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## Web Exclusives

Creditors to the 680 MW Killingholme 'A' plant restructured its roughly GBP200 million bank loan last week following the departure of incumbent owner **NRG Energy**. The landmark restructuring could prove a template for other distressed assets in which sponsors have handed over the keys.

**Reliant Resources**' make-or-break $5.9 billion debt refinancing package went down to the wire late last week as several lenders held out for better terms.

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

## In The News



## Corporate Strategies



## Departments





<u>Turning The Corner?</u>

# WILLIAMS LOOKS TO REPLACE $900M BUFFETT/LEHMAN LOAN

**Williams Companies** is talking to banks about a $800-900 million loan to replace the high-profile facility led by **Lehman Brothers** and **Berkshire Hathaway** last summer that set the high watermark for funding rates in the distressed energy sector with an effective yield of 34%.

Financiers say the Tulsa, Okla., player should be able to replace the one-year deal, which matures in July, with little fuss and at all-in cost of 10-12%. Williams basically was

*(continued on page 12)*

# ABBEY BEGINS UNWINDING MULTI-BILLION DOLLAR U.S. ENERGY BOOK

**Abbey National Treasury Services** has begun divesting its multi-billion dollar U.S. energy portfolio and is transferring its senior Asian project financier back to London to coordinate the process.

**Derek Gordon**, head of project finance in London, says ANTS sold some $100 million of U.S. energy paper within a 12-day space earlier this month and will continue to look to

*(continued on page 12)*

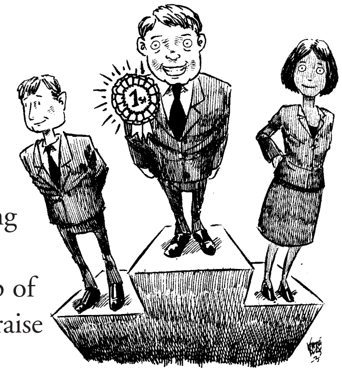
# LEHMAN PREPS BID SHORTLIST FOR TEXAS MERCHANT PLANT

**Lehman Brothers** is preparing a shortlist of bidders looking to acquire a 600 MW gas-fired merchant plant in Fort Bend County, Texas. A group of non-recourse lenders, led by **ABN AMRO**, is looking to sell the Brazos Valley plant because **NRG Energy** recently handed the keys to the lenders. The auction is being closely watched by project lenders, many of whom expect to be left holding thousands of megawatts of power projects as other cash-strapped developers follow NRG's lead and walk away from partially completed projects, according to

*(continued on page 12)*

<u>Project Finance Awards</u>

# INTERGEN, TENASKA LAND FINANCING PRIZES



U.S. independent power producers InterGen and Tenaska and their respective lead banks have scooped the honor for arranging the best project loans either side of the Atlantic. InterGen's Spalding deal won plaudits for prospering against the backdrop of a U.K. market in chaos. Tenaska's Fluvanna project garnered praise for its tight structure in the equally tough U.S. arena.

*For full coverage, see pages 6-8*

## AIG Beefs Up London Operation

**AIG Energy** has begun beefing up its newly launched London operation with a brace of hires. Market watchers say the subsidiary of triple-A rated insurer **American International Group** has hired two former **Enron Europe** veterans, **Harry Tefoglou** and **John Oliver**. Both join the firm as v.p.s later this week, adds one official. **Matthew Scrimshaw**, head of AIG Energy's London operation, who joined earlier this month (PFR, 3/3), declined to comment.

Oliver most recently worked with Scrimshaw at **Dynegy Storage** in Richmond, U.K., before the business was divested late last year. Scrimshaw ran the gas storage business, while Oliver was operations manager. Oliver's resume also includes spells at **BP** and **Shell**, the official notes.

Tefoglou most recently worked for a private equity boutique. Prior to that he covered asset development and product risk management at Enron. Neither Oliver nor Tefoglou could be reached for comment.

## Aquila Looks To Join B Loan Gang

Aquila launched a foray into the B loan market last Thursday with a $530 million deal led by **Credit Suisse First Boston**. The Kansas City, Mo.-based player originally had been looking to replace a $650 million revolver maturing April 12 in the traditional bank market, but changed its plans to join the growing band of power players tapping the institutional loan market, according to one official.

"The banks are suffering from deal fatigue at the moment. By going this route [Aquila] gets pricing that is probably better than banks would have offered," explains one syndicate official. CSFB officials declined comment.

The deal is crucial for Aquila as if it is unable to secure the financing and lenders demand full repayment, covenant triggers would require it to repay the bulk of its remaining debt, according to a report by **Fitch Ratings**.

The loan is split into two tranches: a 364-day $100 million facility collateralized by equity interests in Aquila's Australian business, its IPP assets and peaker plants and also a lien on its Canadian operations; and a $430 million three-year deal backed by first-mortgage bonds on utilities in Michigan and Nebraska and a second lien on the Canadian assets.

Pricing has yet to be finalized, but market officials say it will likely be around 500 basis points over LIBOR. The target closing date is April 7.

## Cinergy Parts Company With Marketing Honcho

**Joe Toussaint**, v.p. of marketing and operations at Cincinnati, Ohio-based energy concern Cinergy, left the company earlier this month. Toussaint, a former **ConAgra Energy Services**, **Enron** and **AIG** trader, says the move was amicable and by mutual consent, noting that there were philosophical differences about the future direction of the business. He declined to elaborate on that point. **Steve Brash**, spokesman at Cinergy, says Toussaint's responsibilities are being covered in the interim by **Michael Cyrus**, ceo of Cincergy's energy merchant business. Brash says the company plans to look for a permanent replacement to fill Toussaint's slot. Toussaint says he is currently considering his options but hasn't yet formulated a plan.

Toussaint was brought in to Cinergy in 1999 as the outfit looked to bolster its team after it was roiled by the July power price spikes of that year (PFR, 9/6/99).

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## IDACORP & Subsidiary Renew Credit Lines

IDACORP and its regulated subsidiary, **Idaho Power**, both completed the renewal of separate 364-day revolving credit facilities last week. IDACORP inked a $175 million credit line, replacing a maturing $350 million facility, while Idaho Power lined a $200 million credit line, replacing a similar sized deal. IDACORP was able to reduce its credit facility following the company's decision to exit power and natural gas trading and marketing last year. According to **Dennis Gribble**, assistant treasurer, the credit facilities will be used to back up IDACORP 's commercial paper program. **BankOne Capital Markets** and **KeyBank** shared lead-bank roles on the deals, with BankOne handling bookrunning and KeyBank responsible for the syndication.

Gribble says IDACORP originally planned a $150 million facility, but high demand and oversubscription prompted it to increase the size to $175 million. Idacorp also has a $140 million credit facility that does not expire until March 2005, says Gribble.

A KeyBank official says the syndication went well but refused to comment on the pricing of the deal. **Wells Fargo**, **Wachovia**, **US Bank**, and **Bank of America** acted as co-agents and **Washington Mutual**, **KBC Bank**, **CoBank**, and **Pacific Northwest Bank** joined the syndicate roster as lenders.

## RBoS Launches Spanish Retail Round

Mandated lead arranger **Royal Bank of Scotland** launched retail syndication of the EUR690 million ($740 million) Amorebieta project level financing at a bank meeting in Madrid last Thursday.

Prior to the meeting an RBoS official in London said the Scottish bank invited some 40 lenders to attend the meeting, but declined comment on the number of lenders it's looking to sign up, or how much debt it's looking to sell down during the retail round. However, another financier involved in the transaction says RBoS and eight other sub-underwriters are looking to sell down some EUR250 million of debt to cut their take-and-hold level from EUR80 million to EUR50 million. He adds that RboS is offering EUR40 million, EUR30 million and EUR20 million retail participation tickets.

The RBoS official says the decision to hold the meeting in Madrid reflects the large number of small Spanish lenders that are considering participating. Calls to **Steve Gee**, syndicate manager at RBoS were not returned.

Prior to inking financing in early February, RBoS signed up to eight lead arrangers and sub-underwriters, **Allied Irish Bank**, **Banco Bilbao Vizcaya Argentaria**, **Banesto**, **Bank of Scotland**, **Bayerische Landesbank**, **Bank of Ireland**, **Fortis Bank** and **KBC Bank**.

The Republic of Ireland's **Electricity Supply Board** is using the proceeds to fund the construction of an 800 MW combined-cycle gas turbine project in Spain, Iberia's first independent generation venture. The deal is backed by a 15-year tolling agreement with **Shell España**. The loan's pricing begins at 140 basis points over LIBOR during the plant's construction phase and then ratchets higher over the remainder of the loan.

## U.K. Investor Bags Two More AES Assets

London-based **CDC Globeleq**, a recently formed investment company charged by the U.K. government with buying generation assets across the emerging markets, tapped AES for two more power plants last week, following the brace of acquisitions it signed from the embattled U.S. IPP last December (PFR, 12/23).

**Stephen Cake**, director of new business development for Asia and Africa at state-owned CDC, says AES seems to have become its vendor of choice partly because of AES' decentralized structure under which each power plant is operated as a separate entity. This both makes it easier for CDC to carry out due diligence on potential acquisitions and also allows for a seamless transition of ownership because existing management and ancillary operations can be kept in place, explains Cake. "We are buying these plants lock, stock and barrel including management," he says.

Under the latest deal with AES CDC intends to acquire Haripur (360 MW) and Meghnaghat (450 MW), two newly built gas-fired plants in Bangladesh for $437 million, including the assumption of $210 million of project-level debt.

Last December CDC agreed to buy **AES Kelvin Power**, a coal-fired plant in South Africa, and **Songas**, a gas-to-electricity business in Tanzania, for $116.1 million in cash and a further $212.9 million in debt. All four plants have long-term offtake contracts in place.

The African deals are expected to close within the month, while the Bangladeshi acquisitions should close in June, says Cake. CDC will keep the existing project level debt in place.

CDC has some 2.5 GW of net generation capacity in 18 countries and split over 18 projects, and intends to continue acquring assets across Latin America, South Asia and Africa. "It's a buyers' market and there are lots of investment opportunities," enthuses Cake.

## Warburg Pincus-Backed Start-Up Sounds Out Bank Mart

**Insight Energy**, a Chicago-based generation acquisition player backed by **Warburg Pincus**, has been meeting banks in New York, Chicago and London to assess who is open for business in the project finance market as it closes in on its first acquisition.

**Kevin Smith**, ceo and a former top official at London-based **Rolls-Royce Power Ventures**, says the firm is negotiating 10-15 acquisition opportunities in the U.S. and the U.K. and has been assessing which banks would be interested financing projects in the $50-70 million range. "Some of the former bigger players are not interested, but the middle level banks are still active," he says.

Insight was formed last year and secured $100 million in equity capital from Warburg Pincus in the fall, making it one of the few of the new breed of acquisition start-ups to actually have investors on board, Smith notes. With that backing, the company has the option to acquire smaller-ticket assets purely via equity, he adds. The acquisition strategy is focused on landing contracted generation assets in the sub-200 MW sector. The firm is not looking at merchant assets, says Smith. The aim is to create a portfolio of small investments rather than just having a few large assets on the books, he adds.

## Electrabel Seeks German Trader

Belgian power giant Electrabel is looking to hire a German power trader in Brussels. The slot opened up because incumbent German power trader **Ed Solari** recently transferred to Electrabel's oil trading desk, says a market official familiar with the matter. Solari declined to comment, and calls to other officials at Electrabel were not returned.

Electrabel, a subsidiary of French utility **Suez**, trades the Benelux power markets, Germany, France and Spain, notes the official.

# Corporate Strategies

## CenterPoint Financing Coup Surprises Market

**CenterPoint Energy Resources**, the gas and pipelines unit of **CenterPoint Energy**, tapped the bond-market for $650 million and the long tenor and tight pricing surprised some industry officials. "It's a pretty cheap bond deal," says one investor of the 7.875% coupon and the 10-year maturity. "The access and pricing are important," adds **Scott Taylor**, analyst at **Standard & Poor's**. S&P rated the deal BBB. A spokesman for Houston-based CenterPoint declined comment.

The 144a issue, due 2013, was run by **Salomon Smith Barney** as sole book-running manager and **Wachovia Securities** as joint lead manager. The transaction, which closed last Tuesday, will be used to refinance $260 million of remarketable securities and also repay $340.3 million of indebtedness under a $350 million revolving credit facility.

The funding rate stands in stark contrast to the $1.3 billion term loan CenterPoint inked last year, says the investor, who was at a loss to explain why it had managed to secure such markedly cheaper money. That loan was set up with **Warren Buffett**'s **Berkshire Hathaway** and **Credit Suisse First Boston** and set a new bar for power sector funding with pricing of LIBOR + 975 basis points and a 3% LIBOR floor (PFR, 11/11).

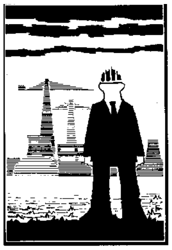
CenterPoint has been struggling with its indebtness for much of the last year and recently secured a $3.85 billion loan refinancing (PFR, 2/24). Market watchers say the company is looking to secure funds that will see it through until it can complete its stranded asset program in Texas. The company estimates it has around $4 billion in costs associated with deregulation in the Lone Star State and expects to retrieve some of the funds next year, or the year after. "They don't have a problem with the underlying business," says Taylor.

## Low Rates Prompt Entergy Refinancing

**Entergy Mississippi**, a regulated utility unit of Entergy issued $100 million of five-year first-mortgage bonds last week when attractively low interest rates offered a refinancing opportunity too good to pass up. **Morgan Stewart**, Entergy spokesman, says the utility's ability to take advantage of low interest rates was a driving force behind the issuance. He notes Entergy was able to lock in a five-year yield of 4.363%. Proceeds will be used to pay down short-term debt and fund working capital expenses including the management of variable fuel costs, says Stewart.

The BBB plus/Baa2 rated bonds were priced at 99.942 and pay a coupon of 4.35% to yield 140 basis points over comparable Treasury bonds. **Bank One Capital Markets** and **BNP Paribas**, both of whom have led prior Entergy bond offerings, shared lead manager credit on the deal. Stewart says the sale was oversubscribed.

# Power Plant Development Roundup



The western U.S. proved a hotbed of power development projects in March, according to *PFR*'s straw poll of publicly announced new activity. Five out the nine projects announced in March, including 50 MW of solar energy in Nevada from **Duke Solar Energy** and **Sagebrush Power Partners**' 182 MW wind farm in Washington, are in the Western states. Two new projects are slated for Rosemount, Minn. Both **Great River Energy** and **Xcel Energy** announced plans to build a combined 1,150 MW of new capacity in the city. A Great River spokeswoman described Rosemount as "a prime spot for power plants."

*The following information is culled from press reports, industry sources and company announcements and is deemed reliable but its accuracy cannot be guaranteed. To report new power projects or cancellations, contact* **Will Ainger**, *managing editor, at (44-20) 7303 1735 or via e-mail (wainger@euromoneyplc.com).*

### New Power Projects Announced (March)

| Developer | Project Name | MW size | Fuel type | Location | Cost ($M) | Status | Expected completion date |
|---|---|---|---|---|---|---|---|
| Duke Solar Energy | - | 50 | Solar | Eldorado Valley, Nev. | - | Received regulatory approval No construction date available | Could be operational by 2005 |
| Southern California Public Power Authority | Magnolia Power Project | 310 | Gas | Burbank, Calif. | 234 | Construction will begin once financing is complete | Summer 2005 |
| Eletrobras | 2 Unnamed Hydro Plants | 8,000 | Hydroelectric | Rondonia, Brazil | 4,000 | Construction is scheduled to begin in 2005 | - |
| CPV Warren | - | 520 | Gas | Front Royal, Va. | 280 | Construction scheduled to begin this year | - |
| Steag Power | - | 1,500 | Coal | Four Corners, N.M. | 1,500 | Currently in planning stage. | Could be operational by late 2007 |
| Western Water and Power Production | - | Unknown | Biomass | Raton, N.M. | 50 | Currently securing necessary permits | Operations could commence by 2005 |
| Sagebrush Power Partners | - | 182 | Wind | Ellensburg, Wash. | - | Subject to public utilities commission review | - |
| Great River Energy | - | 600 | Gas | Rosemount, Minn. | 400 | Awaiting legislative ruling | - |
| Xcel Energy | - | 550 | Coal | Rosemount, Minn. | - | Awaiting legislative ruling | - |

# 2002 Power Project Finance Awards

Power Finance & Risk *is proud to announce the winners of its second annual power project finance awards. Reflecting the lack of deal flow last year, we scaled back the award categories from five last year to just two, representing the best deals on each side of the Atlantic.*

*The winners were nominated by power industry officials, project bankers and lawyers and chosen by the editors of* PFR.

## Best European/Middle East Non-Recourse Power Loan

Sponsor: **InterGen**
Project: **Spalding Energy Project**
Leads: **Barclays Capital**, **Citibank**

InterGen and its mandated lead arrangers Barclays Capital and Citibank scoop top honors in Europe and the Middle East for the GBP519 million ($815 million) non-recourse bank financing of Spalding Energy, an 856 MW combined-cycle gas turbine project in Lincolnshire, England.

Admirers praise the trio for executing a deal and wrapping syndication against the backdrop of a U.K. wholesale power market mired in financial crisis. "It's almost inconceivable that this deal could have got done given the hurdles it faced," enthused one lender.

Bankers say the combination of a strong and innovative tolling arrangement with **British Gas Trading**, pricing that was ultimately attractive after the terms were flexed, and widespread approval of the project's technical design, ensured syndication was fully closed with a broad range of lenders.

The deal also wins kudos for being the first IPP financed under the New Electricity Trading Arrangements (Neta). Fans say the project overcame many of Neta's obstacles through the use of a complex offtake agreement that allows BGT to fully maximize the plant's high flexibility.

### Runner Up

Sponsor: **InterGen**
Project: **Rijnmond Power**
Leads **BNP Paribas, Société Générale**

InterGen's second European IPP facility of last year, the 800 MW Rijnmond CCGT project near Rotterdam, takes the silver medal, based on its innovative tolling structure and ground-breaking role as the first large-scale IPP project in mainland Europe.

Where it fell short of Spalding was in a less-than successful completion of syndication. "It struggled at the retail level," notes one banker, "and strong syndication must be a prerequisite for any first-class deal."

Lenders say Rijnmond's problems were more of timing than substance. The lead arrangers had the misfortune of launching the deal not long after the collapse of **TXU Europe** and several other U.K.-based IPP's. "A lot of bank interest really fell away at that point," notes one banker.

## Best North American/Latin American Non-Recourse Power Loan

Sponsor: **Tenaska**
Project: **Tenaska Virginia**
Leads: **DZ Bank, HypoVereinsbank, Bank of Tokyo-Mitsubishi, Credit Lyonnais, Dexia Credit Local.**

Tenaska takes the top slot for 2002 for the $497 million loan financing a 885 MW plant in Fluvanna County, Va. It's an illustration of the sea change in the market that the deal's status as the largest new asset financing of last year barely merited a mention from bankers who signed up for the deal. "It was a combination of a very conservative strategy and the fact the deal was watertight. There is a lot to be said for that in today's market," says one syndicator.

A measure of the demand for the construction plus seven-years loan, which priced at LIBOR plus 150 basis points rising to a 200 basis point spread, was that the deal was twice oversubscribed. Lenders cite several key selling points for the deal, known as Tenaska Virginia Partners, not least of which is the 20-year triple-A guaranteed tolling arrangement with **Coral Energy**. They also note that the project is located in the VACAR sub-region of SERC, a market that has more favorable demand and supply characteristics than the wider SERC area.

Tenaska itself sees the success of the deal as a product of the close relationship it has fostered with banks, says **Mike Lawler**, executive v.p. and treasurer. In just over a year the unrated Omaha, Neb.-based company has raised $1.725 billion via three project loans for the **Kiowa Power Partners**, **Tenaska**

# 2002 Power Project Finance Awards (cont'd)

**Alabama II Partners** and now the Tenaska Virginia deal.

Lawler says at the outset of the fund raising, Tenaska was looking to work with banks that would take a role through the entire program. "We view all our lenders as partners," he reflects. With that in mind, the company has used a five-bank team of leads that have rotated positions in the three deals. He adds the company also has made a deliberate effort to get out and meet lenders in both the U.S. and Europe.

*Fluvanna*

While recognizing the size and also the smooth syndication process, some financiers questioned the innovativeness of the deal. "It was another cookie out of the cutter," says one lender, explaining that the deal structure was close to the Kiowa and Alabama project loans.

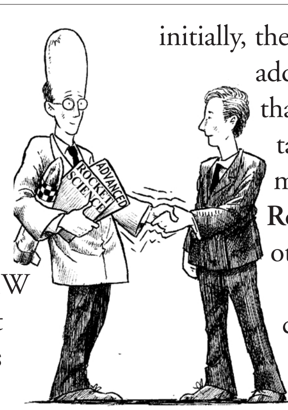
A syndicate manager in the deal downplays this argument, noting that the similarities between the three Tenaska deals could have proved as much a hindrance as a blessing. Since the other Tenaska deals already had been booked, lenders could have reached counterparty exposure limits on this latest round of financing, he argues.

More specifically, another lender in the deal notes that the Virginia project has a couple of crucial differences from the previous two Tenaska transactions. First, the deal does not have a guarantee from the contractor wrapping all the other contracts associated with the plant. A guarantee is typically used so that lenders don't have to pursue different entities should there be any problems during construction. Second, the 10% equity in the deal was lower than in previous deals, for instance Kiowa was 19%, which could have made lenders more skittish. "There was a lot of due diligence for lenders," says one market official.

A by-product of that due diligence was it established the deal didn't have any major problems lurking with in it, says one lender. He adds that even in the thin flows of last year, some of the larger deals—such as **FPL Energy**'s RISEP deal—had to be reworked to get to the finish line.

## Runner Up

Sponsor: **American Electric Power**
Project: **Desert Sky Wind Farm**
Lead: **Fortis Capital**




American Electric Power's 15-year non-recourse funding for its 160.5 MW Desert Sky wind project near Stockton, Texas, lands an honorary mention. Its \$120.7 million size and small bank group place it firmly behind Tenaska Virginia, but several project financiers categorize it as an important deal. A banker, who passed on the deal, says getting the financing done was a major achievement because of the attitude of many U.S. lenders toward wind power. "They are not familiar with it and the track record isn't a good one," he says, referring to banks that were burnt by wind deals when the market was in its infancy.

**Randy Boteler**, director of project finance at AEP, says tapping this area of the market for the first time involved a lengthy solicitation process and careful analysis of the risks involved. "It's a deal that goes back to old-time project finance…You create a matrix of the risks and then you go through and tick them off," he says.

Fans of the deal, in addition to citing the long-dated tenor, cite the strong pricing for the company: LIBOR plus 1 5/8% initially, then stepping up to a 200 basis point spread. Boteler adds the make-up of the bank group also underlines that deals can be done without major U.S. lenders taking part. **Fortis Capital** led the deal, the co-managers were **Dexia Credit Local**, **Rabobank** and **Royal Bank of Canada**'s London desk and the three other lenders were also non-U.S.

The deal shows that U.S. wind deals can be completed and has started a process of familiarization that should ease the process for more financings, says a banker. Boteler agrees, "We wanted to jump-start the market."

# 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 |
|---|---|---|---|---|---|---|
| ADWEA | Um Al Nar | Abu Dhabi | 1,100 | Gas & Water Desalination | CSFB | Int'l Power is preferred bidder. |
| AEP | Fiddler's Ferry | U.K. | 2,000 | Coal | N/A | Intention to sell. |
| | Fern Bridge | U.K. | 2,000 | Coal | | |
| AES | Yarra Power Station | Australia | 510 | Gas | - | Has appointed an advisor. |
| | Jeeralang | Australia | 449 | Gas | | |
| | Mt Stuart | Australia | 288 | Gas | | |
| 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 | In talks with Exelon |
| | Mitchell | Penn. | 442 | Coal | J.P. Morgan | In talks with Exelon |
| Alliant Energy | Southern Hydro | Victoria, Australia | 500 | Hydro | N/A | Intention to sell. |
| 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 | | |
| BP | Great Yarmouth | U.K. | 400 | Gas | J.P. Morgan | Intention to sell. |
| Calpine | 11 QFs | Calif. & East Coast | 1,000 | Gas | Salomon Smith Barney | Ongoing. |
| Cinergy | Cinergetika | Czech Rep. | 230 | CHP | J.P. Morgan | Expects to sell assets shortly. |
| | Energetika Chropyne | Czech Rep. | 48 | CHP | | |
| | EPR Ely | U.K. | 36 | Straw | | |
| | Moravske Teplamy | Czech Rep. | 410 | CHP | | |
| | Pizenska Energetika | Czech Rep. | 406 | CHP | | |
| | Redditch | U.K. | 29 | Gas | | |
| | Teptama Otrokovice | Czech Rep. | 349 (11%) | CHP | | |
| 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 | |
| DPL | All plants | Ohio | 3,500 | N/A | Morgan Stanley | |
| El Paso Europe | Enfield | U.K. | 396 (25%) | Gas | No Advisor | Looking to exit Europe |
| | EMA Power | Hungary | 70 | Coal | No Advisor | Looking to exit Europe |
| | Kladna | Czech Rep. | 350 | Coal | No Advisor | Looking to exit Europe |
| Endesa | Conatillor | Chile | 172 | Hydro | N/A | Ongoing |
| Enron | Nowa Sarzyna | Poland | 116 | | PwC (administrator) | Ongoing. |
| | 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. | 1,875 | | | |
| Enron | Wilton | U.K. | 133 | Coal/Oil/Gas | Close Brothers | Ongoing. |
| Fife Power | Fife | U.K. | 115 | Coal | KPMG (Administrator) | El Paso placed plant in administration. |
| IVO Energy | Grangemouth*** | U.K. | 130 | Gas | - | Looking to refocus in Nordic region. |
| | Edenderry | Ireland | 120 | Peat | | |
| Mirant | Birchwood | Va. | 119 | Coal | CSFB | Ongoing. |
| | Kendall | Mass. | 270 | Oil | | |
| | Shady Hills | Fla. | 474 | Gas | BofA | Ongoing. |
| | West Georgia | Ga. | 640 | Gas | | |
| | Bosque County | Texas | 538 | | | Looking for advisor to assist with sale |
| | Wichita Falls | Texas | 77 | | | Looking for advisor to assist with sale |
| Niagara Mohawk Power | Nine Mile Point 1 | N.Y. | 1,614 | Nuclear | N/A | Awaiting bids. |
| | Nine Mile Point 2 | N.Y. | 1,140 | Nuclear | N/A | |

Continued

# Generation Auction & Sale Calender (cont'd)

| Seller | Plants | Location | MW | Plant Type | Advisor | Status |
|---|---|---|---|---|---|---|
| NRG/Xcel | Gladstone Power | Australia | 1,500 (37.5% stake) | Coal | ABN AMRO | Awaiting bids. |
| (Asia) | Flinders | Australia | 760 | Coal | | |
| | Loy Yang A | Australia | 2,000 (25% stake) | Coal | | |
| | Hsinchu | Taiwan | 400 (60% stake) | Gasfired | | |
| | Lanco Kondapalli | India | 340 (30% stake) | Gas/Oil | | |
| | Collinsville | Australia | 192 (50% stake) | Coal | | |
| NRG/Xcel | TermoRio | Brazil | 1040 (50% sake) | Gas | Deutsche Bank | Awaiting bids. |
| (Latin America) | 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 | | |
| NRG/Xcel | CEEP | Poland | 10 (10% stake) | - | Goldman | Has already sold two Eastern European |
| plants. | | | | | | |
| (Europe) | Enfield | U.K. | 380 (25%) | Gas-fired | | Awaiting further bids. |
| | MIBRAG | Germany | 238 (50% stake) | Coal | | |
| NRG/Xcel | Big Cajun II | La. | 2,400 (90%) | Coal | - | Has shortlisted three bidders. |
| (U.S.) | Pike | Miss. | 1,192 | Gas | | |
| | Batesville | Miss. | 1,129 | Gas | | |
| | Brazos Valley | Texas | 633 | Gas | | |
| | Kaufman | Texas | 545 | Gas | | |
| | Big Cajun | La. | 458 | Gas | | |
| | McClain | Okla. | 500 (77%) | Gas | | |
| | Bayou Cove | La. | 320 | Gas | | |
| | Sabine River | Texas | 420 (50%) | Gas | | |
| | Sterlington | La. | 202 | Gas | | |
| | Mustang | Texas | 485 (25%) | Gas | | |
| | Pryor Cogen | Okla. | 88 (20%) | Gas | | |
| | Timber | Fla. | 13.8 | Biomass | | |
| | Power Smith | Okla. | 80 (9.6%) | Gas | | |
| Oman (Ministry of Housing, | Rusail | Oman | 730 | Gas | CSFB | - |
| Electricity & Water) | Ghubratt | Oman | 507 | CHP | | |
| | Wad AlJazzi | 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 | | |
| Pacific Gas & Electric | 68 Plants | Calif. | 3,800 | Hydro | Morgan Stanley | Awaiting PUC approval. Expect sale to close shortly. |
| PESG Global | Tanir Bavi | India | 220 (74%) | Naphtha | - | - |
| | Karpatalsm | India | 330 (20%) | Naphtha | - | - |
| PG&E National Energy Group | Bear Swamp | Mass. | 599 | Hydro | Lehman | Ongoing. |
| | Masspower | Mass. | 267 | Gas | | |
| | Salem Harbor | Mass. | 745 | Coal & Oil | | |
| | Millennium | Mass. | 360 | Gas | | |
| | Pittsfield | Mass. | 173 | Gas | | |
| | Brayton Point Station | Mass. | "1,599" | Coal | | |
| | Manchester Street Station | R.I. | 495 | Gas | | |
| | Lake Road | Conn. | 840 | Gas | | |
| | Athens Generating | N.Y. | 1,080 | Gas | | |
| Polish Treasury | Elektroncieplownie Pozpnanskie | Poland | | CHP | - | Ongoing. |
| Reliant Resource | Argener | Argentina | 160 | CHP | | |
| Roosecote | Lakeland | U.K. | 220 | Gas | KPMG (Administrator) | Edison Mission placed plant in administra- |
| tion. | | | | | | |
| 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 | | | |
| TXU Europe | Shotton | U.K. | 229 | CHP | PWC | Awaiting bids. |
| Wisconsin Energy | Bridgeport | Conn. | 1,100 (combined) | | CSFB | Has put up for sale following collaspe of NRG deal. |
| | New Haven | Conn. | 1,100 (combined) | | | |

# 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.*

## Australasia

• Madison, Wisc.-based **Alliant Energy** has agreed to sell its Australian hydro generation business to New Zealand-based **Meridian Energy** for about $350 million. The sale includes the repayment of about $145 million in debt in Australia (*Reuters*, 3/22).

## Europe & Middle East

• Calder Hall, the world's first and oldest industrial-scale nuclear power station, at Sellafield, U.K., is to close today, 47 years after it was commissioned. The 11 other magnox nuclear plants in the U.K.—all owned by **British Nuclear Fuels** and accounting for 10% of the country's generation market—are scheduled to be closed over the next five years (*The Guardian*, 3/22).

• **John Roberts**, ceo of **United Utilities**, has called for a renewables tax to help meet the $3.1 billion estimated cost of plugging renewable electricity generators into the national grid. The plans, submitted to U.K. energy regulator Ofgem, could raise U.K. prices by 30% in two years (*Sunday Business*, 3/23).

• Spain's **Hidroelectrica del Cantabrico** has agreed to pay $571.4 million for a 62% stake in Basque natural gas firm **Naturcorp**. Cantabrico is controlled by **Electricidade de Portugal. Gas Natural** and takeover target **Iberdrola** had both been vying for the controlling stake in Naturcorp (*Reuters*, 3/24).

• **Electricité de France** will determine the future of its oil- and coal-fired power plants in June—some of which it is considering closing—but has committed to spend EUR250 million from 2004 to upgrade some of the units. France relies on nuclear generation for most of its electricity but has about 20 oil and coal plants that account for around 10% percent of EdF's generating capacity (*Reuters*, 3/24).

• The city of Paris has approved the sale of its 14.6 % stake in **Compagnie Nationale du Rhone** to **Electrabel**. But the deal will only be concluded after the French government grants approval for private companies to own up to 49% of a public company, according to an Electrabel spokesman. The sale would raise Electrabel's stake in CNR to more than 24% (*Reuters*, 3/25).

## Latin America

• Brazilian power company **AES Tiete** has put on hold plans to build a 700 MW thermo-generation project in Sao Paulo until regulation governing Brazil's electric power sector become clearer (*Bnamericas.com*, 3/21).

## U.S. & Canada

• **El Paso** has reached a settlement with California worth nearly $2 billion over charges that it manipulated natural gas prices during the Golden State's energy crisis. The deal calls for El Paso to pay $505 million to California ratepayers and give the state $900 million in free natural gas over the next 20 years (*San Jose Mercury News*, 3/21).

• **Enron** is suing Nevada-based **Valley Electric Association** for $22.3 million over the co-op's early termination of power-purchase contracts that extended until 2006. A VAE spokesman says the contracts allowed for termination in February 2002 after Enron filed for Chapter 11 bankruptcy (*Las Vegas Review-Journal*, 3/25).

• **AES** has agreed to sell a 32% stake in its Middle East affiliate **AES Oasis** to **Emerging Markets Partnership** for about $150 million. AES Oasis owns two electric generation and desalination plants in Oman and Qatar and the oil-fired LalPir and PakGen generating facilities in Pakistan (*The Wall Street Journal*, 3/26).

• **El Paso Merchant Energy** agreed to pay a $20 million civil fine to the **Commodity Futures Trading Commission** to settle an investigation into false reporting of natural gas trades. The El Paso subsidiary agreed to the settlement without admitting or denying any wrongdoing (*CBSMarketWatch.com*, 3/26).

• The **Federal Energy Regulatory Commission**, at its long-awaited hearing into California's energy crisis, accused three traders of serious market abuse, **Reliant Resources**, **Enron** and a unit of London-based **BP**. The agency warned it could take the unprecedented step of barring these players from wholesale power trading. Reliant and BP were accused of conspiring to rig electricity prices at the Palo Verde pricing point in Arizona (*Wall Street Journal*, 3/27).

# Financing Record (MARCH 23 - MARCH 27)

## Bonds

| Issue Date | Maturity | Issuer | Amount ($m) | Offer Price | Type of Security | Coupon (%) | Spread to Bench Mark | Moody's | S&P | Book Manager(s) |
|---|---|---|---|---|---|---|---|---|---|---|
| 3/21/03 | 4/1/33 | Gulf Power | 65 | 100 | Sr Ins Qrt Nts | 5.6 | 63 | Aaa | AAA | Edward Jones & Co. |
| 3/24/03 | 12/20/27 | United Utilities | 78.7 | 99.079 | MTNs | 5.625 | 97 | A2 | A- | Barclays |
| 3/25/03 | 4/1/08 | Entergy Mississippi (Entergy) | 100 | 99.942 | Fst Mtg Bonds | 4.35 | 140 | Baa2 | BBB+ | BNP Paribas/BankOne |

## M&A

| Date Announced | Date Effective | Target Name | Target Advisors | Target Country | Acquiror Name | Acquiror Advisors | Acquiror Country | Deal Value ($mil) |
|---|---|---|---|---|---|---|---|---|
| 3/20/03 | - | Sichuan Mingxing Elec Power | - | China | Shenzhen Minglun Group | - | China | 34.489 |
| 3/20/03 | - | Sichuan Mingxing Elec Power | - | China | Shenzhen Minglun Group | - | China | 11.567 |
| 3/21/03 | - | Southern Hydro | ABN AMRO | Australia | Meridian Energy | Deutsche Bank | New Zealand | 350 |
| 3/22/03 | 3/22/03 | UE | - | Russian Fed | MDM Group | - | Russian Fed | - |
| 3/24/03 | - | AES Washington Holding(AES) | - | Ukraine | Vacuna International | - | Belgium | - |
| 3/24/03 | - | AES Haripur, AES Meghnaghat | - | Bangladesh | CDC Globeleq | JP Morgan | U.K. | 437 |
| 3/25/03 | 3/25/03 | Mountainview Power | - | U.S. | Sequoia Generating | - | U.S. | - |
| 3/25/03 | 3/25/03 | Mountainview Power | - | U.S. | Sequoia Generating | - | U.S. | - |
| 3/25/03 | - | Verbundnetz Gas | - | Germany | Wintershall | - | Germany | - |
| 3/26/03 | - | Nakayama Nagoya Kyodo Hatsuden | - | Japan | Gas And Power Investment | - | Japan | - |
| 3/26/03 | - | Nakayama Kyodo Hatsuden | - | Japan | Gas And Power Investment | - | Japan | 41.655 |

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

## ABBEY BEGINS

*(continued from page 1)*

divest paper in the secondary bank loan market when opportunities arise. The sale follows the decision of Abbey National, a U.K. mortgage lender, to shut down its wholesale bank arm, ANTS, late last year (PFR, 12/9).

**Chris Sutcliffe**, ANTS' point man for Asian project finance, shortly will transfer from Australia to London to take charge of unwinding ANTS' U.S. book, says Gordon. Sutcliffe, who relocated from London in 2000, presently is leading the auction of ANTS' AUD1 billion ($600 million) project loan book. Final bids were due last Friday after *PFR* went to press.

With much of the U.S. generation market beset by weak prices and an uncertain future, Abbey will not contemplate a fire sale of its U.S. power book, says Gordon. Rather, it will look to unwind the investments over the next two to three years when exit opportunities arise. At present it is only selling energy paper that is trading at par or at a marginal discount. These sales have consisted primarily of regulated utility and pipeline paper, he says.

ANTS has a GBP3.25 billion ($5.1 billion) global project loan portfolio. Power and gas deals account for 85% of the book and roughly half of this is invested in the U.S., say market watchers. *— Will Ainger*

## WILLIAMS LOOKS

*(continued from page 1)*

over a barrel last year, says one banker, reflecting on the sky-high interest rate. "No one was willing to lend them the money at the time," he notes.

**Kelly Swan**, spokesman at Williams, says the company has disclosed it is looking at refinancing the loan to the tune of $300-800 million. He declined further comment on the bank selection process or likely pricing.

The Lehman- and Berkshire-led financing, and the planned new deal, are secured against **Williams Production RMT** assets, which are primarily natural gas properties in the Rocky Mountains. "The quality of the assets is very strong," says one banker whose firm is in the running for a lead slot. The potential tenor for the new deal and the timeline for choosing a lead could not be determined.

Last year's facility was inked when Williams was caught in a swirl of rumors about the propriety of its trading operations (PFR, 6/10). An initial plan to set up a $1.8 billion revolver stuttered and the bank deal ended up being closed as a $1.1 billion revolver and letter of credit facility. The Lehman and Berkshire facility made up the shortfall. "There was a perception that there may have been a lot of hidden issues with the company. There weren't," says a financier.

According to Williams' year-end 10 K, the $900 million loan is priced at the Eurodollar rate plus 4% per annum, which as of December 31 equated to 5.67%. However, there is an additional interest charge of 14% per annum that is compounded quarterly and added to the principal and also deferred set-up fees which under differing scenarios can range from 15-21% of the principal. The various fees take the funding cost to 34%, says Williams' Swan. *—Peter Thompson*

## LEHMAN PREPS

*(continued from page 1)*

market officials. The project's total cost was $359 million.

Bankers at ABN did not return calls. "It is an ongoing process," says **Joe Sauvage**, managing director and co-head of power at Lehman in New York. He declined further comment. A spokeswoman at NRG in Minneapolis was unable to comment by press time.

Companies that bid in the first round but did not make the cut are believed to include **Goldman Sachs**, New York-based energy acquisition and restructuring shop **Miller, McConville, Christen, Hutchison, & Waffel** (MMC) and Germany's **Steag Power**. Officials at Goldman, MMC and Steag declined comment.

The Brazos Valley project is expected to be completed in May or June, says an official familiar with the plant. If ABN fails to sell the merchant facility by then, it could find itself running the plant and taking an array of market risks. Meanwhile, any further weakness in the power sector could further increase lenders' bad debt positions and force banks to take a haircut on a growing number of projects that have been put back to them. "A little pain always helps to focus the mind," the official notes.

Officials at joint lead arrangers **Royal Bank of Scotland** and **HypoVereinsbank**, which provided the $189.5 million seven year loan to NRG (PFR, 9/2/01) did not return calls.

*—Victor Kremer*

### Quote Of The Week

*"We wanted to jump-start the market."*—**Randy Boteler**, *director of project finance at* ***American Electric Power****, describing AEP's effort to familiarize U.S. lenders with the feasibility of domestic wind project financing (see annual project finance awards, page 7).*

### One Year Ago In Power Finance & Risk

**TECO Power Services** was looking to arrange non-recourse project financing to fund the construction of its 599 MW McAdams plant in Mississippi and 599 MW Dell plant in Arkansas. [After cutting its loan target to $400 million from $500 million, TECO announced the deferral of the McAdams and Dell plants in September.]