

power finance & risk

The exclusive source for power financing and trading news

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Allegheny Plans Equity Offering

Allegheny Energy is looking to issue \$400-450 million in common stock or convertible securities as part of an effort to strengthen its balance sheet and that of unregulated business **Allegheny Energy Supply**. It has yet to select banks to arrange the deal.

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DPL PUTS ITSELF BACK ON THE BLOCK; EYES CINERGY, FIRSTENERGY TIE-UP

Ohio energy concern DPL has put itself up for sale for the second time in two years and has initiated sale discussions with fellow Midwestern utility holding companies Cinergy and FirstEnergy, according to a New York banker. He says DPL has retained **Morgan Stanley** to advise on the sale, adding a tie-up could be announced by late summer. Calls to **Elizabeth McCarthy**, cfo at DP&L, and bankers at Morgan Stanley were not returned. **Steve Brash**, a spokesman at Cinergy, and **Ralph DiNicola**, a spokesman at

(continued on page 12)

XCEL SELECTS GLOBAL TRIO FOR INTERNATIONAL SALE MANDATES

Xcel Energy has hired **Goldman Sachs**, **Deutsche Bank** and **ABN AMRO** to shop affiliate **NRG Energy's** entire 5.4 GW international plant portfolio and trading operations. The three firms were awarded the divestiture mandates earlier this month after a beauty parade in mid March (PFR, 3/18). Bankers say Goldman has been retained to sell NRG's European trading operations and 1,830 MW asset portfolio, Deutsche Bank has been retained to sell NRG's 1,100 MW Latin American book of power plants, and ABN AMRO has been hired to shop the IPP's 2,400 MW Asia-Pacific business. **Lehman**

(continued on page 2)

MIRANT READIES FOUR-STATE ASSET SALE

Mirant has retained **Banc of America Securities** to shop four natural gas-fired facilities located in Florida, Georgia, Michigan and Wisconsin that have a combined capacity of 1,733 MW, says a banker familiar with its plans. If successful in divesting the assets, the sales could mark Mirant's exit from these markets as it only has one plant in each of the states. Calls to **Marce Fuller**, ceo of Mirant, were not returned and bankers at BofA declined to comment.

The four assets on the block are Shady Hills (474 MW) in Pasco County, Fla.; West Georgia in (640 MW) in Thomaston, Ga.; Zeeland (310 MW) in Zeeland, Mich., and

(continued on page 12)

Project Finance Awards

CITIBANK, SOCGEN SCOOP U.S. HONORS

Citibank and **Société Générale** have taken joint honors as the top lenders in the North American market in *PFR's* inaugural 2001 project finance awards. **InterGen** won the award for top North American deal. In Europe, **International Power's** innovative Rugeley mini-perm took top ranking and its monster Al Shuweihat loan, in conjunction with co-sponsors **CMS Energy** and **ADWEA**, claimed first place in the Middle East.

For full coverage, see pages 10-11

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

ESB Shortlists Trio

Ireland's state-owned electric utility, the **Electricity Supply Board**, has shortlisted **BNP Paribas**, **Royal Bank of Scotland** and **ABN AMRO** to arrange financing for the construction of an 800 MW combined-cycle gas-turbine fired power plant in the Basque region of northern Spain. Bankers involved in the process say the ESB is likely to retain one of the firms within the next few days. Calls to **Kevin MacDermott**, an ESB spokesman, were not returned.

The Amorebieta plant near Bilbao is expected to cost some EUR470 million (\$425 million) to build and bankers say ESB is looking to fund the bulk of the costs through a non-recourse bank loan.

Bankers say ESB's decision to shortlist BNP, ABN and RBoS likely reflects the Irish utility's desire to hire a bank that has a strong track record in the power project finance market and also has a reasonable presence in Spain. All three lenders fit this bill, notes one banker.

Allegheny Plans \$400M Equity/Convertible Issue

Hagerstown, Md.-based **Allegheny Energy** is looking to issue \$400-450 million in new equity or convertibles as part of an effort to strengthen its balance sheet and that of unregulated generation and trading unit **Allegheny Energy Supply**. The exact size of the issue has yet to be determined and no banks have been selected to lead the deal, says **Guy Fletcher**, spokesman. The balance sheet strengthening is an on-going process, he says, but he was unable to elaborate on the rationale for it ahead of press time.

Allegheny is also looking to juice up the equity at AE Supply by

converting a \$325 million loan from the holding company into equity, according to a research note from **Lehman Brothers**. AE Supply is also replacing three revolving credit facilities with one facility with a multi-year component, says Fletcher, who was unable to provide further details. The Lehman report says the credit line consolidation is part of an effort to simplify access to liquidity.

XCEL SELECTS

Brothers, which advised on the beauty parade, is also being retained to oversee the sale process. Officials at the banks either declined to comment or did not return calls. **Mary Sandok**, an Xcel spokeswoman, declined to comment.

The selection of the two European banks over U.S. M&A advisory shops surprised one commentator. He speculates Xcel may have been unwilling to hire a bulge bracket player with other power plant advisory briefs. There is less likely to be a conflict of interest with ABN and Deutsche Bank, he argues.

Xcel is looking to recoup some \$1.8 billion through the sale of NRG's international assets, according to a banker involved in the bidding process, but market watchers say achieving this return, especially in short-order, will prove tough. An official at a power company looking to add more generation says sellers like NRG will have to drastically lower their assumptions of what assets are worth if they're to execute any sales. "They need a reality check. They're living in the past," he warns.

Xcel's decision to offload and monetize NRG's assets follows its decision to bid for the portion of NRG it spun off through an initial public offering two years back. Its decision to sweeten its bid earlier this month (PFR, 4/4) makes a friendly and swift repurchase more likely.

—Will Ainger

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Danish Player Syndicates AEP Loan

Den Danske Bank closed syndication last Wednesday of a EUR150 million (\$132 million) 18-month corporate revolver for AEP Energy Services, the European energy trading arm of American Electric Power. The Danish bank signed up eight banks during syndication; Bank of New York, Barclays Capital, Bayerische Landesbank, BNP Paribas, Citibank, Den Norske Bank, J.P. Morgan and Royal Bank of Scotland.

Gary Smith, a syndicate official at Den Danske in London, says the loan is guaranteed by the borrower's parent company and that its pricing is based on a grid tied to AEP's credit rating. At launch, given AEP's BBB+ rating, the loan's margin is 65 basis points over Euribor. Smith notes proceeds are being used to fund AEP's recent expansion plans in the U.K. and mainland Europe, such as its purchase of Enron's coal trading division.

Smith concedes that Den Danske is not a major player in the European power banking sector, but says it has nurtured a long relationship with AEP, and that the energy trader in turn is good about sharing out its banking mandates among its wide roster of relationship banks. Furthermore, "We like to think we punch above our weight," says Smith, referring to the high quality of names comprising the syndicate.

InterGen Shortlists Quintet For Dutch Project

InterGen has shortlisted five lenders to lead the financing for the construction of an 800 MW combined heat and power plant in Rotterdam, the Netherlands, and is likely to award the mandate within the next 10 days, say London financiers. ABN AMRO, BNP Paribas, Credit Lyonnais, KBC Bank and Société Générale are the firms still in the running.

InterGen's decision to shortlist only one Dutch firm, ABN, surprised some lenders, as late last year InterGen hinted strongly that it wanted a domestic bank to lead the transaction, according to project bankers (PFR, 9/23). Officials at the shortlisted firms either declined to comment or did not return calls. Mark Somerset, project manager at InterGen in London, also did not return calls.

The Rijnmond project is the first independent power project to get the go-ahead in the Netherlands. Until now IPPs have shied away from developing new plants in the region because of the Netherlands' tough permitting regime and because of an excess of power supply. Overcapacity in neighboring Germany and Electricité de France's ability to export cheap nuclear power have led to a power glut in the Netherlands, explain bankers. InterGen has surmounted the overcapacity problem by signing a 15-year PPA with local distributor Nuon. InterGen, a joint venture between Shell and Bechtel, is looking for 17-year non-recourse financing, say bankers, adding the debt-to-equity mix has yet to be determined.

New Dynegy Offshoot Preps Debut Revolver

Dynegy Energy Partners, a master limited partnership recently formed by Houston-based Dynegy, has launched its inaugural revolving credit facility. The \$300 million deal, led by Bank One and J.P. Morgan, is being pitched to what one banker describes as a small club of banks. He says he expects the deal to syndicate well, declining to elaborate further. Calls to Dynegy and Bank One were not returned.

The partnership was formed to own and operate a portion of Dynegy's natural gas liquids business, with Dynegy as the general partner of the partnership and outside investors owning another chunk. One banker says the structure is similar to that of El Paso Energy Partners, the MLP of El Paso Corp., which went public in 1993. The structure gives companies another source of funding for acquisitions, the banker says.

TXU Stalks AES, NRG For Assets

TXU is looking to bid on some of the domestic generation assets being sold by AES and NRG Energy as part of plans to expand its North American power plant portfolio beyond its Texan base, says a New York banker familiar with the matter. He adds TXU is looking to strike within the next two months to take advantage of falling valuations for generation assets. TXU is in the process of evaluating the assets that it would like to acquire and has spoken to a few banks about advising it on the purchases, but has yet to retain one, according to the banker.

Carol Peters, a spokeswoman at TXU, would not discuss specific acquisition targets, citing company policy, but confirms the Houston energy giant is in acquisition mode. "We are interested in expanding in the Northeast and the Midwest. Our intention is to reduce our presence in Texas and expand elsewhere in North America," notes Peters. TXU has 21,000 MW of commissioned generating capacity in the U.S., all located in the Lone Star State.

Both AES and Xcel, NRG's majority owner, have confirmed they are looking to sell generation assets to shore up their balance sheets, but have not elaborated on which plants they are looking to shop. However, the geographic breakdown of their plant portfolios may explain TXU's interest. NRG owns over 7 GW of generation capacity in New York and New England and over 8 GW in the Midwest. AES is a more internationally focused IPP, but it has a generation presence in Illinois, Indiana, Connecticut, New Hampshire and New York.

Goldman Sachs is advising AES on the sale of its domestic assets. PFR was unable to ascertain NRG's advisor by press time. Officials at Goldman, AES and NRG did not return phone calls.

Scotia Beefs Up London Group

Scotia Capital has added two bankers to its recently launched London based energy group. **Andrew Davison** joined as a director in mid March. Previously he worked for **Enron** in London, most recently working in its renewable energy team. Before that Davison was a financier at **Société Générale** and **Hambros Bank**. Scotia also landed **David Falcon** early last month as an associate director from **Citibank**. Before Citi, Falcon worked in the energy industry for **Sithe Energy** and **Vivendi**.

Scotia's energy group and project finance effort is headed by **Guy Spaul**, who joined the Canadian bank earlier this year from **J.P. Morgan** (PFR, 2/4). "We see opportunities to grow the Scotia Capital franchise in capital raising and advisory services to clients in the energy sector. The financing solutions we consider will include the conventional debt, mezzanine, equity and capital markets product range, as well as less conventional sources of finance," says Spaul. Scotia's London energy team now comprises eight professionals.

DG Concern To Grow Through Acquisitions

U.S. Energy Systems, a distributed generation company in White Plains, N.Y., is looking to triple its domestic power plant portfolio to between 600-700 MW over the next two or three years, adding to the 28 units it already operates.

Edward Campana, newly appointed senior v.p. and head of corporate finance at the alternative energy concern, says it seeks to acquire plants in the 10-100 MW range in the Northeast, Midwest and Gulf Coast regions that either employ renewable fuel technology or are cogeneration facilities. He declined to comment on specific companies or plants that it is targeting.

"As a result of the **Enron** debacle, we have seen many independent power producers announce that they are selling assets and we would like to acquire their underperforming assets or well-run assets that are strategic to us," says Campana. "And with the decline in valuations, it's the right time for us to take advantage of these attractive opportunities." He says that the company is looking to fund these acquisitions with a combination of cash and long-term non-recourse debt.

Campana adds the company doesn't want to be wholly dependent on acquisition-fuelled growth but is also looking for organic expansion through developing its own projects. "We feel like we can build critical mass with acquisitions, but we don't want to be totally reliant on the acquisition market," he says.

Campana, a 16-year Wall Street veteran, joined **U.S. Energy Systems** this spring from **CIBC World Markets**, where he was an executive director in its power and utilities investment banking group.

Mirant Taps BofA To Arrange Scaled Back Project Loan

Atlanta-based **Mirant** is prepping non-recourse loan funding for two greenfield projects and has lined up **Bank of America** to lead the financing, according to a syndicator familiar with its plans. Officials at BofA declined comment and calls to **Mirant** were not returned. The syndicator says the facility is a shrunk version of the \$750 million, four-plant loan the IPP was taking pitches on toward the end of last year and start of the first quarter (PFR, 1/14). The plant line-up and the size of the reduced facility could not be determined.

In a bid to shore up its balance sheet and raise its credit rating from junk status, **Mirant** has begun selling generation assets, sold its stake in German utility **Bewag**, and trimmed back its ambitious generation expansion plans. One project financier says even with those efforts, bankers are going to want a very strongly structured deal in terms of equity and off-take, given that questions about credit quality remain. "I think it will be a very hard sell if it's merchant," he adds.

RWE Sterling Deal Likely To Exceed GBP1B

Last Wednesday **RWE** launched the roadshow in London for a sterling bond offering and initial indications suggest the size of the deal, part of a EUR5 billion multi-currency bond offering (PFR, 4/8), could exceed GBP1 billion (\$1.43 billion), making it the largest ever utility debt issuance in the U.K. market.

The deal will be led by **J.P. Morgan** and **HSBC**. An official at one of the lead arrangers says **RWE** is looking to place as much of the deal as possible in the U.K. market because there's more demand for longer-dated debt from sterling investors than their euro-investing counterparts. The official adds that financing is also looking more attractive in sterling just now because sterling investors are generally more hungry for paper.

Jeffrey Burch, an utility credit analyst at **Morgan Stanley** in London, says the German utility's sterling tranche is likely to easily eclipse a GBP750 million offering from **GlaxoSmithKline** as the largest ever sterling corporate bond offering. He predicts **RWE** will likely look to issue some GBP500 million of five-year notes and a similar amount of 20-year paper. Such tranching would nicely complement the various tenors of **Innogy's** roughly GBP2 billion outstanding debt load. Late last month **RWE** agreed to buy **Innogy**.

The euro-denominated leg of the deal is being underwritten by **BNP Paribas**, **Schroder Salomon Smith Barney** and **Westdeutsche Landesbank**.



Latin America

Alcoa Consortium Preps Financing For Brazil Project

A consortium including the Brazilian arm of Alcoa, the U.S. aluminum giant, is looking to raise some \$650-750 million in bond and non-recourse bank loan financing to fund the construction of Santa Isabel, a 1,087 MW hydroelectric power plant in northeastern Brazil, says an official familiar with its plans.

The consortium, which consists of **Companhia Vale do Rio Doce**, a Brazilian mining firm, **Alcoa Alumínio** and **Camargo Correa**, a local contractor, hired **Citibank** earlier this year to advise on financing (PFR, 2/11).

Alcoa is building generation capacity in Brazil to improve its self-sufficiency in the power-starved Latin American country. Last year it had to cut back capacity dramatically at its Brazilian smelters because of power rationing measures imposed by the government. The Santa Isabel plant is due to come on line in 2008.

Earlier this year an Alcoa-led consortium brought on line Machadinho, an 1,140 MW hydroelectric plant. Output is expected to supply 55% of the power needs at Alcoa's Poços de

Caldas smelter. Alcoa is also participating in constructing the Barra Grande and Serra do Facão hydropower projects in Brazil.

Brazilian Developer Chooses Citi

Electric distributor **Companhia Energetica de Minas Gerais** (CEMIG) and **Companhia Vale do Rio Doce** (CVRD), a Brazilian mining group, have selected **Citibank** to arrange \$235 million in financing for the construction of two hydroelectric projects in the state of Minas Gerais in Brazil. According to a project financier familiar with the matter, the financing will consist of a domestic capital markets offering and a non-recourse loan involving **Banco Nacional de Desenvolvimento** (BNDES), Brazil's state-owned development bank. The financier declined to comment further, beyond saying they expect to close the deals by July.

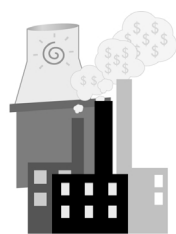
The financier says the hydro facilities, Aimores (330 MW) and Funil (180 MW), will cost some \$300 million to build. He says Aimores is scheduled to come on line at the end of this year and Funil will be commissioned next year.

Bankers at Citi declined to comment and calls to officials at BNDES, CEMIG and CVRD were not returned.

Latin American Power Financing Calendar

Following is a directory of upcoming projects and related financing in the Latin American power sector. To report new deals or provide updates, please call **Amanda Levin Arnold**, Reporter, at (212) 224-3292 or email: alevin@iineews.com

Sponsor	Project	Project Type	Size (MW)	Cost (\$mil)	Country	Advisor/Financier	Status	PFR Issue
ABB	Thermo Bahia	Gas-fired	187	205	Brazil	IDB/BofA	Launched \$173M loan	3/4/02
Alcoa/CVRD/Cossea	Santa Isabel	Hydro	1,087	650 - 750	Brazil	Citi	Prepping bond & loan	4/15/02
CEMIG/CVRD	Aimores/Funil	Hydro	510	235	Brazil	Citi	Prepping deal for June	4/15/02
Ceran	-	Hydroelectric	360	111	Brazil	BNDES	Will launch the loan shortly	10/8/01
Compahnia Energetica de Pernambuco	Termopernambuco	Gas-fired	520	403.5	Brazil	IADB/BBVA/BNDES	Syndication due shortly	12/24/01
Corporacion Venezolana de Guyana	Tocoma Dam	Hydroelectric	-	2,100	Venezuela	-	Expects to bring project on line by 2006	6/25/01
Duke Energy International	Pederneiras	Gas-fired	500	270	Brazil	-	Will finance with equity capital.	3/11/02
Electricité de France	Altamira	Gas-fired	495	300	Mexico	Citi/Fuji	Prepped \$200M loan	2/11/02
Electricite de France	Rio Bravo III	Gas-fired	500	290	Mexico	SocGen	Arranging a \$217M project loan	3/4/02
El Paso	-	Gas-fired	200	200	Mexico	-	Expects to bring project on line by 2003	4/16/01
El Paso	Araucaria	Gas-fired	469	340	Brazil	Dresdner	Closing \$340M in financing	3/4/02
El Paso	Macaé	Gas-fired	400	700-800	Brazil	-	Refinancing with a project loan	3/11/02
Iberdrola	Vera Cruz	Gas-fired	800	700	Mexico	-	IADB has offered assistance to relaunch the stalled project	6/9/01
Iberdrola, Banco de Brazil, Previ	Termo Pernambuco	Gas-fired	540	350	Brazil	IDB, BBVA	Expects to bring project on line by 2002	3/26/01
InterGen	La Rosita I & II	Gas-fired	1,060		Mexico	Citi, BNP, EDC, SocGen, KBC, ANZ	Plan to Launch general syndication in March	2/25/02
InterGen	Carioba	Gas-fired	945	670	Brazil	-	Project delayed until Q1 of 2003	2/25/02
PSEG Global	SAESA	Distribution company	N/A	450	Chile	J.P. Morgan	Considering taking out a \$300M loan to fund the acquisition	9/24/01
PSEG Global	Electroandes	Hydroelectric	183	227	Peru	J.P. Morgan	Considering taking out a \$100M loan to fund the acquisition	9/27/01
Sempra Energy Resources	Mexicali	Gas-fired	600	350	Mexico	-	In the process of arranging a corporate loan	3/11/02
Union Fenosa	La Laguna II		450	-	Mexico	-	-	7/2/01
Union Fenosa	Tuxpan III & IV	Gas-fired	938	600	Mexico	Deutsche Bank, BOTM	Expects to bring plant on line by 2003	6/4/01



Generation Auction & Sale Calendar

Following is a directory of ongoing generation asset sales. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes in the status of a sale, please call Will Ainger, managing editor, at (44-20) 7303-1735 or e-mail wainger@euromoneyplc.com.

Seller	Plants	Location	MW	Plant Type	Advisor	Status
American Electric Power/ Central and Southwest Corp.	Northeastern units 3 & 4	Okla.	300	Coal	N/A	Reviewing sale strategies.
	Lon C. Hill	Texas	546	Gas	-	
	Nueces Bay	Texas	559	Gas	-	
	Ennis S. Joslin	Texas	249	Gas	-	
AES Fifoots Point	Fifoots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant by end of April
ADWEA	Um Al Nar	Abu Dhabi	1,100	Gas & Water Desalination	CSFB	Expected to send out RFPs in April.
CMS Energy	Loy Yang	Melbourne, Australia	2,000	Coal	Not chosen	Announced intention to sell.
	Ensenada	Argentina	128	Gas-fired	J.P. Morgan	
	CT Mendoza	Argentina	520	Gas-fired	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydroelectric	J.P. Morgan	
Enel	Interpower	Italy	2,611	-	Lehman, Merrill, CSFB	-
Enron	Bahia Las Minas	Panama	355	Various	PwC (administrator)	Intention to sell.
	Puerto Quetzal	Guatemala	110	-		
	PQPLLC	Guatemala	124	-		
	Margarita II	Nicaragua	70.5	-		
	EcoElectrica	Puerto Rico	507	-		
	Puerto Plata	Dominican Republic	185	-		
	Cuiaba	Brazil	480	-		
	Nowa Sarzyna	Poland	116	-		
	Sarlux	Italy	551	-		
	Trakya	Turkey	478	-		
	Chengdu Cogen	China	284	-		
	Northern Marianas	Guam	80	-		
	Bantagas	Philippines	110	-		
	Dabhol	India	2,184	-		
	Subic Bay	Philippines	116	-		
	Teesside	U.K.	1875	-		
	Wilton	U.K.	154	-		
IVO Energy	Brigg	U.K.	240	Gas	BNP Paribas	
	South Humber	U.K.	1,240	Gas		
	Grangemouth***	U.K.	130	Gas		
	Edenderry	Ireland	120	Peat		
Independent Energy	Various	U.K.	130	N/A	KPMG	KPMG is handling the asset sale after Independent Energy went into receivership.
MARCOR Remediation (A broker acting for an undisclosed seller)	-	Calif.	5.7	Wood	-	-
Mirant	Canal	Mass.	1,109	Gas & Oil	-	Part of \$1.6B restructuring
	Kendall	Mass.	100	Gas & Oil		
	Martha's Vineyard	Mass.	12	Gas & Oil		
North Atlantic Energy	Seabrook*	N.H.	408	Nuclear	J.P. Morgan	Must be sold by Dec. 2003.
NRG/Xcel	CEEP	Poland	10 (10% stake)	-	Goldman Sachs	-
	Csepel II	Hungary	389	Gas/Oil		
	ECK	Czech Republic	350 (44% stake)	Coal/Gas/Oil		
	Enfield	U.K.	380 (25%)	Gas-fired		
	Killingholme A	U.K.	680	Natural Gas		
	MIBRAG	Germany	238 (50% stake)	Coal		
NRG/Xcel	Gladstone Power	Australia	1,500 (37.5% stake)	Coal	-	
	Flinders	Australia	760	Coal	-	
	Loy Yang A	Australia	2,000 (25% stake)	Coal	-	
	Hsinchu	Taiwan	400 (60% stake)	Gas-fired	-	
	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil	-	
	Collinsville	Australia	192 (50% stake)	Coal	-	
	TermoRio	Brazil	1040 (50% stake)	Gas	-	
	COBEE	Boliva	220 (98% stake)	Hydro/Gas	-	
	Itiquira Energetica	Brazil	160 (98% stake)	Hydro	-	
	Cementos Pacasmayo	Peru	66	Hydro/Oil	-	
	Bulo Bulo	Bolivia	90 (60% stake)	Gas-fired	-	
	Cahua	Peru	45	Hydro	-	

Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	-
	Ghubratt	Oman	507	CHP	-	
	Wad Al-Jazzi	Oman	350	Gas	-	
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch & Scotia Capital-	Expects to sell Lennox and Lakeview shortly.
	Lakeview	Ontario	1,140	Coal		
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
Reliant Resources	Argener	Argentina	160	CHP	-	
TXU	Lake Creek	Texas	323	Gas	Merrill Lynch	Reviewing sales strategy.
	Tradinghouse	Texas	1,340	-		
	River Crest	Texas	110	-		
	Mountain Creek	Texas	893	-		
	Parkdale	Texas	327	-		
	North Main	Texas	123	-		
	Monticello	Texas	1,900	Coal	Merrill Lynch	Is looking to sell an undisclosed number of its coal assets.
	Martin Lake	Texas	2,250	-		
	Big Brown	Texas	1,150	-		
	Sandow	Texas	545	-		
Wisconsin Energy	Bridgeport	Conn.	1,100 (combined)	-	CSFB	Has put up for sale following collapse of NRG deal.
	New Haven	Conn.	1,100 (combined)	-		

* North Atlantic Energy owns 34.8% of Seabrook

*** Fortum owns 75% of Grangemouth. Mitsubishi owns the remainder.

Corporate Strategies

NU Locks In Fixed Rates

Northeast Utilities tapped the bond market April 4 with a \$263 million issue to lock in fixed rates and longer-term funding for a chunk of debt originally incurred in 2000. The 7.25%, 10-year unsecured notes will pay down an equal amount of floating-rate notes issued last February, says **Jeff Kotkin**, an investor relations official in Hartford, Conn. At the time of the FRN offering, NU was in merger talks with **Consolidated Edison** and wanted to avoid setting up long-term funding, he explains. With the merger collapsing, and interest rates hitting the bottom of the cycle, the company decided to lock in the funding, Kotkin says.

The latest bond issue was led by **Barclays Capital**, and co-managed by **Goldman Sachs**, **Morgan Stanley** and **TD Securities**. Kotkin says NU generally turns to relationship firms for these types of deals, noting that Barclays hasn't led this sort of issue for the firm before, but has been involved at the co-manager level.

NU set up a \$263 million banking line in March 2000 to fund the cash consideration in its merger with **Yankee Energy System**, says Kotkin. That line was refinanced with the four year FRN the following year. Aside from a \$440 million 144a issue last October for subsidiary **Northeast Generation Co.**, NU has been in debt reduction mode and so its financing activities have generally been focused on refinancing. Debt levels have been reduced by \$1 billion in the last 13 months and now stands at \$2.6 billion, Kotkin notes.

Allegheny Bulks Up Issue Size

Allegheny Energy Supply, the unregulated generation subsidiary of Hagerstown, Md.-based **Allegheny Energy**, increased the size of its recent 10-year bond offering from \$550 million to \$650 million as fixed-income investors flocked to the deal. **Mona Yee**, an analyst at **Fitch** in New York, says the IPP upped the size of the transaction because of strong demand for the credit.

According to Yee, the proceeds of the issuance will be primarily used to pay down an existing \$550 million bridge loan that was taken out to fund the acquisition of some generating assets from **Enron North America**. Yee says that Allegheny decided to tap the market because of the favorable interest rate environment and because the loan is coming due soon. *PFR* was unable to ascertain the terms of the loan by press time.

The asset acquisition, which was completed in May 2001, included 1,710 MW of natural gas-fired capacity in three Midwestern states. The facilities are Gleason (546 MW) in Tennessee, Wheatland (508 MW in Indiana) and Lincoln (656 MW) in Illinois.

The Baa1/BBB+ rated notes deal, issued on April 3, offers an 8.25% coupon and was priced at 99.822 to yield 294 basis points over comparable Treasuries. Calls to bankers at **Banc of America Securities** and **J.P. Morgan**, which co-led the offering, were not returned and officials at Allegheny declined to discuss the deal.

Weekly Recap

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

Asia

- Attempts to sell **Enron's** troubled Indian power plant, Dhabol, have ground to a halt because of a dispute between the Houston-based company and project financiers over who will get to keep the proceeds from the sale of the \$2.9 billion plant. A lender said Enron is refusing to sign an agreement that would facilitate the sale process, and Enron won't assist a sale without "simple assurances about who will receive the benefit of the proceeds" (*Wall Street Journal*, 4/5).

Europe

- **Statkraft**, a Norwegian state-owned power producer, says it had no plans to revive merger talks with Finland's **Fortum** after the breakdown of discussions this year. The two companies discussed a possible combination for six months but never came as far as merger valuations, according to **Bjornar Olsen**, Statkraft spokesman. A combination would have created the second largest Nordic power producer after Sweden's **Vattenfall** (*Financial Times*, 4/11).

- **Iberdrola**, Spain's second largest electric utility, has bought Arcos de la Frontera, an unfinished Spanish power plant belonging to **Enron** for \$329 million. The Spanish group outbid five rivals including **Electrabel**, which had sought to block the sale at a U.S. bankruptcy court hearing in New York. The court ruled Monday that Electrabel should be allowed to bid again, but the Belgian company lost to Iberdrola in the follow-up auction (*Financial Times*, 4/11).

U.S. & Canada

- A U.S. bankruptcy judge has cleared **Steven Cooper** to remain as ceo of **Enron** after federal regulators dropped their objections to his hiring. Judge **Arthur Gonzalez's** ruling clears the way for Cooper to lead the company through its Chapter 11 restructuring a month after the **Securities and Exchange Commission** initially called his contract "inappropriate" (*Reuters*, 4/4).

- **Dominion Resources** told the **Nuclear Regulatory Commission** it would seek permission to build a new reactor at its North Anna site in Louisa County, Va., making it the first company to indicate where it would build, if it were to build, a new reactor. There is interest in bringing new reactors on line, but companies have been shy of naming sites out of fear of the

kind of litigation that made building the first generation of reactors a long and costly process (*Dow Jones*, 4/4).

- California's attorney general has filed a lawsuit alleging four electricity sellers violated the state's Unfair Competition Act by overcharging, and should be fined more than \$1 billion. The suit, which names **Mirant**, **Williams**, **Coral Power** and **PowerEx**, is in addition to action seeking expanded electricity refunds of up to \$2.8 billion for power sold into the state before October 2001 (*Dow Jones*, 4/9).

- A lawsuit by **Enron** shareholders charging **Lehman Brothers**, and other big Wall Street firms, with fraud has no merit, says **Richard Fuld**, Lehman's ceo. The suit alleges nine firms, including Lehman, **Merrill Lynch** and **J.P. Morgan Chase** with scheming with former executives of the bankrupt energy trader to milk investors out of at least \$25 billion (*Reuters*, 4/9).

- Nevada Gov. **Kenny Guinn** delivered to Capitol Hill a veto of the Bush administration's plans to bury nuclear waste from across the country in his state, starting a 90-day legislative clock during which Congress can support or override him (*Reuters*, 4/9).

- Utility **Otter Tail** has named President **John Erickson** to the additional post of ceo. At the end of this month Erickson will replace CEO **John MacFarlane**, who will remain the company's chairman (*Reuters*, 4/8).

- The **Arthur Andersen** partner in charge of the **Enron** account pleaded guilty in federal court in Houston to obstruction of justice, turning the tables on his former employer and handing prosecutors a potent weapon in their criminal case against the firm. **David Duncan's** move could have a profound impact on the case, which has roiled the world-wide accounting industry and spurred congressional calls for greater oversight of corporate governance (*The Wall Street Journal*, 4/10).

- **Xcel Energy** says a shareholder has asked the **Securities and Exchange Commission** to hold a hearing on Xcel's bid to buy back the 26% of **NRG Energy** it does not already own in a deal that values NRG at about \$12.50 per share. Minneapolis-based Xcel says the SEC has not responded yet to the hearing requested by a shareholder **Elizabeth Smith** of Charlottesville, Va. (*Reuters*, 4/10).

- distributors **ZSE, SSE and VSE**. E.on board member **Walter Hohlefeld** says the German utility is looking to buy ZSE, located in western Slovakia and would also be interested in buying into the country's dominant power producer **Slovenske Elektrarne**. EdF is working on bids for SSE and VSE, the central and eastern distributors (*Reuters*, 4/5).
- **Electricité de France** has submitted a bid for **SEEBOARD**, a southeast England power distribution and supply business that has been put up for sale by **American Electric Power** with a reported price tag of GBP1.5 billion (*Les Echos*, 4/10).

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

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

2001 Power Project Finance Awards

Power Finance & Risk is proud to present the winners of its inaugural annual power project finance awards. The winners, chosen in five different categories, were nominated by power industry officials and project bankers and chosen by the editors of PFR.

Best North American Power Project Finance Lender

Citibank, Société Générale

Citibank/Salomon Smith Barney and Société Générale are the joint winners of the inaugural *PFR* award for Best North American Lender. "We dominated the U.S. power market," declares Anne Costin, managing director at Citigroup, and few rivals disagree with her view. Citi was the lead for both the American National Power-sponsored \$1.4 billion financing for five merchant plants and TECO Power Services/Panda Energy's blockbuster \$2.2 billion non-recourse loan. The financial behemoth also co-led the first project financing for nuclear generating assets in a \$305 million loan for Entergy

Nuclear Holdings.

But, in the ANP and TECO/Panda deals Citi shared top billing with SocGen, and rival bankers say the U.S. giant and the French-owned bank were both punching with equal weight to get those deals done. Neither deal was plain sailing, with TECO/Panda being heavily sweetened post-launch and ANP having to be radically restructured. At the same time neither deal was a lay-up in the tough post-California crisis market, say financiers, and both firms deserve praise for placing the paper. SocGen, along with J.P. Morgan and Citi, also led PG&E National Energy Group's \$1.7 billion non-recourse loan last August. Michel Chatain, SocGen's head of project finance for the Americas, could not be reached for comment.

Best North American Power Project Finance Loan

InterGen's Cottonwood, Redbud and Magnolia Loans

Lead arrangers: ABN AMRO, BNP Paribas, Citibank Salomon Smith Barney, Credit Lyonnais, Deutsche Bank and Dresdner Kleinwort Wasserstein

Burlington, Mass.-based InterGen scoops the prize for the best North American project finance deal(s) of last year for the \$1.56 billion it raised in a series of three linked loans:

Cottonwood, Redbud and Magnolia. The deals edge out a strong non-recourse loan field for two prime reasons:

i) The bidding process spread the lead roles between six banks, which all had to agree to commit at the co-arranger or participant level in the two deals they didn't lead. In financings that were not fully underwritten, this assured a strong bedrock for syndication.

ii) The novel adoption of the fluid borrowing base structure that up to that point had been most commonly used in the oil and gas sector.

With InterGen's Bechtel and Royal Dutch/Shell pedigree, some bankers characterized the troika of deals as essentially a strong club deal based on relationship lending. Others also noted that from a project finance banker standpoint, syndication risk was minimal because the six banks were locked in. But, while the structure may not have made for a "classic" deal in terms of syndication, it did make for a good deal for the company. "The finance guys would have been able

to show directors that the financing was essentially locked in at the start of the year," says one banker, who is a fan of the innovative structure.

Andy Rovito, director of finance at InterGen and part of the Houston finance team that came up with the strategy, says an important benefit of the structure was it allowed the company to avoid employing a portfolio construction revolver, which was the flavor of the moment last year. "We wanted to avoid the cross-collateralization [inherent in construction structures]," he explains. "It muddies the sell-down of a facility."

However, it was adoption of a novel structure that can alter the project's leverage levels that won most plaudits. The loan's fluid borrowing-base structure allows the debt-to-equity ratio to be adjusted every quarter to reflect long-term projected cash flows, based on forward energy curves.

Rovito says the innovation was driven by a desire to have the flexibility to change the mix of merchant and contracted power, but also at the same time achieve better pricing versus a straight merchant transaction.

The \$568 million Cottonwood financing for a 1,200 MW natural gas-fired, combined cycle power facility in Newton County, Texas, was led by Deutsche Bank and BNP Paribas. The \$558.8 million Redbud loan, for a 1,100 MW plant in Oklahoma, was led by Citibank Salomon Smith Barney and Dresdner Kleinwort Wasserstein, and Credit Lyonnais and ABN AMRO headed up the \$430 million Magnolia deal for a 900 MW plant in Mississippi.

2001 Power Project Finance Awards (cont'd)

Best European Power Project Finance Loan

International Power's GBP175 million Rugeley Loan
Lead Arrangers: ING Bank and TD Securities

International Power's financing for the acquisition of the Rugeley power plant in the U.K. scoops the European deal of the year award. The GBP175 million (\$248 million) **ING Bank** and **TD Securities**-led deal launched late November and closed last month with the addition of six banks. While syndication proved hard work, the deal won many plaudits for its ground-breaking structure. It was the first European project loan to be structured as a partially amortizing mini-perm. "Given the weakness of the [U.K.'s] wholesale market, many lenders were unwilling to take on refinancing risk, but International Power has to be applauded for pushing the boundaries," says one admirer, who was not involved in the deal.

Peter Barlow, finance director at IP in London, says one of the reasons it arranged the loan as a mini-perm was because banks are becoming increasingly unwilling to take on long-dated exposure. He adds IP's decision to add desulphurization equipment to the coal-fired plant makes the financing similar to a construction loan that can be refinanced once construction risk is removed.



*International
Power's
Peter Barlow*

Best Middle Eastern & North African Power Project Loan

CMS Energy, International Power and ADWEA's \$1.3 billion Al Shuweihat S1 Loan
Lead Arrangers: Arab Banking Corp., ANZ Investment Bank, Bank of Tokyo-Mitsubishi, Barclays Capital, BNP Paribas, Gulf International Bank, HSBC, International Bank of Japan, Qatar National Bank and Société Générale

Unlike Western Europe, the Middle Eastern power project finance market had a belter year with eight non-recourse loans closing in 2001. In such a crowded marketplace competition for deal of the year was inevitably fierce, but Abu Dhabi's Al Shuweihat loan stands out from the pack for a number of reasons. First and foremost is size. The deal is the largest power loan in the sector to date and needed a Herculean syndication effort.

The lead arrangers also win kudos for boldly launching and successfully completing syndication in the shadow of 9/11. "The timing couldn't have been worse," explains

Peter Barlow, finance director at **International Power**, noting the deal was originally launched on Sept. 10 before being shelved until November. Admirers say the decision to include a \$250 million Islamic tranche at the eleventh hour to broaden the deal's appeal was also a masterstroke, and could well become a common feature in future Middle Eastern power deals.

Best Latin American Power Project Finance Loan

InterGen's La Rosita I & II
Lead Arrangers: Citibank, BNP Paribas and Export Development Corp.

Beset by a host of problems ranging from a power drought and rolling blackouts in Brazil to the devaluation of the Argentine peso, Latin America suffered from a dearth of non-recourse deals last year as nervous lenders and project bond investors shied away from the troubled region. But Mexico, more than any other Latam country, withstood the downturn and witnessed a number of highly successful non-recourse loans tied to **Comision Federal de Electricidad** sponsored independent power projects.

Most impressive of all was **InterGen's** financing for the construction of the La Rosita I and II (1,060 MW) gas-fired power plants in Baja Calif. The **Citibank**, **BNP Paribas** and **Export Development Corp.**-led deal won rave reviews from market watchers for its innovative structure and size—the

\$600 million multi-tranche loan is the largest ever non-recourse Mexican power loan—and the first Mexican IPP to sell power into California.

Financiers praise the deal's well-diversified off-take and marketing agreements as both original and a source of security for lenders. While most Mexican IPPs have their entire output contracted to Mexico's **Comision Federal de Electricidad**, InterGen's La Rosita plants combine a CFE contract with both a private sector PPA and a merchant segment. Half the output is contracted to the CFE and 20% to **Coral**, a **Shell** subsidiary. The balance is sold into Southern California on an unhedged basis, making it the first Mexican loan to incorporate merchant risk.

The deal was divided into four tranches: a \$437 million 15-year senior credit facility covered by Export Development Corp. political risk insurance, a \$109 million 11-year uncovered senior facility, a \$10 million seven-year uncovered revolving working capital facility and a \$45 million five-year uncovered credit facility.

MIRANT HIRES

(continued from page 1)

Neenah (309 MW) in Neenah, Wis. Mirant is also looking to sell four plants in Massachusetts and has retained **Merrill Lynch** to advise on the Bay State sale (PFR, 4/8).

According to bankers familiar with Mirant's strategy, the divestiture is part of the company's restructuring plan to unload \$1.6 billion in assets to shore up its balance sheet and maintain its credit rating in the wake of **Enron's** collapse.

Commenting on the divestiture, **Tom Hamlin**, a utility analyst at **Wachovia** in Richmond, Va., says the plants Mirant has in Florida, Georgia, Michigan and Wisconsin are all relatively new additions to its portfolio. "What this indicates is that Mirant is scaling back its growth even further and that markets are still soft, pricing is low and capital is still very expensive," he says.

Hamlin adds that right now Mirant's most immediate

problem is one of capital. "Since it lost its investment grade rating and its stock price is low, it prohibits them from growing the business. Mirant has already scaled back its expansion plans, but it obviously can't clear the hurdle."

Just this past month, Mirant signed an agreement to sell its 50% stake in Perryville, a 725 MW combined-cycle gas turbine greenfield power project in northern Louisiana, to **Cleco** for \$67.5 million. It also agreed to sell **State Line Ventures**, a subsidiary that owns the 515 MW coal-fired State Line power plant in Hammond, Ind., to **Dominion** for \$182 million. In early February Mirant completed the sale of its 44.8% stake in **Bewag**, a Berlin-based utility, for more than \$1 billion to **Vattenfall**.

Mirant has some 14,000 MW of capacity in the U.S., with the bulk of the assets in California, New York and Maryland. Once the sales are completed, Mirant will have plants in the aforementioned states, as well as in Maine, Texas and Virginia.

—A.L.A.

DPL PUTS

(continued from page 1)

FirstEnergy, declined to comment, citing company policy.

DPL, parent of Ohio utility **Dayton Power & Light**, originally put itself on the block at the back end of 2000 (PFR, 12/25/00), but decided against pressing ahead with the sale because the offers it received weren't rich enough, according to the banker. It also retained Morgan Stanley in 2000. A merger with Cinergy or FirstEnergy would create a \$9 billion or \$13 billion energy giant, respectively, given their current market valuations.

Industry analysts, although unaware of DPL's plans, say a tie up would make sense. **David Burks**, utility analyst at **J.J.B. Hilliard W. L. Lyons** in Louisville, Ky., says a linkup with either company would be a smart move for DPL because there's not a lot of scope for it to expand further in Ohio. He adds, "It would make sense for Cinergy and FirstEnergy because they would be able to grow their businesses in the state and there might be some potential for cost savings as well. Also, DPL has one of the better managed utilities [because its] core focus has been on the utility instead of peripheral areas in which many utilities have dived and had mixed results."

Michael Worms, a utility analyst at **Gerard Klauer Mattison** in New York, says DPL would be a strategic acquisition for either energy concern because of their contiguous service territories. He adds that DPL offers a stable regulatory environment, decent growth that stands at 3-5% annually and 4,000 MW of additional capacity in the eastern part of the U.S. provided by its non-regulated business, **DPL Energy**.

Worms says that the move particularly makes sense for Cinergy

because it would provide it with more control over the power plants it already owns with DP&L. They jointly own two coal-fired plants located in Ohio: Killen (600 MW) and JM Stuart (2,330 MW). Cinergy's stake in these facilities is 33% and 39%, respectively.

Akron, Ohio-based FirstEnergy is the fourth largest investor-owned utility concern in the U.S., serving 4.3 million customers through seven utilities in Ohio, Pennsylvania and New Jersey. Cincinnati-based Cinergy serves two million gas and electricity customers through utilities in Ohio, Indiana, and Kentucky. DPL has some 500,000 retail customers in west-central Ohio.

—Amanda Levin Arnold

Quote Of The Week

"We like to think we punch above our weight." —**Gary Smith**, a syndicate official at **Den Danske Bank** in London, commenting on the Danish bank's mandate to arrange a loan for **AEP Energy Services** (see story, page 3).

One Year Ago In Power Finance & Risk

Spanish renewable energy company **Energias Eolicas Europeas** was looking to arrange a EUR939 million (\$862 million) non-recourse loan to fund the development of 31 wind farms in Spain. [Lead arrangers **Banco Bilbao Vizcaya Argentaria**, **Banco Espanol de Credito, Ahorro, Credit Agricole Indosuez** and **Westdeutsche Landesbank** signed up 30 banks during syndication including co-arrangers **Banca Nazionale Del Lavoro**, **Banco de Vasconia**, **Cajamar Madrid**, **Barclays Capital**, **HypoVereinsbank** and **Industrial Bank of Japan**.]