisconsin Public Service Corp.** and **Wisconsin Power and Light**. The acquisition is the last in a spate of purchases including a \$642 million **USGen New England** buy, Hetzer told analysts at a conference call earlier this year (PFR, 1/10).

Financing Record (MARCH 17-MARCH 21)

Debt

Issue Date	Issuer	Business Description	Amount(\$ Mil)	Coupon (%)	Type	Maturity	Offer	Price	YTM (%)	Spread	S&P	Moody's
3/17/05	Progress Energy Inc	Electric utility	300	5.15	Fst Mtg Bonds	4/1/15	99.905	5.162	70	BBB	A3	BBB+
3/17/05	Progress Energy Inc	Electric utility	200	5.7	Fst Mtg Bonds	4/1/35	99.741	5.718	95	BBB	A3	BBB+
3/21/05	Consumers Energy(CMS Energy)	Electric and gas utility	300	5.65	Fst Mtg Bonds	4/15/20	99.604	5.69	117	BBB-	Baa3	BBB-

M&A

Date Announced	Date Effective	Target Name	Target Industry Sector	Target Nation	Acquiror Name	Acquiror Industry Sector	Acquiror Nation	Value (\$mil)
3/16/05		Premier Transmission Ltd	Electric, Gas, and Water Distribution	United Kingdom	Premier Transmission Financing	Investment & Commodity Firms, Dealers, Exchanges	United Kingdom	42.286
3/17/05	3/17/05	Benton Falls Associates	Electric, Gas, and Water Distribution	United States	BayCorp Holdings Ltd	Electric, Gas, and Water Distribution	United States	2.2
3/17/05		Central MS Generating-Power	Electric, Gas, and Water Distribution	United States	Entergy Mississippi Inc	Electric, Gas, and Water Distribution	United States	88
3/17/05		Kewaunee Nuclear Power Plant	Electric, Gas, and Water Distribution	United States	Dominion Energy Kewaunee Inc	Electric, Gas, and Water Distribution	United States	
3/18/05		FirstEnergy Solutions-Retail	Electric, Gas, and Water Distribution	United States	Amerada Hess Corp	Oil and Gas; Petroleum Refining	United States	
3/21/05	3/21/05	ACS-Wind Farm	Electric, Gas, and Water Distribution	Portugal	Enemova	Electric, Gas, and Water Distribution	Portugal	

Source: **Thomson Financial Securities Data Company**. For more information, call **Rich Peterson** at (212) 806-3144.

Corporate Strategies

TransCanada Plots Purchases With Pipeline Unit Sale

TransCanada plans on using proceeds from a C\$149 million (\$124 million) sale of common equity units to help bankroll upcoming acquisitions, expansions and operations in 2005. The Calgary-based company has allotted about C\$1.1 billion for 2005 capital expenditures such as its C\$200 million natural gas storage facility, says **Kurt Kadatz**, spokesman.

The common units were issued by subsidiary **TC Pipelines** and placed with retail investors, says one banker familiar with the deal. The issuance was part of a December shelf registration which allowed for equity and debt issuance below C\$250 million and for unit sales of just over 2.8 million, he notes.

The deal was led by **Citigroup Global Markets** and **Lehman Brothers**, **UBS Securities**, **Goldman Sachs** and **A.G. Edwards** acted as co-managers. The units were priced at \$37.04 on March 17 and the offering was slated to close March 23. Kadatz declined to make an official available to comment.

Puerto Rico Hawks \$1B Revenue Bonds

Puerto Rico Electric Power Authority is issuing about \$1 billion in revenue bonds earmarked for capital expenditures and debt refinancing. Specifically, about \$500 million in 30-year bonds will be issued to fund electric system improvements and upgrades to its existing generation facilities, throughout the island, says **Gary Krellenstein**, v.p. at **JPMorgan Chase** in New York, which leads the deal with participating underwriters including **Merrill Lynch** and **Morgan Stanley**.

The remaining \$500 million in bonds will be shopped intermittently over the next several months to refinance a series of higher-rate, short and long-term debt that the San Juan electric authority has outstanding, Krellenstein notes. The authority has debt coming due from 2006 to 2030 with coupons ranging from around 2.5% to 5%.

"Rates are attractive now and they'll look to refinance existing bonds depending on the yield curve and the kind of economic savings we think we can achieve," Krellenstein says. It is hoping to save some \$28 million, as a result of its plans. Puerto Rico has some \$5.3 billion in debt, including \$4.8 billion in bonds, which are secured by its net power revenues.

Gabriel Rivera-Serrano, v.p. of public finance at the **Government Development Bank of Puerto Rico**, which backs PREPA, was in New York speaking with bankers about the transaction and was unavailable for comment. The bonds were being marketed last Monday and Tuesday. Krellenstein declined

to disclose coupons or expected yields. **Moody's Investors Service** rates Puerto Rico Electric's debt A3.

NiSource Wraps Fresh \$1.25B Facility

NiSource has bagged a \$1.25 billion, five-year revolver for working capital and to refinance an existing \$500 million revolver and \$750 million credit facility. The new facility will reduce the Merrillville, Ind.-based holding company's annual interest expenses by about \$1.2 million per year, says **David Vajda**, v.p. and treasurer. NiSource decided to launch the deal now to take advantage of the low interest rates and extend maturities (PFR, 2/18).

NiSource favored a revolver over a term loan because it wants the flexibility of being able to draw any amount and subsequently pay back any amount on a daily basis, Vajda explains. The revolver will be priced at LIBOR plus 57.5 bps as the first drawn fee and LIBOR 70 basis points if over 50%. **Barclays Capital**, which led the deal, was chosen from a syndicate of 21 banks that provided NiSource with \$1.25 billion in financing last year.

The loan replaces a \$500 million, 364-day facility maturing next month and a \$750 million revolver that would have expired in 2007. That debt was issued for working capital purposes.

PNM Readies For Acquisitions

PNM Resources is preparing to launch a 3.4 million offering of common stock and \$215 million of hybrid equity units to fund its acquisition of **TNP Enterprises** and complete construction of Luna Energy Center in Deming, N.M. The offering was expected to be priced last Wednesday.

The Albuquerque, N.M., holding company is issuing a combination of stock and hybrid units because lead bankers advised such a financing would be viewed as conservative by rating agencies and thus allow it to maintain credit ratings, says **Lisa Eden**, a financial analyst for PNM. PNM's senior long-term debt is rated Baa by **Moody's Investors Service**, BBB by **Standard & Poor's** and BBB- by **Fitch Ratings**.

The equity units, priced at \$50 each, consist of a senior note and a purchase contract that obligates the holder to purchase a certain number shares of common stock by May 16, 2008, at which time the senior notes will be reissued. **Bank of America Securities**, **Morgan Stanley & Co.** and **Wachovia Capital Markets**, were leads.

PNM agreed to purchase Fort Worth, Texas-based TNP in July for \$189 million. It acquired a one-third interest in the Luna Energy in November from **Tucson Electric Power** and **Phelps Dodge Energy Services**.

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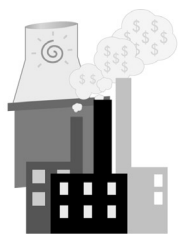
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Elayne J. Glick
Publisher



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 Mark DeCambre, managing editor, at (212) 224-3293 or e-mail mdecambre@iinews.com.

Seller	Plants	Location	MW	Plant Type	Advisor	Status
AES	Wolf Hollow	Texas	730	Gas	N/A	Transferred to KBC-led creditor group.
	Termomamonal	Colombia	90	Gas	None	Ongoing.
	Ottana	Italy	140	Gas		
Allegheny Energy Supply	Armstrong	Penn.	356	Coal	J.P. Morgan	Ongoing.
	Mitchell	Penn.	442	Coal	J.P. Morgan	
Aquila	Raccoon Creek	Ill.	340	Gas	Not chosen	Intention To Sell.
	Goose Creek	Ill.	340	Gas		
	Crossroads	Miss.	340	Gas		
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention To Sell.
Black Hills Energy	Pepperell	Mass.	40	Gas	-	Intention To Sell.
BNP -led bank group (Exelon developed plants)	Mystic River 7	Mass.	560	Oil/Gas	Lazard	Ongoing.
	Mystic River 8	Mass.	832	Gas		
	Mystic River 9	Mass.	832	Gas		
	Fore River	Mass.	832	Gas		
Citi & SocGen-led creditor group (TECO Energy developed plants)	Union	Ark.	2,200	Gas	Goldman	Ongoing.
	Gila River	Ariz.	2,300	Gas		
CMS Energy	Ensenada	Argentina	128	Gas	Not chosen	Announced Intention To Sell.
	CT Mendoza	Argentina	520	Gas	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydro	J.P. Morgan	
Citi-led bank group (NEG developed plants)	Lake Road	Conn.	840	Gas	Lehman Bros.	Cargill Bought Dept Portion. (PFR, 12/27)
	La Paloma	Calif.	1,121	Gas	Lehman Bros.	
Delta Power	Lowell Power	Mass.	82	Gas	None	Actively Pursuing A Sale.
El Paso Europe	Enfield	U.K.	396 (25%)	Gas	None	Ongoing.
	EMA Power	Hungary	70	Coal		
	Kladna	Czech Rep.	350	Coal		
El Paso North America (Merchant assets)	Berkshire	Mass.	261 (56.41%)	Gas		Final Bids Due.
	CDECCA	Conn.	62	Gas		
	Eagle Point	N.J.	233	Gas		
	Fulton	N.Y.	45	Gas		
	Pawtucket	R.I.	67	Gas		
	Rensselaer	N.Y.	79	Gas		
	San Joaquin	Calif	48	Gas		
EnCana	Cavalier	Alberta	106	Gas	HSBC	Launched Sale In April. Looking To
	Balzac	Alberta	106	Gas	HSBC	Exit Generation Business.
	Kingston	Ontario	110 (25%)	Gas	HSBC	
Energy Investors Fund	Multitrade	Va.	79.5 (60%)	Biomass	None	Intention To Sell.
	Crockett	Calif.	240 (24%)	Gas		
Entergy Asset Management	Robert Ritchie	Ark.	544	Gas/oil	None	Ongoing.
	Warren Power	Miss.	314	Gas		
	RS Cogen	La.	425 (49%)	CHP		
	Harrison County	Texas	550 (70%)	Gas		
EPRL	Glanford	U.K.	14	Poultry Litter	Rothschild	Ongoing.
	Thetford	U.K.	39	Poultry Litter		
	Ely	U.K.	13	Poultry Litter		
	Westfield	U.K.	10	Poultry Litter		
	Elean	U.K.	38	Straw		

Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Ernst & Young Corporate Finance	Bear Swamp	Mass.	599	Hydro	E&Y	Exploring Sale.
HSBC-led creditor group	Attala	Miss.	526	Gas	HSBC	Ongoing.
KBC-led creditor group	Milford	Conn	542	Gas	Lazard	Ongoing.
Mirant	Shady Hills	Fla.	474	Gas	BofA	Ongoing.
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538	Gas		
	Wichita Falls	Texas	77	Gas		
Morrow Power	Boardman	Ore.	28	Gas	Marathon Capital	Evaluating Bids.
Nations Energy	Bayport	Texas	80	N/A		Considering Liquidation.
	Mungo Junction	Ohio	32			
	Southbridge	Mass.	7			
National Energy Gas & Transmission (USGen New England)	Salem Harbor	Mass.	745	Coal/Oil	Lazard	Dominion Has It Under Contract.
	Brayton Point	Mass.	1,599	Coal		
	Manchester St.	R.I.	495	Gas		
	Connecticut River	N.H.	479	Hydro		
	Deerfield River	Mass.	89	Hydro		
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	-
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Reliant Energy	Carr Street	N.Y.	95	Oil	Goldman	Ongoing.
	Astoria	N.Y.	1,276	Gas		
	Gowanus	N.Y.	549	Gas		
	Narrows	N.Y.	281	Gas		
InterGen	La Rosita	Mexico	1,100		Citigroup	Closing In On Buyer.
	Redbud	Okla	1,220			
	Cottonwood	Texas	1,235			
	Magnolia	Miss.	900			
	El Bajio	Mexico	600			
	Termocali	Columbia	235			
	Rocksavage	U.K.	748			
	Spalding	U.K.	860			
	Coryton	U.K.	732			
	Rijnmond	Netherlands	820			
	Knapsack	Germany	790			
	Catadau	Spain	1,200			
	Meizhou	China	724			
	Island Power	Singapore	750			
	Quezon	Philippines	460			
	Callide C	Australia	920			
	Millmerran	Australia	880			
SG-led bank group (NEG developed plants)	Athens	N.Y.	1,080	Gas	Blackstone	Assessing Bids.
	Covert	Mich.	1,170	Gas		
	Harquahala	Ariz.	1,092	Gas		
	Millennium	Mass.	360	Gas		
STEAG	Iskenderun	Turkey	1,320	Gas	Morgan Stanley	Ongoing.
	Dell Power Station	Ark.	540	Gas		
	McAdams Power Station	La.	599	Gas		
Tractebel North America	Chehalis	Wash.	520	Gas	N/A	Looking To Sell Or Swap.
United Utilities	Landfill Generation Portfolio	U.K.	50 MW	Landfill	RBC Capital Markets	Set To Launch Sale In May.

Power Finance & Risk

Power Finance & Risk will announce its fourth annual power project finance awards on April 25 and we are seeking nominations from our readers for the best deals of last year.

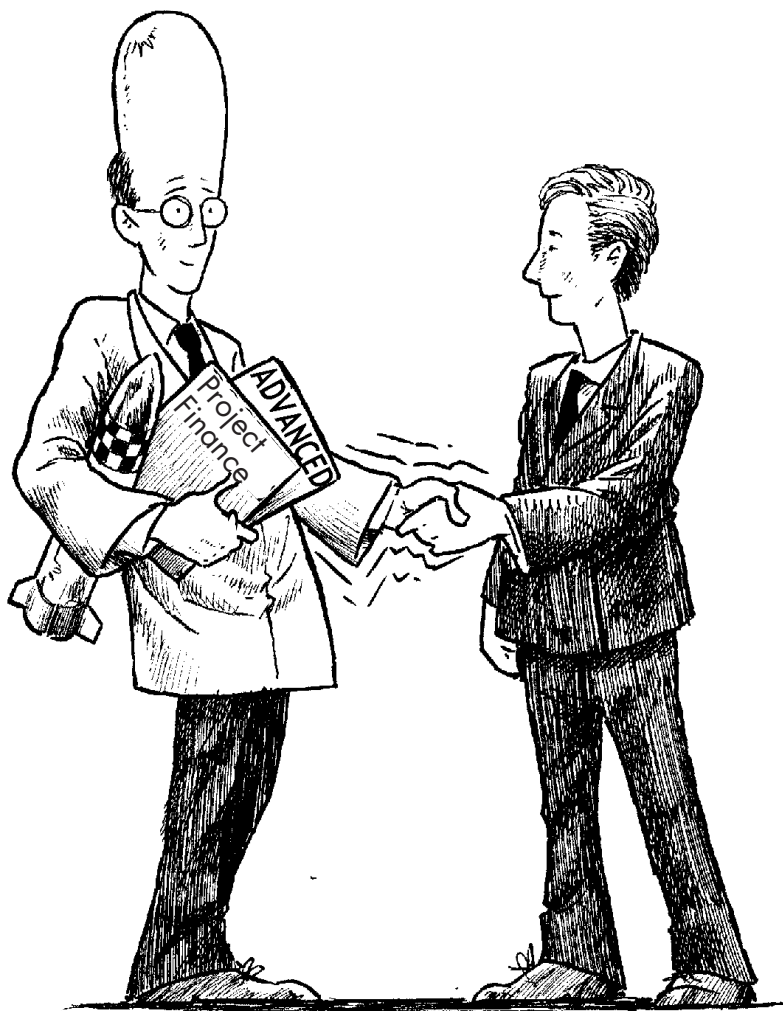
You can make nominations under three categories:

☐ Best North or Latin American Deal

☐ Best Renewable Energy Deal

☐ Best European or Middle East Deal

All nominations must be based on **non-recourse** financing to the **power** sector. Beyond that the selection criteria is up for grabs. However, you may want to nominate deals based on size, innovative structure or syndication, speed of execution, ability to overcome market challenges. When making your nominations please explain why you are making these choices.



Nominations must reach *PFR* by March 28.

A shortlist of candidates will be announced in the April 4 issue.

Please send your nominations to **Mark DeCambre**, managing editor, at mdecambre@iineews.com

All correspondence will be treated with confidentiality.

Morgan I-Banker Moves To Equity Desk

Morgan Stanley has tapped Rod Saddington to join the firm's proprietary equity trading desk in New York. Saddington will trade energy stocks, says a source with the firm. Saddington, who previously worked in an investment banking capacity for Morgan in Sydney, declined to comment. Melissa Stonberg, a spokeswoman for the firm, did not return calls for comment.

London Firm Plans Oil, Energy Fund

Galena Asset Management, a London-based subsidiary of commodity trading company Trafigura Group, is planning to launch a hedge fund focused on oil and energy. It is likely to launch in October with \$50-100 million, and will have a capacity of \$300-500 million. "The decision's been made by the [Trafigura] board," says Jeremy Weir, director at Galena, which recently closed its metals fund.

The oil and energy fund has a higher capacity than the metals fund, which has a capacity of approximately \$160 million. "The oil market is much bigger [than the metals market], with a lot more liquidity," noted Iain Paterson, director. As with the metals fund, the second fund will have a 1.5% management fee and a 20% performance fee, and will be Cayman-domiciled. Oil and energy specialists will move across to Galena from elsewhere within Trafigura and the firm will also look to make outside hires, says Weir, who adds that no appointments have been made.

Trafigura has two distinct divisions, one that trades metals and another that trades oil and energy. It makes sense for Galena to manage two funds, each utilizing the resources and expertise of one of these divisions, explains Mark Thompson, director.

ANP Trades on Soft Market

Small pieces of power project ANP Funding's \$399 million B loan traded at 90-91 1/2. The B loan for the International Power subsidiary is part of a financing that restructured a \$1.4 billion facility used to build IP's U.S. merchant portfolio. The deal does not have equity upside, says one trader, speculating on why the debt has traded down. The facility also includes a \$450 million A loan with the debt led by Credit Suisse First Boston and Morgan Stanley. The project loan was originally used to build I.P.'s 3.9 GW U.S. merchant portfolio. The construction of the project was finished in 2002 with the credit restructured in 2004. Officials at ANP did not return calls by press time.

SoCalEd Looks To Add Managers

Southern California Edison, is looking to make a handful of hires in its Rosemead and Ontario, Calif., offices. The utility arm of Edison International is seeking a project manager for economic and financial analysis, a regulatory project manager for the gas industry and a senior transmission manager, says a headhunter familiar with the plans. It was not immediately clear whether the positions are new or existing slots. A message left on Southern California Edison's media relations line was not immediately returned.

The project manager will scope out the economic feasibility of major investment opportunities while the regulatory project manager will be charged with focusing on the natural gas industry, including natural gas procurement and sales activities. The transmission manager will be responsible for leading and managing the design, construction and maintenance of transmission infrastructure across SCE territory.

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Weekly Recap

The Weekly Recap is a summary of publicly reported power news stories. The information has been obtained from sources believed to be reliable, but PFR does not guarantee its completeness or accuracy.

Europe and The Middle East

- The European Union is looking to increase its investments in the Russian energy sector and is ready to implement joint projects, European Commissioner for External Relations and European Neighborhood Policy **Benita Ferrero-Waldner** said in an interview. (*Moscow Daily News Bulletin*, 3/21)
- The Iranian government plans to invest about \$550 million in the Nigerian energy and power industries, according to **Alhaji Ganyama Abubakar**, Nigeria's ambassador to Iran. About \$400 million will be spent in the Nigerian oil and gas and electricity industries while the balance will be spent to underwrite the differences in tariff structures between the two countries. (*Xinhua News Agency*, 3/22).
- **Northern Island Energy Holdings** is exploring the idea of acquiring the north-west and north-south gas pipeline, said **Felicity Huston**, director at the company. The company just bagged the Scotland to Northern Ireland gas pipeline (*Belfast Telegraph*, 3/23)

Asia

- **Glow Energy and Hemaraj Land and Development** have agreed to jointly develop independent power projects to supply **The Electricity Generating Authority of Thailand**, according to Glow CEO **Peter Termote**. Under EGAT's power-development plan, 12,755 MW of new electricity generating capacity is set to come online between 2011 and 2015. (*Bangkok Post*, 3/22)
- India is considering acquiring liquefied natural gas from Malaysia to meet its energy needs in order to stimulate the country's economic growth. India Ministry of Petroleum and Natural Gas Secretary **S.C. Tripathi** said the Indian authorities and companies are talking with **Petroliam Nasional Bhd** (Petronas) for the LNG supply (*Business Times*, 3/23).
- Japan's biggest gas distributor, **Tokyo Gas Co.**, said last week it has taken a 15% stake in a \$1 billion pipeline project in Brazil to expand its overseas business. The Malhas project is led by Brazil's state-run oil company **Petrobras**, and is aimed at easing an electricity shortage in the country. (*Reuters*, 3/20).
- Foreign Minister, **Thomas Yaya Nimely**, has announced that the Chinese government is proposing to improve the Mount Coffee

Hydro Plant in White Plains, outside Monrovia. Nimely said the proposal states the Chinese government will pay 80% of the cost of the upgrades while the balance will be paid by the **National Transitional Government of Liberia**. (*AlAfrica.com*, 3/17)

- A gas pipeline was blown up in Pakistan's Baluchistan, authorities said on Wednesday. The ruptured pipeline, which supplied gas from Shikarpur to many parts of the province, was sealed off after the attack. A four-foot rupture resulted from the blast, the latest in an area where tribal militants are campaigning for autonomy (*Reuters*, 3/23).

The Americas

- The **Federal Energy Regulatory Commission** last week launched a formal investigation into whether **Westar Energy Inc.** has too much sway over its regional power markets to sell electricity at market-based rates. The commission adopted new market power screens about a year ago (*Dow Jones*, 3/22).
- FERC also granted conditionally approval to **Entergy Corp.** under which **Southwest Power Pool** would be allowed to take over some transmission operations from the company. FERC will allow Entergy to set up an independent coordinator of transmission, which will make decisions on transmission service requests, among other things. (*Dow Jones*, 3/22)
- Wisconsin state regulators reversed course Thursday, unanimously approving the sale of the Kewaunee nuclear power plant to a subsidiary of Dominion Resources after earlier rejecting the deal because they feared it could lose authority over the facility in the future. The parent company will pay \$220 million for the 542 MW Green-bay plant. (*Associated Press*, 3/17).
- Goldman Sachs Group agreed to acquire part of the family-owned Wind energy developer **Zilkha Renewable Energy** of Texas. The transaction is expected to close during the second quarter of this year (*Renewable Energy Access*, 3/22).
- Energy marketer and distributor **Duke Energy Corp.** said last week it plans to repurchase 30 million shares of its common stock under an accelerated share acquisition plan. The accelerated buyback was expected to close at an initial price per share of \$27.46. (*Associated Press*, 3/21)

CONSORTIUM SET TO LAND

(continued from page 1)

The project, which will be developed by **ACWA Power, Saudi Electric Company, Public Investment Fund and Tenaga Nasional Berhad**, is set to sign a 20-year power and water contract with the state-run **Water & Electric Company** once its winning bid is announced, Inam notes. In addition, the **Ministry of Finance** has guaranteed a make-whole provision for investors and lenders in the unlikely event that the PWPA falls through, he adds. Officials at the MoF could not be reached. The WEC invited 11 pre-qualified companies to participate in its request for proposal (PFR, 3/15), but only this group stepped up, according to Inam.

About 80-90% of the \$1.9 billion debt will likely be a conventional bank loan and the remainder will be structured in accordance with Islamic laws, says Inam. The special Islamic structure, which is typical for deals in that region, will carry a higher rate because it does not carry commitment fees, he adds. The combo-structure allows both international and local banks to feel comfortable with the financing, he explains. He declined to give further details regarding pricing of either structure. The tenor of the loan package will be

roughly 15-18 years. Riyadh will also set up a bridge loan for the length of the 3-4 year construction period but Inam declined to give pricing details.

Spurring the project was a request from the government for proposals to build the combined-cycle plant, which will provide power and potable water. The consortium is a virtual shoo-in to be awarded the contract in the next several weeks because there are no other bidders, Inam says. London-based **International Power** and Belgium-based **SUEZ Energy International** were rumored as contenders but then never bid, says Inam. Other bidders were not able to put together a proposal before government's March 5 deadline, published reports say.

Katja Damman, SUEZ spokesperson, and **International's** spokesperson **Sara Richardson**, declined to comment. Syndication will begin once the government announces the conclusion of the current bidding process.

The consortium will divvy up ownership of the plant with the Saudi Electric Company owning 8% and the Public Investment Fund holding 32%, both pseudo-government agencies; Tenaga and Malaysian electric distribution and transmission company **Malakoff BHD** will hold 15% each. AWCA will hold the remainder.

—Raquel Pichardo

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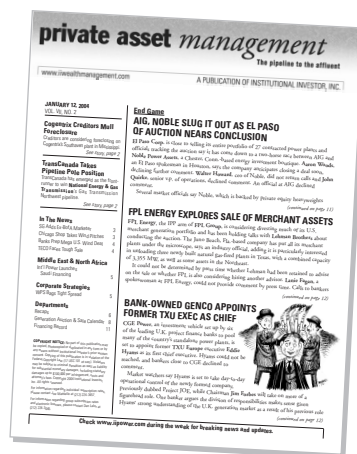
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AQUILA TAPS LEHMAN

(continued from page 1)

relatively independent M&A bankers to divest assets over the last couple of years.

The utilities on the block include Missouri's **St. Joseph Light & Power**, **Missouri Gas**, **Michigan Gas**, **Minnesota Gas**, **Colorado Electric** and **Kansas Electric**. Aquila CEO **Richard Green** announced during an earnings conference earlier this month it is weighing the sales of utilities worth more than \$800 million in an effort to cut debt. The company hopes to have sale agreements in place by August or September, Green said.

Aquila needs to cut debt to prop up its credit ratings, which currently stand at B2 from **Moody's Investors Service** and B- from **Fitch Ratings** and **Standard & Poor's**, he says.

Calls to **Raffiq Nathoo**, a senior managing director in the corporate advisory services group at **Blackstone** in New York, and **Frank Napolitano**, managing director for the global power group at **Lehman** at New York, were not immediately returned.

—Christine Buurma

COGENTRIX, COVANTA

(continued from page 1)

acquisition of **American Ref-Fuel Holdings Corp.** (ARC) from **DLJ Merchant Banking Partners** and **AIG Highstar Capital** for approximately \$2 billion. Accounts are already committing to the second-lien part of the financing, according to the lender.

The bank debt is likely to be split into two tranches. The first lien is expected to consist of a six-year, \$100 million revolver, a seven-year, \$340 million pre-funded letter of credit facility, and a seven-year, \$250 million B loan. The \$450 million eight year, second-lien tranche is expected to serve as the bridge loan. Pricing has not been decided. Calls to **Scott Whitney**, senior v.p. business development, were not returned.

Waste-to-energy operator **Covanta** is a subsidiary of **Danielson Holding Corp.**, which in turn is owned by distressed funds **Third Avenue Value Fund**, **D.E. Shaw Laminar Portfolios** and **SZ Investments**. **Danielson** is paying \$740 million in cash for **ARC** and is assuming \$1.2 billion in debt. The combined company will own or operate 31 waste-to-energy facilities across 15 states that will have the capacity to dispose of 45,000 tons of trash per day and generate almost 1,200 megawatts of renewable energy.

Meanwhile, **Goldman** held a bank meeting last Wednesday at the **Waldorf Astoria** to launch syndication of a seven-year, \$650 million term loan B for **Cogentrix**, according to a lender. The **Goldman** subsidiary bought equity interests in 11 power plants, a

natural gas pipeline and related assets from **National Energy & Gas Transmission** at auction last January for \$550 million. The new debt, which also includes a \$50 million revolver arranged by **BNP Paribas** and **Union Bank of California**, will take out the bridge financing and existing bank debt. **John O'Connor**, **Cogentrix** senior v.p. finance and treasurer, did not return calls.

With the acquisition, **Cogentrix's** net generating capacity increases to over 4.2 GW. Of the 11 plants acquired, **Cogentrix** already had ownership in nine of them and is now the manager of 10 of the plants.

—Kristen Haunss

CSFB, QUEENS DEVELOPER

(continued from page 1)

the assignment.

The refinancing clause was outlined in the original engagement letter, according to **CSFB**. The two have been in charged discussions over the past month with **Astoria** claiming the B-loan retooling does not qualify as a refinancing event. **James Croyle**, president of **Astoria** in **Concord, Mass.**, declined to confirm the dispute or talk about details of the agreement. "Never in my 63 years have I ever violated the terms of any contracts," he says.

It is unclear how the dispute may be resolved, or the current state of the talks between the two parties. **Jean-Marie McFadden**, spokeswoman at **CSFB** in New York, declined to comment.

The exact wording in the engagement letter could not be determined. Industry officials say such a clause can benefit both parties. For a less well-known sponsor it provides assurance that they will have a major investment bank backing their projects, while the banks can lock up future business with the client.

Calls to **Francois Coussot**, managing director at **Calyon**, were not returned.

—Mark DeCambre & Raquel Pichardo

Quote Of The Week

"We're always interested in new assets." —**Frank Panzer**, director of commercial development for Tulsa-based **SemGroup**, on the company's expansion plans (see story, page 3).

One Year Ago In Power Finance & Risk

After two years in administration and luke-warm interest, administrator **KPMG** relaunched the sale of its 363MW coal-fired plant in South Wales. Market watchers gave it a price tag of \$27-33 million. [On July 6, **KPMG** announced the sale of the **Fifoots Power Station** to **Carron Energy Ltd**, which is backed by **Rutland**, a U.K. private equity partnership, for an undisclosed amount.]