power finance & risk

The exclusive source for power financing and trading news

www.iipower.com A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

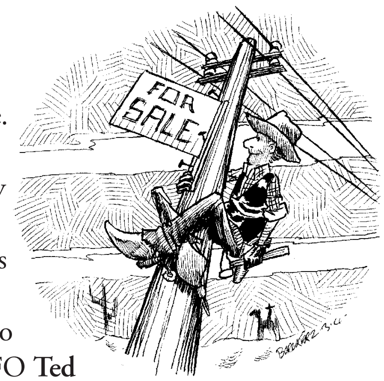
MARCH 29, 2004
VOL. VII, NO. 13

PFR Announces Award Winners

Generation financings sponsored by **AES**, **RWE Innogy** and **Calpine** have landed the honors in *PFR*'s third annual power project finance awards.

See feature, page 6

TNP PUTS ITSELF ON THE BLOCK



TNP Enterprises, the parent of **Texas-New Mexico Power**, has put itself up for sale and hired **Goldman Sachs** to advise. TNP's owners, which include **CIBC Capital Markets'** affiliate **Trimaran Corp**, have decided to divest the company both to profit from the rising market value for regulated utilities and because they're disappointed with the company's performance over the past few years. **Valerie Smith**, spokeswoman, confirmed that Goldman has been retained to advise on strategic options, referring further questions to CFO **Ted**

(continued on page 11)

MORGAN STANLEY SEEN STRUGGLING TO PLACE CALPINE PAPER

The junior tranches of **Calpine**'s $2.4 billion high-yield loan and note package have slumped in the secondary market, amidst rumors that lead manager **Morgan Stanley** has struggled to fully syndicate the deal and has been left holding a chunk of subordinate paper. Bankers at Morgan Stanley declined to comment, as did spokesman **Mark Lake**.

Traders say the deal's most subordinate tranche, a $680 million series of third-lien

(continued on page 11)

BANK OF CHINA CLOSES SYNDICATION ON FIRST MAINLAND POWER REFI; MORE TO COME

Bank of China has closed syndication on a more than $500 million package of loans supporting a coal-fired power plant in China, in what is thought to be the first ever refinancing of offshore bank debt in the remnimbi market. The deal, which refinanced **InterGen**'s 725 MW Meizhou Wan project, was syndicated with a group of six domestic banks. And officials say **CLP Power Asia**, **Siemens** and **AES** are among foreign IPPs looking to line up similar local currency refinancings of power projects in China.

(continued on page 12)

JOHN HANCOCK CONSIDERS GRABBING EL PASO QFS

John Hancock Life Insurance is considering buying **El Paso Corp.**'s stake in 10 qualifying facilities in California, a move that would thwart **AIG Highstar**'s recently announced agreement to acquire El Paso's 51% stake in the 167 MW generation portfolio, known as Juniper. John Hancock has the right of first refusal on the California plants because it already owns 49% of Juniper. If it goes ahead, John Hancock is expected to flip the stake to closely allied private equity shop **ArcLight Capital Partners**. **Robb Turner**, a principal at ArcLight,

(continued on page 12)

At Press Time

Calpine Draws In Relationship Players For Revolver

Calpine has drawn in six relationship banks for the $200 million revolver for its **Calpine Generating Company**, the former **Calpine Construction Finance Company II**. The **Bank of Nova Scotia**-led deal drew tickets from **Bayerische Landesbank**, **Credit Lyonnais**, **ING**, **TD Securities** and **Union Bank of California**. One lender says the deal was split equally between the six who are all strong relationship banks for the San Jose, Calif., IPP.

The three-year revolver, priced at LIBOR plus 350 basis points, is a working capital and letters of credit facility for the Calpine subsidiary. CalGen is the vehicle that refinanced the CCFC II bank construction revolver with high-yield bonds and loans (see story, page 4).

Astoria Energy Loan Gets Re-Pitched In Tranches

Astoria Energy is floating a re-worked version of a roughly $700 million high-yield financing for its 500 MW gas-fired plant in Queens, New York. Bankers say lead arranger **Credit Suisse First Boston** is pitching a two-tranche deal, with a first-lien $500 million loan priced at LIBOR plus 500-525 basis points and a second-lien tranche of around $200 million with an all-in funding target of 10%. The nature of the second-lien tranche has not been determined and it could take the form of bonds or a loan, say financiers.

If successful, the financing would be the first high-yield deal to fund construction of a power plant (PFR, 3/8). It was originally launched as a $690 million eight-year deal priced at LIBOR plus 450 basis points. Bankers say the re-working of the financing reflects in part the need to get the deal closed quickly. The project has a 10-year offtake contract with **Consolidated Edison Co. of New York** with a series of deadlines attached and as the financing drags on, the ability to meet those deadlines comes into question, says one banker.

CenterPoint Launches Genco Sale

CenterPoint Energy has prequalified a handful of bidders to acquire its 81% stake in publicly quoted Texas power plant operator **Texas Genco** and is looking to receive initial non-binding bids by April 19.

According to a sales memorandum send out by advisor **Citigroup**, CenterPoint intends to conduct a two-stage auction and "will favor prospective cash purchasers that demonstrate the greatest ability and willingness to expeditiously complete due diligence, obtain all the required consents and approvals, complete documentation and fund the acquisition without contingencies."

Texas Genco is the second largest generator in Texas with 14.15 GW of net capacity at 11 plants around Houston. It accounts for 18% of ERCOT. Two coal-fired assets, W.A. Parish (2,462 MW) and Limestone (1,602 MW) are thought to be the most profitable plants in the portfolio.

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@iinews.com
NAZNEEN KANGA *Publisher* (212) 224-3005 nkanga@iinews.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@iinvestor.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@iinews.com*

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

Cinergy Bulks Up Maturing Loan Facilities

Cinergy is combining two maturing bank facilities and bulking them up to total $1.5 billion. One financier says the Cincinnati utility holding company is taking advantage of the current strong loan market to add a little more financial liquidity. The new financing, which launched last week, is earmarked for general corporate purposes, he adds.

The facility is split between a $500 million 364-day facility and a three-year $1 billion loan. Fully drawn pricing on both tranches is 100 basis points at Cinergy's current Baa2 rating.

The loan package is being arranged by **Barclays Capital** and **J.P. Morgan**, both of which individually led the smaller expiring deals that totaled $1 billion. Cinergy made the decision to combine the loans as it makes it easier to manage the bank group and both facilities are maturing this year, says one banker.

Cinergy, which owns **Cincinnati Gas & Electric** and **PSI Energy**, is looking for commitments by April 13 and to close the deal April 26.

Algerian Deal Stalls As Export Credit Agencies Cut Ties

The $320 million project-level debt financing of **Black & Veatch** and **Algerian Energy Co.**'s 314 MW Kahrama IWPP in Algeria has been plunged into doubt after export credit agencies, including Paris-based **Coface**, and the lead arranger of the ECA-covered financing, **ABN AMRO**, pulled out of the deal. A syndicate of international lenders led by ABN had been expected to close financing by the end of March (PFR, 1/27).

Kahrama, Algeria's first independent power and water desalination project, is being developed on the Mediterranean coast near Algeria's second city, Oran. A banker at **Mizuho**, financial advisor to Kahrama, says the project's sponsors are funding the development of Kahrama through inter-company loans while they evaluate how best to proceed with longer term debt financing for the $450 million project. Bankers at ABN declined to comment and calls to Coface were not returned.

Market watchers say the decision of ABN to pull out could open the door to either **Citibank**, **Crédit Agricole Indosuez** or **HSBC** to arrange financing. All three lenders had been slated to join ABN on the original ECA-covered financing.

This is the second time Kahrama has failed to seal bank financing. In the fall of 2002 an earlier move was shelved after the project became mired in legal complexities and environmental issues. Costs have since risen by roughly $50 million to meet environmental standards and fund the development of a sub-station, says the Mizuho banker.

State-owned energy concerns **Sonatrach** and **Sonelgaz**, the joint owners of Algerian Energy Co., will enter 25-year offtake contracts with the Kahrama plant.

Citibank Adds ex-WestLB Energy Banker

Citigroup has hired **WestLB** financier **Erik Codrington** for an origination and structuring slot in its infrastructure and energy finance group. Codrington, who joined last week, has taken a similar role to his position at WestLB, where he was focused on oil, gas, pipelines and the occasional power deal. Codrington declined comment. Prior to WestLB Codrington was at **J.P. Morgan Chase**.

Mirant Analyst Heads To Wall St.

Jiri Hoogland, a quantitative analyst at Atlanta-based **Mirant**, has joined **Wachovia Securities** to work on its equity derivatives desk. He reports to **Todd Steinberg**, managing director and head of equity-linked products in New York, who says Hoogland is one of several hires made by the bank recently as it looks to beef up its presence in the U.S. equity derivative market. Hoogland declined to comment.

Citi Banker Leaves For Big Apple Utility

Robert Hoglund, managing director in Citibank's New York M&A group focusing on power and utilities, is set to leave the firm for Big Apple utility **Consolidated Edison Co. of New York,** where he will assume the position of senior v.p. of finance. He will be in charge of corporate accounting, rate engineering and treasury management, says a Citi official. A banker notes that Hoglund's decision may be spurred by a slow down in big ticket corporate merger activity. **Joseph Petta**, spokesman at ConEd, did not return calls. Messages left for Hoglund at Citibank also were not returned.

Hoglund is the latest banker to jump ship for a utility, as corporate merger activity continues to stagnate. Earlier this month **George Schreiber,** co-chairman of **Credit Suisse First Boston**'s energy group, left to become ceo of Farmington Hills, Mich.-based **SemcoEnergy.**

Banc of America Loses Oil & Gas Marketer

Rick Negron, an oil and gas marketer in the commodity trading group at **Banc of America Securities** in New York, has left the bank. A spokesman at BofA confirmed that Negron has left but declined further comment. Negron could not be reached for comment.

Negron reported to **Eric Nobileau**, head of commodity derivatives marketing. He is the latest in a series of departures from the bank following the departure of **David Mooney**, global head of commodities, in 2002, says a head hunter familiar with the bank.

Calpine Closes Reworked CCFC-II

Calpine has wrapped its $2.4 billion high-yield loan and note package, which will be used to refinance its CCFC-II bank construction revolver later this year. Landing the deal after a **Deutsche Bank**-led loan for the IPP was pulled just a few weeks ago (PFR, 3/8) is seen as a coup. "It's astounding," says one veteran financier, referring to the size of the deal and the fact it is a second stab at the market.

The final split on the new deal is: an $825 million five-year super-priority loan paying LIBOR plus 3.75%; a $750 million senior secured facility paying LIBOR plus 5.75%; $655 million of seven-year bullet maturity floating-rate notes priced at LIBOR plus 9%; and $175 million of 11.50% non-recourse fixed-rate secured notes due 2011. **Morgan Stanley** led the reworked deal.

The financing for **Calpine Generating Company**, formerly **Calpine Construction Finance Company II**, is non-recourse to Calpine Corp. and is secured against 14 power plants.

Cheyenne Pipe Loan Goes Retail

El Paso Corp.'s $278 million non-recourse financing for its Cheyenne Plains gas pipeline will be offered to a small retail group later this month after the deal closes within the next few weeks. Seven primary lenders have already signed up (PFR, 3/8). Upfront fees haven't been set for the retail round, but the five-year loan carries base pricing of 222 basis points over LIBOR and a 50 basis point commitment fee.

One banker tracking the deal says **ABN AMRO**, **CIT**, **HypoVereinsbank**, **NordLB**, **Scotia Capital** and **Royal Bank of Scotland** have joined lead **WestLB** for a equal slice of the loan. The deal funds construction of a 380-mile natural gas pipeline that will run from Cheyenne, Wyo., to Greensburg, Kan., and is due online next year.

Corporate Strategies

Sierra Pacific Extends Maturity With $335M Offering

Sierra Pacific Resources has tapped the private placement mart for $335 million in 10-year notes allowing it to take out debt that's coming due next year. The deal closed March 19, says spokesman **Karl Walquist**, who adds the electric utility holding company did the deal to "take advantage of a good market and to extend maturity."

The proceeds are earmarked to fund the repurchase of $300 million of unsecured 8.75% notes due 2005, for which the company has already launched a tender offer. The new notes, which were led by **Lehman Brothers** and **Merrill Lynch**, carry a 8.625% coupon and were placed at a 493 basis point spread over comparable Treasury bonds.

Sierra Pacific is the holding company for **Nevada Power** and **Sierra Pacific Power**, the electric utility for most of northern Nevada and the Lake Tahoe area of California. The new note issue was rated B minus by **Standard & Poor's**, reflecting risks associated with rate cases with its local regulator. The company is also involved in litigation with regards to $336 million in contract termination payments claimed by **Enron**.

With the low credit rating, Sierra Pacific and its subsidiaries have been paying up for debt. Nevada Power last summer placed some 9% coupon bonds in a deal also led by Lehman and Merrill (PFR, 8/20).

Bull Run Prompts Hawaiian Electric To Refinance

Hawaiian Electric Industries refinanced $200 million in preferred securities last week, taking advantage of a higher share price and a still low interest rate environment to tap both the stock and debt markets. **Brenda Lee**, manager of treasury at the Honolulu-based utility holding company, says that HEI intends on recalling nearly $100 million in trust preferred securities, which carry an interest rate of 8.05%. The notes will be redeemed April 19. "We had these trust preferreds hanging over us," she says, "And with the stock price high we thought of refinancing those high rates." Over the last six months, HE's stock price has risen almost 20%, from $44 to $51.04 at close on March 22. The cost savings should add two cents per share to the earnings in 2004, Lee says.

HEI's utility, **Hawaiian Electric**, issued $50 million of 6.5% trust preferred securities and the parent company issued $50 million of 4.23% seven-year medium-term notes.

The remaining $100 million was raised through the issuance of two million shares of common stock. **Goldman Sachs** was sole underwriter.

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 & Middle East

• **Duke Energy** intends to retain its 25% stake in a chemical plant in Jubail, Saudi Arabia, its last remaining asset outside the Americas. Duke plans to hold on to it for a simple reason: It makes money. "It's been a good steady earner," explains Duke spokesman Pete **Sheffield** (*Charlotte Observer*, 3/24).

Latin America

• A joint venture between Japan's **Chubu Electric Power Co.** and **Mitsui** and U.S. IPP **Calpine** plan to build a thermal power plant in Mexico. The 525 MW plant, to be located near Balladrid on the Yucatan Peninsula, will start operations in June 2006. The operating company created by the three firms will sell the electricity produced at the plant to Mexico's **Federal Electricity Commission** (CFE) under a 25-year contract. Chubu Electric and Mitsui will put up 27.5% each, while Calpine will contribute 45% of the equity capital (*Dow Jones*, 3/24).

U.S. & Canada

• **Entergy Corp.** unfairly favored its affiliates over competing independent generators bidding for power supply contracts, according to allegations made in testimony by two **Federal Energy Regulatory Commission** staff. FERC commissioners launched an investigation of the contracts last year, and **Calpine**, **TECO Energy** and **Tractebel Energy Marketing** accused **Entergy** of favoring company affiliates in buying wholesale power in long-term contracts. A formal hearing before a FERC Judge is set for June 15 (*Reuters*, 3/19).

• **DPL**, the Ohio utility facing internal allegations that senior executives may have engaged in fraud, released a memo in which its chief executive said no accounting rules were broken and that executives were well supervised by the board. The March 12 memo, addressed to a **KPMG** accountant, was written by **Stephen Koziar** and came in response to a nine-page memo written two days earlier by controller **Dan Thobe**. Thobe criticized management practices and suggested that conflict-of-interest standards and disclosure rules may have been violated. The DPL board hired a law firm to investigate the controller's allegations (*Wall Street Journal*, 3/19).

• **Wisconsin Energy** is considering using a special charge on electric bills to pay for a $325 million environmental cleanup at one of its plants. The Public Service Commission has approved the cleanup project for the Pleasant Prairie plant and it would have to give the green light to the funding mechanism. Wisconsin Energy is looking at a structure under which the special charge on ratepayers' bills would back and pay off bonds issued by the utility (*AP*, 3/19).

• **Allegheny Energy** Chairman and Chief Executive **Paul Evanson** bought nearly $1 million worth of Allegheny shares. He was one of six insiders who paid an average of $12.26 a share to buy 100,000 shares (*Wall Street Journal*, 3/24).

• **Pacific Gas and Electric** closed its public offering of $6.7 billion in first-mortgage bonds. The deal consisted of $600 million of 3.6% first-mortgage bonds due 2009, $500 million of 4.2% first-mortgage bonds due 2011, $1 billion of 4.8% first-mortgage bonds due 2014, $3 billion of 6.05% first-mortgage bonds due 2034, and $1.6 billion of floating rate first-mortgage bonds due 2006. The proceeds are expected to be used to pay creditor claims under the utilities reorganization plans (*Dow Jones*, 3/23).

• Attorneys General from Massachusetts and Rhode Island have joined with business and pressure groups to protest a proposal by **ISO New England** to build more power plants in the region. The regional grid operator filed the proposal this month with the **Federal Energy Regulatory Commission**. The five-year plan would gradually increase energy costs as new resources are built, including transmission lines in Connecticut and Greater Boston. ISO New England said many generating companies have applied to retire or deactivate their generators even though they are still needed to keep the electricity grid reliable (*AP*, 3/23).

• **Westar Energy** may have to restate 2003 results to reclassify some cash flow items, but said there would be no change in its total cash flows, income statement or balance sheet (*Reuters*, 3/24).

• **PPL** informed U.S regulators that it found indications of cracking at an entry point to its 1,040 MW Susquehanna Unit 1 nuclear reactor in Pennsylvania (*Bloomberg*, 3/24).

• Massachusetts state senator, **Daniel Bosley** is proposing a plan in the legislature to deregulate the state's power retail market. That plan is already triggering aggressive opposition from **NStar Electric & Gas**. NStar calls the plan an electric-industry version of long-distance telephone "slamming," or switching customers' service provider without their consent (*Boston Globe*, 3/24).

2003 Project Finance Awards

Power Finance & Risk *is proud to announce the winners of its third annual power project finance awards. Last year can rightly be viewed as the year when wind farm financing moved from the periphery to the very apex of the power project finance market, with several bellweather transactions taking place. Reflecting the growth of the wind farm market* PFR *has introduced a global renewable energy award category.*

The winners were nominated by power industry officials and project financiers and chosen by the editors of PFR.

Best Global Renewable Energy Deal

Sponsors: **RWE Innogy, Zephyr Investments**
Project: **Beaufort Wind**
Lead Arrangers: **ABN AMRO**, **Bank of Tokyo-Mitsubishi**, **BNP Paribas**, **Fortis Bank**, **HBOS**, **HypoVereinsbank**, **Royal Bank of Canada**.

RWE Innogy's Beaufort Wind refinancing of a portfolio of operational wind farms in the U.K. stands out from the crowd in terms of size, complexity and innovation. In a year when a slew of small wind farm project loans came to market in Western Europe and the U.S., Beaufort was the boldest transaction on several fronts.

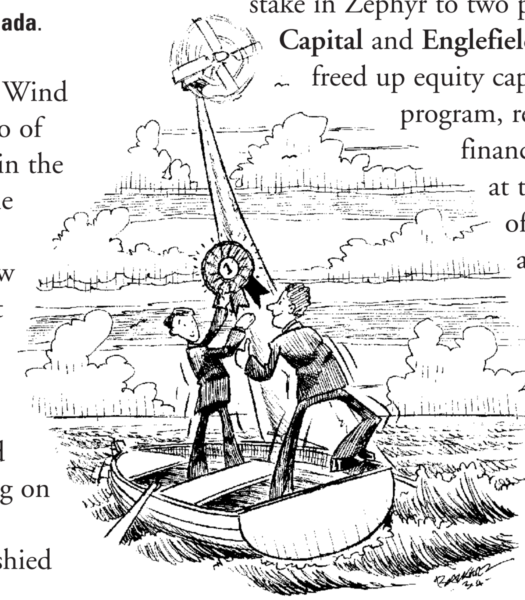
Beaufort is probably the first transaction to finance on a non-recourse basis an offshore wind farm. Incorporating new technologies and relying on the relatively unproven track record of offshore projects lenders have until now understandably shied away from funding such wind parks.

By dispersing individual plant risk through a portfolio transaction RWE Innogy managed to successfully refinance its North Hoyle wind farm in the Irish Sea, the U.K.'s first large scale offshore wind park, which was connected to the grid last year.

Beaufort also wins plaudits for the breadth of its scope. The deal successfully refinanced all of RWE Innogy's operational wind farms and allows new wind farm projects to be acquired and funded by the financing vehicle, Zephyr Investments, as and when they become operational. "This wasn't a one-off deal tidying up Innogy's balance sheet around the margins, but a holistic transaction that changes the ownership and financial dynamics of its wind farm business," enthuses one banker.

The deal transfers Innogy's 11 operational onshore wind farms to Zephyr and allows Innogy to move more wind farms into the portfolio as and when they're constructed. Over the next three years, Zephyr/Beaufort expects to purchase some 270 MW of operational wind farms from RWE Inngy.

Some market watchers also praise RWE Innogy's innovative use of private equity as a blue print for how other utilities can meet the U.K. government's ambitious and burdensome target that all electricity suppliers must source at least 10% of their generation from renewable sources by 2010. By selling a 66% stake in Zephyr to two private equity firms, **Crescent Capital** and **Englefield Capital**, Innogy has adroitly freed up equity capital to roll out its renewable program, relieved balance sheet pressure on its financially stretched parent RWE, while at the same time retaining ownership of the renewable energy certificates afforded by the wind farms.



The GBP300 million 15-year Beaufort Wind transaction comprised three tranches. An A tranche finances operational wind farms; B funds the acquisition of projects when they come on line; and C finances offshore assets.

In January the lead arrangers syndicated the deal among six additional lenders: **Crédit Lyonnais**, **Dexia Crédit Local**, **Helaba**, **KBC Bank**, **KfW** and **Royal Bank of Scotland**.

Best American Power Deal

Sponsor: **Calpine**
Project: **Refinancing of CCFC-I**
Lead: **Goldman Sachs**

The $750 million package of term loans and notes raised by **Calpine** at its **Calpine Construction Finance Company** subsidiary takes the gold medal for the Americas in 2003. Financiers say the deal was important and significant on several levels. In terms of innovation, the refinancing was the first deal to structure a spark-spread hedge into a non-recourse power deal. It also marked the first time that the high-yield institutional loan market had been tapped for a power project finance deal. “It was emblematic of the year. The bank market was running away and the institutional market was coming in,” says one financier unconnected with the deal.

Calpine’s landmark CCFC-I mini-perm loan, which funded the construction of a slew of U.S. power plants during the development boom of the later 1990s, was set to mature last November. But as that date loomed, refinancing the non-recourse deal looked no easy task. The bank project finance market in 2003 was unrecognizable from the one that had lapped up CCFC-I paper in 1999. Seared by **Enron** and the collapse of wholesale power prices, there was a question mark over the appetite and capacity of traditional power sector lenders to refinance or extend the deal in any way.


Fruit of CCFC-I: Westbrook

The appetite of high-yield institutional investors was also untested. But after the **Goldman Sachs**-led CCFC-I refinancing, one financier says term loan B investors opened a new and viable route for other power plant developers to refinance their debt loads. He notes Calpine itself only this month tapped that term loan B market again to refinance its CCFC-II facility in a deal over three times larger than the CCFC-I refinancing.

The deal was not without its faults or detractors. Loud griping was heard in the secondary market immediately after the deal closed last summer, as indicative quotes for the paper sank. Some investors suggested that **Goldman** had flooded the market.

But with hindsight, almost a year on from closure, bankers say the refinancing thoroughly deserves its plaudits. Even with attractive pricing of LIBOR plus 600 basis points on the $385 million term loan and an 850 basis point spread on the $365 million of floating-rate notes, Calpine and Goldman had their work cut out successfully placing the deal.

With the deal covering a portfolio of seven merchant gas-fired plants at a time when that part of the market had pariah status, reaching financial close was a major achievement. “I just didn’t think CCFC-I would go so easily,” says one lender.

Using the $750 million deal and cash on hand from a string of successful financings, Calpine paid down the CCFC-I bank revolver last August (PFR, 8/25).

Best European/Middle East Power Deal

Sponsor: **AES**
Project: **AES Cartagena**
Lead Arrangers: **Société Générale, ABN AMRO, Crédit Agricole Indosuez, Instituto de Credito Oficial, ANZ Investment Bank, ING, WestLB** and **BBVA**

AES’ EUR650 million AES Cartagena project financing wins the admiration of the bank market for succeeding in the face of adversity. Yes, it wasn’t the first Spanish power plant to reach financial close last year. That achievement was taken by **ESB International**’s Bizkaia Energia IPP last spring, but it was the tougher to close and paves the way for future independent generation projects in Spain.

“AES was in the middle of a huge corporate restructuring when the Cartagena deal was announced, and some commentators were even predicting that AES would fail to survive, yet ultimately Cartagena closed four times oversubscribed,” says one banker involved in the transaction.

“It’s a testament to AES’ perseverance, the deal’s tight structure and the quality of the energy management contract with **Gaz de France**,” adds another financier.

Despite widespread skepticism at the outset that Cartagena would ever get away, the drawn out transaction finally closed in early August, some five months after SG, ABN AMRO and Crédit Agricole were mandated to lead the deal.

The loan, which funds the construction of a 1.2 GW CCGT plant, faced a host of obstacles, the biggest of which was AES’ tarnished reputation among many European creditors. The IPP had walked out on its Fifoots Point plant in the U.K. less than a year previously and had already locked horns with it creditors over how to restructure the 4 GW Drax plant.

“It was tough getting credit committees to even look at this deal, but AES’ willingness to sweeten the deal’s pricing and structure led to a successful conclusion,” explains one lender.

For example, AES de-levered the deal from a 90:10 debt-to-equity split to a more modest 80:20 split and increased the deal’s yield. It also agreed to provide equity capital up front to assuage nervous lenders.

Market watchers also enthuse about AES’ innovative use of a 5.5-year mini perm structure and a cash sweep mechanism to encourage early repayment.

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
AEP	Fiddler's Ferry	U.K.	2,000	Coal	Lexigon	Intention to sell.
	Ferry Bridge	U.K.	2,000	Coal	Lexigon	
	El Bajio	Mexico	600 (50%)	Gas	WestLB	
AES	Wolf Hollow	Texas	730	Gas	N/A	Ongoing.
	Granite Ridge	N.H.	720	Gas		
	Termomamonal	Colombia	90	Gas		
	Ottana	Italy	140	Gas	None	Ongoing
AES Fifoots Point	Fifoots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant.
Allegheny Energy Supply	Armstrong	Penn.	356	Coal	J.P. Morgan	Ongoing.
	Hatfield	Penn.	1,600 (75%)	Coal	Citibank	
	Mitchell	Penn.	442	Coal	J.P. Morgan	
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention to sell.
Black Hills Energy	Pepperell	Mass.	40	Gas	-	Intention to sell.
CenterPointEnergy	Texas Genco portfolio (12 plants)	Texas	14,175	Variety	-	Reliant has passed up option to purchase portfolio.
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.	Seperate auction for each plant.
	La Paloma	Calif.	1,121	Gas	Lehman Bros.	
ConocoPhilips	Ingeside	Texas	440 (50%)	Gas	None	Looking to sell stake by June.
Damhead Power	Damhead	U.K.	800	Gas	E&Y	Banks Looking To Divest Ownership.
Delta Power	Lowell Power	Mass.	82	Gas	None	Actively pursuing a sale.
Duke Energy North America	Hot Spring Energy Facility	Ark.	620	Gas	CSFB	Launched sale in January.
	Murray Energy	Ga.	1,240	Gas		
	Sandersville Energy	Ga.	640	Gas		
	Marshall Energy	Kty.	640	Gas/oil		
	Hinds Energy Facility	Miss.	520	Gas		
	Southhaven Energy	Miss.	640	Gas		
	Enterprise Energy	Miss.	640	Gas		
	New Albany Energy	Miss.	385	Gas		
	Lee Energy	Ill.	640	Gas	J.P. Morgan	-
	Bridgeport Energy	Conn.	480 (67%)	Gas		
	Grays Harbor (in construction)	Wash.	650	Gas		
	Deming Energy (in construction)	N.M.	570	Gas		
	Moapa Energy	Nev.	1,200	Gas		
	Griffith Energy (50%)	Ariz.	600	Gas		
	Maine Independence	Maine	520	Gas		
Dynegy	Oyster Creek	Texas	424 (50%)	Gas	N/A	Ongoing.
	Hartwell	Ga.	300 (50%)	Gas		
	Michigan Power	Mich.	123 (50%)	Gas		
	Commonwealth	Va.	340 (50%)	Gas		
El Paso Europe	Enfield	U.K.	396 (25%)	Gas	No Advisor	Looking to exit Europe.
	EMA Power	Hungary	70	Coal		
	Kladna	Czech Rep.	350	Coal		

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
El Paso North America (Merchant assets)	Bastrop	Texas	543 (50%)	Gas	Citigroup	Final bids due.
	Bayonne	N.J.	186	Gas		
	Berkshire	Mass.	261 (56.41%)	Gas		
	Camden	N.J.	149	Gas		
	CDECCA	Conn.	62	Gas		
	Eagle Point	N.J.	233	Gas		
	Fulton	N.Y.	45	Gas		
	Milford	Conn.	540 (45%)	Gas		
	Newark Bay	N.J.	147	Gas		
	Pawtucket	R.I.	67	Gas		
	Rensselaer	N.Y.	79	Gas		
	San Joaquin	Calif	48	Gas		
El Paso North America (Contracted assets)	Midland Cogen	Miss.	1,500 (44%)	Gas	Citigroup	Set to sell remainder of QF portfolio to AIG.
	Prime	N.J.	66 (50%)	Gas		
Edison Mission Energy	Derwent	U.K.	214 (33%)	Gas	CSFB/Lehman	Looking to launch asset sale early in 2004.
	Dinorwig	U.K.	1,728	Pumped-storage		
	Ffestiniog	U.K.	360	Pumped-storage		
	ISAB Energy	Italy	512 (50%)	Waste		
	ICPV4	Italy	312 (50%)	Wind		
	Spanish Hydro	Spain	86	Hydro		
	Doga Energy	Turkey	180 (80%)	Gas		
	CBK	Philipinnes	728 (50%)	Pumped-storage		
	Clyde	N.Z.	432 (51%	Hydro		
	Kwinana	Australia	116 (70%)	Gas		
	Loy Yang B	Australia	1,000	Gas		
	New Plymouth	N.Z.	464 (51%)	Gas		
	Oakey	Australia	300 (12%)	Gas		
	Ohaaki	N.Z.	104 (51%)	Gas		
	Otahuhu A	N.Z.	45 (51%)	Gas		
	Otahuhu B	N.Z.	372 (51%)	Gas		
	Poihipi	N.Z.	55 (51%)	Steam		
	Roxburgh	N.Z.	320 (51%)	Hydro		
	Te Rapa	N.Z.	45 (51%)	Gas		
	Valley Power	Australia	300 (60%)	Gas		
	Wairekei	N.Z.	165 (51%)	Steam		
	Paiton	Indonesia	1,230 (40%)	Coal		
	Tri Energy	Thailand	700 (25%)	Gas		
Endesa	Conatillor	Chile	172	Hydro	N/A	Ongoing.
Energy East	Ginna	N.Y.	470	Nuclear	J.P. Morgan/Concentric	Agreed sale to Constellation Energy.
Entergy Asset Management	Crete	Ill.	320	Gas	Deutsche Bank	ArcLight is set to acquire Entergy's 50% stake. Launched sale in September.
	Robert Ritchie	Ark.	544	Gas/oil		
	Warren Power	Miss.	314	Gas		
	Top of Iowa	Iowa	80	Wind		
	RS Cogen	La.	425 (49%)	CHP		
	Roy S. Nelson	La.	550 (20%)	Coal		
	Harrison County	Texas	550 (70%)	Gas		
	Independence	Ark.	842 (15%)	Coal		
Ernst & Young Corporate Finance (representing secured creditors)	Bear Swamp	Mass.	599	Hydro	E&Y	Exploring Sale.
Exelon	Mystic 8	Mass.	800	Gas	Lehman Bros.	Has shortlisted bidders. Looking to execute a quick sale.
	Mystic 9	Mass.	800	Gas		
	Fore River	Mass.	800	Gas		
Fife Power	Fife	U.K.	115	Coal	E&Y (Administrator)	El Paso placed plant in administration.
HSBC-led creditor group	Attala	Miss.	526	Gas	HSBC	Ongoing.
InterGen	El Bajio	Mexico	600 (50%)	Gas	No Advisor	Ongoing.
Killingholme Power	Killingholme B	U.K.	800	Gas	N/A	Banks Looking To Divest Ownership.

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
LG&E Power	Roanoke Valley	N.C.	178 (50%)	Coal	N/A	Sent out RFP in April.
	Gregory Power	Texas	550 (50%)	Gas		
	Palm Springs	Calif.	42 (50%)	Wind		
	Tyler	Minn.	27 (50%)	Wind		
	Van Horn	Texas	41 (33%)	Wind		
	Tarifa	Spain	30 (46%)	Wind		
Merloni Elettrodomestici	Teverola	Italy	150	gas	N/A	Is in talks with ArcLight.
	Ferrara	Italy	150	gas		
Mirant	Kendall	Mass.	270	Oil	CSFB	Ongoing.
	Shady Hills	Fla.	474	Gas	BofA	
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538	Gas		
	Wichita Falls	Texas	77	Gas		
National Energy Gas & Transmission	Cedar Bay	Fla.	258 (64%)	Coal	Lazard	Ongoing.
	Panther Creek	Penn.	80 (55%)	Coal		
	Logan	N.J.	226 (50%)	Coal		
	Northampton	Penn.	110 (50%)	Coal		
	Indiantown	Fla.	330 (51%)	Coal		
	Carneys Point	N.J.	245 (51%)	Coal		
	Selkirk	N.Y.	345 (42%)	Gas		
	Altresco Pittsfield	Mass.	173 (89%)	Gas		
	Masspower	Mass.	267 (13%)	Gas		
	Scrubgrass	Penn.	87 (51%)	Coal		
	Colstrip Energy	Mont.	40 (17%)	Coal		
	Hermiston	Ore.	474 (25%)	Gas		
	Salem Harbor	Mass.	745	Coal & Oil		
	Pittsfield	Mass.	173	Gas		
	Brayton Point Station	Mass.	1,599	Coal		
	Manchester Street Station	R.I.	495	Gas		
Nations Energy	Bayport	Texas	80	N/A	Considering liquiditing the company.	
	Mungo Junction	Ohio	32			
	Southbridge	Mass.	7			
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	-
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch &	Ongoing.
	Lakeview	Ontario	1,140	Coal	Scotia Capital	
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
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
	Termopaipa IV	Philippines	185	Gas		
TECO Energy	Gila River Power Station	Ariz.	2,300	Gas	N/A	Considering exiting the merchant energy business.
	Odessa Power Station	Texas	1,000	Gas		
	Guadalupe Power Station	Texas	1,000	Gas		
	Frontera Power Station	Texas	477	Gas		
	Dell Power Station	Ark.	540	Gas		
	Union Power Station	Ark.	2,200	Gas		
	McAdams Power Station	La.	599	Gas		
	Commonwealth Chesapeake	Va.	315	Gas		
Tractebel North America	Chehalis	Wash.	520	Gas	N/A	Looking to sell or swap.
United Utilities	Landfill Generation Portolio	U.K.	50 MW	Landfill	RBC Capital Markets	Set To Launch Sale In March.

Financing Record (MARCH 18 - MARCH 24

Bonds

Issue Date	Maturity	Issuer	Country	Amount ($ mil)	Offer Price	Type of Security	Coupon (%)	Spread to Benchmark	Moody's	S&P	Bookrunner(s)
3/22/04	4/1/34	Entergy Mississippi(Entergy)	U.S.	100	99.543	Fst Mtg Bonds	6.25	160	Baa2	BBB+	ABN AMRO/JP Morgan
3/22/04	4/1/14	Metropolitan Edison	U.S.	250	99.693	Fst Mtg Bonds	4.875	120	Baa2	BBB-	JP Morgan/Wachovia
3/22/04	3/25/34	TransCanada Capital	U.S.	350	99.653	Notes	5.6	-	A2	A-	JP Morgan
3/23/04	4/1/15	Southern California Edison	U.S.	300	99.658	Fst Mtg Bonds	4.65	97	Baa2	BBB	Citigroup/JP Morgan
3/23/04	4/1/35	Southern California Edison	U.S.	350	99.956	Fst Mtg Bonds	5.75	108	Baa2	BBB	Citigroup/JP Morgan

M&A

Date Announced	Date Effective	Target Name	Target Advisors	Target Country	Acquiror Name	Acquiror Advisors	Acquiror Country	Deal Value ($mil)
3/18/04	3/18/04	Eolic Energy Parks	-	Spain	Undisclosed Acquiror	Nmas1	Unknown	-
3/19/04	-	Maynilad Water	-	Philippines	MWSS(Philippines)	-	Philippines	-
3/19/04	3/19/04	SEMCO Energy	CSFB	U.S.	K-1 GHM	-	Singapore	56
3/22/04	3/23/04	Visland Water	-	Philippines	ITE Electric Philippines	-	Philippines	0.021
3/23/04	-	Thurston Woods Water System	-	U.S.	Pennichuck	-	U.S.	-
3/23/04	3/23/04	Vattenfall AB-Energy Plant	-	Sweden	Klippan	-	Sweden	-

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

TNP PUTS

(continued from page 1)

Babcock, who did not return calls. **Andrea Rachman**, a spokeswoman at Goldman in New York, declined to comment.

TNP, which was taken private in 2000 through a high profile $1 billion leveraged buyout led by CIBC, has been planning to float on the stock market and held a beauty contest to select an IPO advisor earlier this month. Since word leaked out that the company was up for sale, however, more than half a dozen utilities and private equity firms have approached TNP saying they'd be interested in acquiring the company outright, say market watchers. Bidders are thought likely to include **MidAmerican Energy**, **Centrica North America**, **CenterPoint Energy** and **Kohlberg Kravis Roberts & Co**. "It's looking increasingly likely that it is through a trade sale where TNP's shareholders will find greatest value," says one financier.

TNP Enterprises is headquartered in Fort Worth, Texas, and is the holding company for regulated wires outfit Texas-New Mexico Power, which serves 248,000 customers in Texas and New Mexico, and **First Choice Power**, a retail energy supplier covering the deregulated Texas market.

TNP announced a $6.5 million loss in the second quarter of last year after First Choice Power was caught short of natural gas as fuel prices spiked. The company had to bolster its liquidity cushion with a new $125 million secured revolving credit facility last fall and a $42 million "add-on" term loan from CIBC.

—Will Ainger

MORGAN STANLEY

(continued from page 1)

floating-rate notes, has fallen from a launch price of par two weeks back to 93.5 last Thursday. A $150 million series of third-lien fixed-rate bonds, which also priced at par, stood at 92.625 late last week.

The bonds' weakness stems in part from unease over the subordinate tranches' low rating. "The ratings are just so low," notes a trader, who is not interested in the deal. "And there is a worry that the covenants have still not been cleaned up."

The credit rating became a central issue when, following the deal's launch, **Standard & Poor's** awarded a rating of CCC plus on the third-lien debt. It also awarded the tranche a recovery rating of five, implying third-priority note holders would recover less than 25% of principal in the event of a default. The market had been expecting a B rating.

In contrast, the senior tranches of Calpine's debt package have stood up relatively well and are drawing strong interest in the secondary market from traditional project finance lenders. The rapid turnaround time for the high-yield deal didn't give project financiers enough time to buy the deal at launch.

They're most interested in a slice of the $825 million five-year super-priority loans that were trading at 98.5 late last week. "The dollar debt for megawatt is very, very low," says one banker who is keen on the paper.

At least three project finance players contacted by *PFR* are looking at buying the paper in the secondary market.

—Peter Thompson & Nina Sovich

JOHN HANCOCK

(continued from page 1)

declined to comment. **Dawn Kelley**, spokeswoman at John Hancock, was unable to provide details by press time and **Kim Wallace**, spokeswoman at El Paso, did not return calls.

El Paso announced in mid-January it plans to sell its stake in 27 qualifying facilities to AIG for some $900 million in equity and debt. The deal has yet to close, in part because AIG must receive permission from the plants' co-owners, many of which have the right of first refusal. According to an official close to the deal, AIG would be happy to pass some plants on to John Hancock, as it never wanted to buy the entire El Paso portfolio in the first place. But it remains unclear, adds the official, whether it would want to divest its entire Juniper stake. Officials at AIG declined comment.

Juniper Generation—California

Plant Name	Location	Equity Interest (%)	Net Owned (MW)	Power Off Taker	Contract Maturity
Badger Creek	Bakersfield	26	12	PG&E	2011
Bear Mountain	Bakersfield	51	23	PG&E	2015
Chalk Cliff	Bakersfield	51	23	PG&E	2010
Corona	Corona	20	10	SCE	2018
Crockett	Corona	5	12	PG&E	2026
Double "C"	Bakersfield	26	12	PG&E	2009
High Sierra	Bakersfield	26	12	PG&E	2009
Kern Front	Bakersfield	26	12	PG&E	2009
Live Oak	Bakersfield	51	23	PG&E	2012
McKittrick	Bakersfield	51	23	PG&E	2011

Source: **BofA**

Though Hancock and ArcLight are not thought to be formally affiliated, the relationship between the firms is close. **Daniel Revers**, a founding partner at ArcLight, was once the head of John Hancock's energy investment team. The Boston-based insurance company also has $500 million invested in ArcLight's first energy fund.

Juniper Generation consists of 10 gas-fired cogeneration plants that were built between 1988 and 1996.

—Nina Sovich

BANK OF CHINA

(continued from page 1)

Weiming Shi, v.p. at InterGen in Hong Kong, and **Unis Chong**, director in the project finance & advisory group at **SG Corporate & Investment Banking**—which advised on the deal—declined comment. Officials in Bank of China's project finance group could not be reached by press time.

The new Meizhou Wan loan package consists of a remnimbi equivalent $519 million 15-year tranche with the option to extend for three years, and a remnimbi equivalent $16 million three-year revolver, according to an official familiar with the deal. The refinancing shaves at least 200 basis points off the original non-recourse financing, he adds. The original $566 million package consisted of five tranches with maturities between eight and 12 years with pricing on the commercial tranche in the LIBOR plus 180 basis point range, says a Hong Kong-based financier.

The Meizhou Wan refinancing will likely prompt other foreign developers to avail themselves of the longer tenors that are available in the Chinese non-recourse loan market, which is awash with liquidity, say market watchers. Indeed, CLP Power Asia is in talks to pull off a remnimbi refinancing of its $1.3 billion 3,000 MW Shandong Zhonghua power project, and AES and Siemens are also believed to be looking. Calls to **Richard McIndoe**, managing director of CLP Power Asia in Hong Kong, were not returned.

But, the window of opportunity may already be closing, warns an IPP official. Despite the surfeit of liquidity, Chinese banks are under pressure from mainland regulators to curb commercial lending and this could put a limit on appetite for exposure to the power industry.

Bank of China syndicated the Meizhou Wan facility, in an agreement signed March 19, to **China Minsheng Banking Corp.**, **Bank of Communications**, **China Merchants Bank**, **Industrial Bank Co.**, **China Construction Bank** and **CITIC Industrial Bank**.

The Meizhou Wan project is owned by InterGen (45%), **Lippo China Resources** (25%), **El Paso Energy International** (25%) and **Asia Development Bank** (5.2%). *—Victor Kremer*

Quote Of The Week

"We had these trust preferreds hanging over us."—**Brenda Lee**, *manager of treasury at* ***Hawaiian Electric Industries****, explaining the decision to refinance $200 million in hybrid securities (see story, page 4).*

One Year Ago In Power Finance & Risk

Williams Cos. was talking to banks about refinancing a landmark $900 million loan that had set the high watermark for funding rates in the distressed energy sector with an effective cost of 34%. [The $1.174 billion needed to pay off the principal and repayment costs was funded with a $500 million term B loan priced around LIBOR plus 375 basis points. The **Lehman Brothers** and **Bank of America**-led deal paid off the debt in conjunction with a chunk of balance sheet cash from Williams (PFR, 5/27).]