

# power finance & risk

The exclusive source for power financing and trading news

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## Players Flip \$800M Of MachGen Debt

More than \$800 million of debt associated with **MachGen's** generation plants has traded in the secondary market.

*See story, page 3*

### Web Exclusives

• **Credit Suisse First Boston** has agreed to lead financing for **K-Road Ventures'** bid for the 3 GW Exelon Boston generating facilities being shopped by **BNP Paribas**.

• **Dominion Resources** is weighing a bid for **Alliant Energy's** Duane Arnold Energy Center, a 580 MW nuclear plant near Cedar Rapids, Iowa.

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

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## Gas It Up!

### U.K. UTILITIES TO BRING DEBUT WHOLE BIZ SALES

Bonds backed by whole business cash flows from U.K. gas utilities are expected to hit the market for the first time as soon as this summer, according to industry lawyers. One deal is said to be close and more are apparently in the works. "We expect between two and four deals to come to market by the end of the year," says **Julian Davies**, partner at law firm **Linklaters** in London, who is working on a number of transactions but declined to provide

*(continued on page 12)*

### DEVELOPER HOPES TO LAND FINANCING FOR LARGEST U.S. BIOMASS FACILITY

A small IPP shop is looking to drum financing for a 200 MW biomass plant in South Point, Ohio, which would be the largest such facility in the U. S. **Mark Harris**, president at **Biomass Group LLC**, in Nicholasville, Ky., says he has lined up three or four prospects to provide the equity portion of the funding for the \$288 million wood-burning facility. He declined to identify them.

*(continued on page 11)*

## The Envelopes, Please

### TEXAS GENCO FINANCING, BRASCAN LOAN COP TOP PFR PROJECT FINANCE PRIZES



The financing package for Texas Genco's \$3.7 billion acquisition by **Kohlberg Kravis Roberts & Co.**, **Texas Pacific Group**, **The Blackstone Group** and **Hellman & Friedman** has landed PFR's non-recourse deal of the year award for The Americas. Meanwhile, in the best renewable categories, **Brascan's** financing package for the purchase of 71 hydro assets from **Reliant Energy** landed blue-ribbon status, as it marks the first merchant non-recourse debt completed since the market meltdown some four years ago.

*For full awards coverage, see pages 6-7*

### CMS LOOKS TO POUNCE ON RED HOT REVOLVER MART

**CMS Energy** and subsidiary **Consumers Energy** are launching \$800 million in fresh credit facilities, even though the pair are only one year into a three-year deal. The Jackson, Mich., companies are looking to stretch tenors and slash pricing before the heady market for refinancing changes. "The market is on fire," says the banker. Calls to **Laura Mountcastle**, treasurer, went unreturned as did calls to spokesman **Dan Bishop**.

CMS and its sub are seeking five-year lines. So far, 25-30 banks have shown interest in

*(continued on page 11)*

Check [www.iipower.com](http://www.iipower.com) during the week for breaking news and updates.

## Exelon Leans Toward BNP On Mexican Auction

Exelon is likely to tap **BNP Paribas** to lead the sale of its stake in two Mexican plants the company acquired as a result of its 49.9% purchase of **Sithe Energies** four years ago. Exelon CFO **Barry Mitchell**, who is heading up the search for a lead, is said to be aiming to return the company to the good graces of its French lender after foreclosure compelled it to hand over the keys to its newly constructed Exelon Boston Generation fleet to a BNP-led creditor group (PFR, 8/4/03), one observer says. "He sees this as a way to mend ties to BNP," says the market watcher. Calls to Mitchell in Chicago were not returned.

A contract has not yet been inked with BNP but it is anticipated that Exelon will select an auctioneer in the next few weeks. Calls to a BNP spokeswoman **Edwina Frawley** were not returned.

A team from BNP's Paris headquarters met with Exelon officials last week to give a presentation on the bank's M&A advisory capabilities and its sale game plan. **ABN AMRO**, **Citigroup** and **Credit Suisse First Boston** are also being considered (PFR, 4/1). Exelon is looking to sell its stake in the Mexican plants, which it co-owns with Paris-based developer **Alstom France**, because it wants to focus more closely on the U.S. market.

## EIF To Front Equity For West Coast Pipeline

**Energy Investors Fund** is providing the equity for **Sea Breeze Power Corp.** and **Boundless Energy** to construct a transmission project in the Pacific Northwest. The line will run from Washington State's Olympic Peninsula to Vancouver Island, British Columbia. Both ends are in need of new transmission and infrastructure, says **Herb Magid**, managing partner at EIF in Boston. The fund is confident it will get good returns on the \$200 million project, he says, declining to state expected returns.

The venture was planning to tap the non-recourse debt market for 80% of the project costs (PFR, 12/13). Neither Magid nor **Paul Manson**, president of Sea Breeze in Vancouver, were willing to disclose details about the equity agreement or say how much would ultimately pony up. EIF has, however, already provided an \$8 million development loan which the developers can use as needed, says Magid.

**Société Générale**, the venture's financial advisor, is expected to talk to lenders once a PPA is in place. PPAs are being negotiated but Magid and Manson declined to provide details. **Roger Bredder**, managing director at SG in New York, could not be reached because he was traveling. The venture is looking for debt with a 20-year term to match the expected PPAs, says Manson.

Construction for the Straight of Juan de Fuca Transmission Cable should run from the end of 2006 to the end of 2007.

### Tell Us What You Think!

Do you have questions, comments or criticisms about a story that appeared in *PFR*? Should we be covering more or less of a given area? As we enter our 8<sup>th</sup> year of providing breaking news to the fixed income community, the staff of *PFR* is committed as ever to evolving with the markets and we welcome your feedback. Feel free to contact **Mark DeCambre**, managing editor, at 212-224-3293 or [mdecambre@iinews.com](mailto:mdecambre@iinews.com).

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**Institutional  
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INTELLIGENCE FIRST

## Enel North American Unit Eyes Hydro

Enel North America, the U.S. arm of Rome energy giant Enel, is on the prowl for hydroelectric plants. The Andover, Mass., operation is interested in qualified facilities close to regional offices it has in markets in the Northeast, Southeast, as well as California and Newfoundland so that maintenance is easier, says **Michael Storch**, executive v.p. "It's just like at home when you need a plumber. You need to be able to dispatch someone quickly to fix the problem," he comments.

Generally, Enel NA favors making a run at potential purchases offering multiple facilities so it can quickly achieve megawatt mass in its target markets. "We're not going to buy a 1 MW plant in Texas, even if it's the greatest hydroelectric facility ever built," Storch says, noting smaller projects are considered only when they are strategically located.

The company also may seek to team up with other energy players, preferring to link with a strategic partners that could be potential offtakers. Enel, whose portfolio comprises more than 20% of the hydro QFs in North America, recently purchased a 25 MW hydro project in Vermont developed by **Boise Cascade**.

## Marathon Teams With Idaho Geothermal Builder



Gregg Elesh

**Marathon Capital**, via its *Marathon Tax-Advantage Renewable Energy Fund*, is considering providing equity to Boise, Idaho-based U.S. Geothermal for the first phase of its Raft River Geothermal project, could be in total as large as 30 MW. **Gregg Elesh**, managing director of the Bannockburn, Ill.-based boutique investor, says the amount of

equity the fund puts up will be contingent on the non-recourse structures presented by lenders and whether production tax credits are renewed at year-end. **Doug Glaspey**, chief operating officer at U.S. Geothermal, was traveling and unavailable for comment.

Another funding scenario is that Marathon could use 100% equity to pay for the entire cost of construction, comments Elesh. "Cost considerations both of financing and transaction costs and the ease of completing the transactions are primary considerations," he notes. He declined to provide details return expectations or identify lenders with whom it has spoken.

Underpinning the project is a 20-year contract with **Idaho Power**. The project is expected to be developed in three 10-MW phases with the first phase anticipated to come on line

yearend 2006. U.S. Geothermal has been funded with private investments and a \$2.5 million public equity offering, led by Toronto-based **Toll Cross Investments** (PFR 7/4).

The roughly \$500 million **Marathon fund** was set up to invest in renewable and clean energy projects (PFR, 11/12) The vehicle uses a variety of structures to monetize renewable generation tax benefits.

## Lenders Unload \$800M Of MachGen Bank Debt

More than \$800 million of **MachGen's** \$1.46 billion of bank debt traded in two days last week as rumors emerged that **K-Road Ventures** is in talks with lead creditor **Société Générale** to buy the assets that back the debt (PFR, 4/18). Trades started at 97 1/2 and went up to 100-102. The paper came out of eight original lenders.

**Bear Stearns** took the first step buying \$120 million from **Citigroup** at 97 1/2. Market participants also pointed at **Credit Suisse First Boston** as being an active buyer. CSFB officials declined to comment. Calls to Citi and Bear Stearns were not returned.

K-Road is a New York-based firm run by entrepreneur **William Kriegel**. It invests in the infrastructure sector including energy, utilities, water, waste management and environmental services. K-Road is also said to be looking to buy the **Exelon Boston** generating facilities being sold through a **BNP Paribas**-led creditor auction. MachGen's credit, previously known as GenHoldings, was put in place in December 2001.

## Invenergy Targets Debt For 570 MW Ontario Build

Invenergy is searching for debt to fund a planned 570 MW plant in St. Clair, Ontario. The developer will be looking for 70-80% in non-recourse debt for the natural-gas fired plant, says **Kevin Smith**, senior v.p. in Chicago. The total cost is estimated to be about C\$250 million.

Debt should be finalized by early 2006 with construction commencing soon after. Invenergy has been in early discussions with a number of lenders, Smith says, declining to name or number them. **Stark Investments**, a Milwaukee, Wis.-based asset management firm, is providing equity. "They're more finance partners. We're taking the lead in development." An attorney at Stark Investments declined to comment.

The project was launched in response to a request for proposals for 2,500 MW by the Ontario government, which has been seeking to cut emissions by reducing its coal-fired fleet. Calls to **Shane Pospisil**, deputy minister for the Ontario Ministry of Energy, were directed to Invenergy.



## Mirant To Offload Ark. Plant To Coop

Mirant is looking to shed its majority interest in a 434 MW gas-fired plant in Wrightsville, Ark., to **Arkansas Electric Cooperative**. The Arkansas coop is offering \$85 million for the plant, which was completed in 2002 for \$300 million and mothballed when Atlanta-based Mirant filed for bankruptcy. **Bob Lyford**, senior v.p. and general counsel for AEC in Little Rock, says the plant represents an inexpensive way to meet the state's growing power needs.

As of Dec. 31, the book-value for the facility was pegged at \$87.8 million, according to regulatory filings submitted by Mirant. AEC's \$85 million offer represents the coop's fair-value estimate, Lyford explains, noting he believes the U.S. Bankruptcy Court for the Northern District of Texas is likely to accept the bid. Calls to Mirant spokesman **Lloyd Avram** and Chief Judge **Joe Fish** were not returned.

In exchange for an upfront payment of \$1.1 million and annual payments of \$120,000 to the town of Wrightsville, plus \$1 million to a local school district, Mirant and **Kinder Morgan** were allowed to use tax-free country industrial

development bonds to fund the plant. The plant now carries about \$208 million in debt, according to regulatory filings.

**Larry Pierce**, spokesman for Kinder Morgan, noted the company wrote off its interest in the plant in 2003. He declined further comment.

## PG&E Scopes Regulatory Analyst

**Pacific Gas and Electric Co.** is seeking a senior staffer to lead regulatory cases for the company. The new hire would be based at the San Francisco-based energy holding company's headquarters, says a recruiter familiar with the matter. **Karen Tomcala**, v.p. of regulatory relations, did not return a call.

The regulatory analyst will be charged with developing and providing expert testimony at regulatory hearings and will lead Sarbanes-Oxley compliance efforts, including regulatory and accounting issues. The analyst also will evaluate policy recommendations for impacts on ratepayers and shareholders. It was not clear whether the position was new. PG&E is looking to fill the slot within the next month.

## Financing Record (APRIL 13-APRIL 19)

### Debt

Date	Issuer	Business Description	Amount (\$Mil)	Coupon (%)	Security	Maturity	Offer Price	Yield to Maturity (%)	Standard & Poor's Rating	Moody Rating	Fitch Rating
4/13/05	Iberdrola International	Pvd electricity prodn,distn	64.6	Floats	Float Rate Nts	10/25/09	100	Floats	A+	A2	A+
4/15/05	Iberdrola International	Pvd electricity prodn,distn	129.2	Floats	Float Rate Nts	4/28/08	100	Floats	A+	A2	A+
4/18/05	Iberdrola International	Pvd electricity prodn,distn	84.6	3.056	Fxd/Straight Bd	11/30/09	100	3.056	A+	A2	NR

### M&A

Announced	Effective	Target Name	Target Advisors	Target Nation	Acquiror Name	Acquiror Advisors	Industry Sector	Acquiror Nation	Value of (\$Mil)
4/13/05		Enerchina Holdings Ltd		Hong Kong	Citic Capital Invest Hldg Ltd		Investment & Commodity Firms, Dealers,Exchanges	Hong Kong	26.14
4/13/05	4/13/05	Fairhaven Power Co Inc		United States	DG Energy Solutions LLC		Electric, Gas, and Water Distribution	United States	
4/13/05		Italiana Petroli SpA	Mediobanca SpA	Italy	API	Sin&rgetica Srl	Oil and Gas; Petroleum Refining	Italy	240.434
4/13/05		Italiana Petroli SpA	Mediobanca SpA	Italy	API	Sin&rgetica Srl	Oil and Gas; Petroleum Refining	Italy	
4/13/05		SingSpring Pte Ltd		Singapore	Temasek Capital(Pte)Ltd		Investment & Commodity Firms, Dealers,Exchanges	Singapore	18.219
4/13/05	4/13/05	Terna SpA		Italy	Generali Finance BV		Insurance	Italy	
4/14/05		Wuxi Huilian Elec Power Co Ltd		China	Wuxi Huaguang Boiler Co Ltd		Measuring, Medical, Photo Equipment; Clocks	China	
4/15/05		International Energy Group	HSBC Holdings PLC, Investec Investment Banking	United Kingdom	Prime Infrastructure Group	Collins Stewart Ltd	Investment & Commodity Firms, Dealers,Exchanges	Australia	
4/18/05	4/18/05	EUA Cogenex Corp		United States	Constellation Energy Projects		Electric, Gas, and Water Distribution	United States	
4/19/05		Intergen	Citigroup	United States	Investor Group	Deutsche Bank AG	Investment & Commodity Firms, Dealers,Exchanges	United States	4,850.00
4/19/05		Pacific Hydro Ltd		Australia	Indsutry Funds Mgmt (Nominees)	Gresham Partners	Investment & Commodity Firms, Dealers,Exchanges	Australia	456.956

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

## Corporate Strategies

### El Paso Places \$750M Converts

**El Paso** has issued \$750 million in convertible preferred shares, about \$300 million of which will be used to redeem subsidiary **El Paso Tennessee Pipeline Co.**'s 8.25% preferred stock. The privately placed preferred shares have a dividend of 4.99% and can be converted at any time to 76.77 shares of common stock at a price of \$13.03 per share. **Bill Baerg**, manager of investor relations in Houston, declined to comment.

**Michael Heim**, securities analyst at **A.G. Edwards & Sons** in St. Louis, Mo., says replacing the existing converts with a batch that bears a lower interest rate will increase **El Paso Tennessee's** cash flow. The preferreds also can be converted into common stock if the common shares are trading at 130% of the conversion price after five years. The deal was led by **Banc of America Securities** and **Deutsche Bank**. Officials at both banks did not return calls.

Remaining proceeds will be used for general corporate purposes and will be slated to pay some \$442 million resulting from a legal dispute settled last year related to its sale of natural gas and electricity during the 2003 Western energy crisis in California, says Heim.

### Pittsburgh Pipe Co. Nabs \$270M Loan

**Atlas Pipeline Partners** has wrapped a \$270 million credit facility to finance its \$190 million purchase of Oklahoma pipeline company **ETC Oklahoma**. The Pittsburgh, Pa., natural-gas pipeline company recently closed on the ETC acquisition, which consists of 315 miles of natural gas pipelines located in Oklahoma's Anadarko basin (PFR, 3/18). The pipeline system was formerly owned by Tulsa-based **Energy Transfer Partners**.

The loan will be used to retool higher-rate debt and to pay down the outstanding balance of a more expensive existing revolver, says **Edward Cohen**, chairman and ceo at Atlas. The fresh line comprises of a \$225 million five-year revolver and a \$45 million five-year term loan. Both portions were priced at LIBOR plus 150 basis points and mature in 2010. **Wachovia**

**Capital Markets** and **Bank of America Securities**, which were among the 12 banks participating in Atlas' prior credit facility, were co-lead arrangers.

**Lucine Kirchhoff**, managing director and head of loan syndication at BofA, and **Russell Clingman**, a project finance banker with Wachovia, did not return calls.

About \$57.5 million remains outstanding under the existing \$135 million credit facility, which was set up in July. That revolver was priced at LIBOR plus 200 bps. Wachovia and **KeyBanc Capital Markets** arranged the line.

### Peach State Utility Taps Bonds To Wipe CP

**Georgia Power Co.**, the Atlanta-based utility owned by the **Southern Company**, sold \$125 million in 30-year, 5.8% senior unsecured bonds (A/A2) to pay down the same amount in commercial paper. Once that's paid, utility will be left with \$400 million in outstanding commercial paper.

The utility wanted to issue the debt before the summer months, says **David Brooks**, managing director of capital markets at Southern. "In the summer months commercial paper tends to peak," he says. As it turns warmer, people demand more electricity and production picks up. But people don't pay for electricity immediately, which results in a higher perception of risk on short term bonds issued by utilities.

The sole book runner was **Barclays Capital**, which takes part in the utility's credit facility, though being part of that group isn't a requirement to do work with Georgia Power, Brooks said. "When we know we're going to do a deal we call around and see who will be most aggressive with their pricing. In this case, Barclays won out," he adds. Brooks declined to mention the other banks the utility contacted.

Brooks named two reasons he opted for a 30-year bond. The utility's power plants generally have 30-year life spans, so issuing debt with the same life span matches the underlying assets. And, when rates are low he likes to lock in long-term debt.

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## 2004 POWER PROJECT FINANCE AWARDS



*Power Finance & Risk is proud to announce the winners of its fourth annual award for excellence and innovation in non-recourse financing. This year's winners, specifically in The Americas, reflect a market that is blurring the lines between high-yield financing and non-recourse asset-back funding. Both sides of the Atlantic witnessed financing centered around bellwether acquisitions and developments, our winners represent the best of the batch.*

*The winners were nominated by industry officials including project financiers and law firms and chosen by the editors of PFR.*

### Best Americas

Sponsor: GC Power Acquisition

Asset: Texas Genco Holdings

Leads: **Goldman Sachs, Morgan Stanley**



Sponsor GC Power Acquisition and lead arrangers **Goldman Sachs** and **Morgan Stanley** scooped top honors in The Americas for their \$3.7 billion Texas Genco Holdings

blockbuster acquisition funding.

The watershed transaction, backed by the private equity consortium of **The Blackstone Group**, **Hellman & Friedman**, **Kohlberg Kravis Roberts & Co.** and **Texas Pacific Group** (PFR, 10/18), stands out by virtue of its sheer size as the largest acquisition of power plants by non-utility players since deregulation. It also cemented the high-yield B-loan structure in the non-recourse market.

One senior official close to the deal, says the fact there was

only one majority owner, by virtue of the GC Power vehicle, made completing both the acquisition and wrapping the complex financing package much simpler.

Funding for the 14.2 GW fleet comprises a \$1.15 billion initial term loan, a \$325 million working capital revolver that can also serve as a letter of credit, a \$200 million letter of credit facility backing the operations PPA, a \$344 million special letter of credit facility and a \$475 million delayed-draw B loan. A lack of in-place power purchase agreements made such a layered structure necessary, admirers say. The debt matures in 2011.

The official adds that the sponsor had previously inked power purchase agreements for six months but Goldman has extended to a three-year contract for some 90 million MW of capacity.

The package also included 6.875% 10-year \$1.125 billion in senior notes that were privately placed. **Deutsche Bank**, **Citigroup** and **CIT Group** also served as bookrunners.

### Best Renewables

Sponsor: **Brascan**

Assets: Upstate New York Hydro Plants

Leads: **ABN Amro, Citigroup**



**Brascan Corp.** bags the top spot in the renewables category with its \$500 million financing for the acquisition of a \$900 million

package of 71 hydro assets from **Reliant Energy**. The deal marks the first post-**Enron** merchant non-recourse deal, says **Kelly Marshall**, senior v.p. of corporate finance at Brascan in Toronto. "The Enron hangover was still being felt in the market and the concept of a merchant plant had a certain knee jerk reaction," he recalls.

Marshall says the plants have no dispatch risk because of their low cost of fuel and the company was able to convince lenders of the plants' ability to operate and provide cash flows even in rough times. He says operating results so far are three times ahead of original projections.

The plants had previously operated under PPAs and the expiration of these coincided with the acquisitions, Marshall adds, so there was no history of merchant operations. "While the merchant description is correct the package is far from the classic pre-**Enron** merchant deal, which the market doesn't expect to see again. Its maturity is too short and the portfolio isn't gas-fired and so has no commodity risk," Marshall adds.



## 2004 POWER PROJECT FINANCE AWARDS (cont'd)

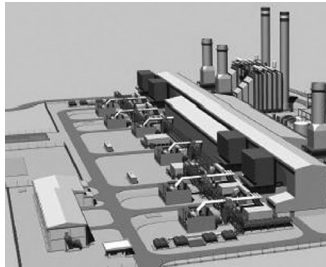
### Best International

Sponsors: **Tractebel Electricity & Gas International, Gulf Investment Corp.**

Assets: 950 MW project in Manama, Bahrain

Lead Arrangers: **HSBC, Société Générale**

Location: Manama, Bahrain



Al Ezzel Power Plant

Belgian utility Tractebel, GIC and its arrangers have nabbed project finance gold for the \$500 million construction financing for Al Ezzel Power's 950 MW water/power project. As the first independent project to kick off in Bahrain, **Phill Fletcher**, partner at Millbank, Tweed, Hadley &

McCloy in London, who helped structure the loan, says the deal deserves plaudits for coming together so rapidly in a market in which project finance deals often wind down a torturous path

toward completion.

The deal illustrates that players are gravitating toward untapped markets in the Middle East, says one London syndicator. To be sure, markets such as Bahrain are expected to see electricity demand grow at 7% per year.

Al Ezzel, which will cover about 1/3 of the power demand in that burgeoning Middle Eastern market, will sell electricity and water under a 20-year PPA to the **Ministry of Electricity and Water**. The deal breaks down into a \$373 million, 20-year term loan, matching the PPA, priced at 120-175 basis points over LIBOR. Financing also includes a \$127 million portion that will serve as a 3.5-year bridge priced at a 40 basis points over LIBOR.

Participating lenders include **Royal Bank of Scotland, Standard Chartered, Mizuho, Bayersische Landesbank, ING Capital Markets, ANZ Investment Bank, Calyon, and Mashreqbank.**

### 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.*

#### International

- **InterGen**, a joint venture between **Royal Dutch/Shell Group** and **Bechtel Group Inc.**, has agreed to sell its international power plants known as for \$1.75 billion to **AIG Highstar Capital** and the **Ontario Teachers' Pension Plan** (*TheDeal.com*, 4/20).
- Malaysian power company **Jimah Energy Ventures**, will ink RM6.10 billion in Islamic financing facilities to help bankroll two 700 MW coal-fired plants. The deal is set to close April 22 and the consortium of participants includes **RHB Sakura Merchant Bankers, Bank Muamalat** and **AmMerchant Bank Bhd.** and **Malaysian International Merchant Bankers** (*The Edge Daily*, 4/18).
- Spain is set to surpass the U.K. as the most attractive spot for renewable energy investment, the latest **Ernst & Young Renewable Energy Country Attractiveness Index** says. (*Dow Jones*, 4/18).
- **Endesa, E.ON, Electrabel** and **Enel** have formed a group to study a EUR\$3 billion investment in a nuclear reactor headed by **EDF**. French energy department head **Dominique Maillard** said EDF plans to offer energy companies from around Europe

the opportunity to participate in its 1.6 GW atomic reactor in Flamanville, in northern France. (*AFX-Europe*, 4/18).

#### The Americas

- **Kinder Morgan** will begin building a 22-mile natural gas pipeline south of Grand Junction Colorado. The **Colorado Public Utilities Commission** gave its approval on April 15. The pipeline will serve residences in Kannah and Whitewater creeks (*Grand Junction Central*, 4/19).
- Insufficient investments and aging power plants means blackouts similar to those in the U.S. East Coast, Italy and the U.K. are likely to happen again, according to a report by **PricewaterhouseCoopers**. Consumption of electricity is expected to double and about \$12.7 trillion of investments is needed through 2030 to meet this demand (*Bloomberg*, 4/18).
- **NiSource** Chairman and CEO **Gary Neale's** pay jumped to \$8.22 million in 2004, a 12.4% jump from 2003, according to NiSource's annual proxy report. For the second consecutive year, more than half of Neale's pay was in the form of restricted stock. (*The Times*, Munster, Ind., 4/18).

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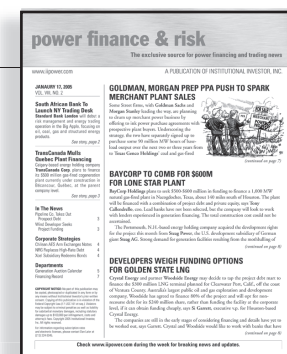


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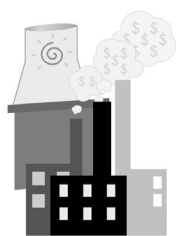
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## Generation Auction & Sale Calendar

*Following is a directory of ongoing generation asset sales. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes in the status of a sale, please call Mark DeCambre, managing editor, at (212) 224-3293 or e-mail mdecambre@iinews.com.*

Seller	Plants	Location	MW	Plant Type	Advisor	Status
AES	Wolf Hollow	Texas	730	Gas	N/A	Transferred to KBC-led creditor group.
	Termomamonal	Colombia	90	Gas	None	Ongoing.
	Ottana	Italy	140	Gas		
Aquila	Raccoon Creek	Ill.	340	Gas	Not chosen	Intention To Sell.
	Goose Creek	Ill.	340	Gas		
	Crossroads	Miss.	340	Gas		
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention To Sell.
Black Hills Energy	Pepperell	Mass.	40	Gas	-	Intention To Sell.
BNP -led bank group (Exelon developed plants)	Mystic River 7	Mass.	560	Oil/Gas	Lazard	Ongoing.
	Mystic River 8	Mass.	832	Gas		
	Mystic River 9	Mass.	832	Gas		
	Fore River	Mass.	832	Gas		
Citi & SocGen-led creditor group (TECO Energy developed plants)	Union	Ark.	2,200	Gas	Goldman	Ongoing.
	Gila River	Ariz.	2,300	Gas		
CMS Energy	Ensenada	Argentina	128	Gas	Not chosen	Announced Intention To Sell.
	CT Mendoza	Argentina	520	Gas	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydro	J.P. Morgan	
Citi-led bank group (NEG developed plants)	Lake Road	Conn.	840	Gas	Lehman Bros.	Cargill Bought Debt Portion. (PFR, 12/27) An Undisclosed Buyer Has Emerged.
	La Paloma	Calif.	1,121	Gas	Lehman Bros.	
Delta Power	Lowell Power	Mass.	82	Gas	None	Actively Pursuing A Sale.
Duke Energy North America	Bridgeport Energy Project	Bridgeport, Conn.	490 MW	Gas	CSFB	Considering Sale Or JV.
	Maine Independence Station	Penobscot County, Maine	520 MW	Gas		
	Bayside Power Project	St. John, New Brunswick	260 MW	Gas		
	Fort Frances Cogeneration Project	Fort Frances, Ontario	110 MW	Gas		
	Lee Energy Facility	Lee County, Ill.	640 MW	Gas		
	Vermillion Energy Facility	Vermillion County, Ind.	640 MW	Gas		
	St. Francis Energy Facility	Glennonville, Mo.	500 MW	Gas		
	Washington Energy Facility	Washington County, Ohio	620 MW	Gas		
	Fayette Energy Facility	Fayette County, Pa.	620 MW	Gas		
	Hanging Rock Energy Facility	Lawrence County, Ohio	1,240 MW	Gas		
	Oakland Power Plant	Oakland, Calif.	165 MW	Gas		
	Moss Landing Power Plant	Monterey County, Calif.	2,538 MW	Gas		
	Morro Bay Power Plant	Morro Bay, Calif.	1,002 MW	Gas		
	South Bay Power Plant	Chula Vista, Calif.	700 MW	Gas		
	Griffith Energy Facility	Mohave County, Ariz.	600 MW	Gas		
	Arlington Valley Energy Facility	Maricopa County, Ariz.	570 MW	Gas		
	McMahon Cogeneration Plant	Taylor, British Columbia	117 MW	Gas		
El Paso Europe	Enfield	U.K.	396 (25%)	Gas	None	Ongoing.
	EMA Power	Hungary	70	Coal		
	Kladna	Czech Rep.	350	Coal		
El Paso North America (Merchant assets)	Berkshire	Mass.	261 (56.41%)	Gas		Final Bids Due.
	CDECCA	Conn.	62	Gas		Negotiations Are Taking Place With BroadStreet Resources.
	Eagle Point	N.J.	233	Gas		Being Shopped To North American Power Group.
	Pawtucket	R.I.	67	Gas		
	San Joaquin	Calif	48	Gas		
EnCana	Cavalier	Alberta	106	Gas	HSBC	Launched Sale In April.
	Balzac	Alberta	106	Gas	HSBC	
	Kingston	Ontario	110 (25%)	Gas	HSBC	
Energy Investors Fund	Multitrade	Va.	79.5 (60%)	Biomass	None	Intention To Sell.
	Crockett	Calif.	240 (24%)	Gas		

## Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Entergy Asset Management	Robert Ritchie	Ark.	544	Gas/oil	None	Ongoing.
	Warren Power	Miss.	314	Gas		
	RS Cogen	La.	425 (49%)	CHP		
	Harrison County	Texas	550 (70%)	Gas		
EPRL	Glanford	U.K.	14	Poultry Litter	Rothschild	Ongoing.
	Thetford	U.K.	39	Poultry Litter		
	Ely	U.K.	13	Poultry Litter		
	Westfield	U.K.	10	Poultry Litter		
	Elean	U.K.	38	Straw		
Exelon/PSEG	Eddystone Generating Station	Delaware County, Pa.	1,510 MW	Coal and Gas		Interviewing Banks To Advise On Sales.
	Linden Generating Station	Linden, N.J.	775 MW	Gas		
HSBC-led creditor group	Attala	Miss.	526	Gas	HSBC	Sold To Entergy
KBC-led creditor group	Milford	Conn	542	Gas	Lazard	Ongoing.
Mirant	Shady Hills	Fla.	474	Gas	BofA	Ongoing.
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538	Gas		
	Wichita Falls	Texas	77	Gas		
Morrow Power	Boardman	Ore.	28	Gas	Marathon Capital	Evaluating Bids.
Nations Energy	Bayport	Texas	80	N/A		Considering Liquidation.
	Mungo Junction	Ohio	32			
	Southbridge	Mass.	7			
National Energy Gas & Transmission (USGen New England)	Salem Harbor	Mass.	745	Coal/Oil	Lazard	Dominion Has It Under Contract.
	Brayton Point	Mass.	1,599	Coal		
	Manchester St.	R.I.	495	Gas		
	Connecticut River	N.H.	479	Hydro		
	Deerfield River	Mass.	89	Hydro		
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	-
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Reliant Energy	Carr Street	N.Y.	95	Oil	Goldman	Ongoing.
	Astoria	N.Y.	1,276	Gas		
	Gowanus	N.Y.	549	Gas		
	Narrows	N.Y.	281	Gas		
InterGen	La Rosita	Mexico	1,100		Citigroup	AIG And Ontario Said To Have Won The Bidding War.
	Redbud	Okla	1,220			
	Cottonwood	Texas	1,235			
	Magnolia	Miss.	900			
	El Bajio	Mexico	600			
	Termocali	Columbia	235			
	Rocksavage	U.K.	748			
	Spalding	U.K.	860			
	Coryton	U.K.	732			
	Rjinmond	Netherlands	820			
	Knapsack	Germany	790			
	Catadau	Spain	1,200			
	Meizhou	China	724			
	Island Power	Singapore	750			
	Quezon	Philippines	460			
	Callide C	Australia	920			
	Millmerran	Australia	880			
SG-led bank group (NEG developed plants)	Athens	N.Y.	1,080	Gas	Blackstone	Assessing Bids.
	Covert	Mich.	1,170	Gas		
	Harquahala	Ariz.	1,092	Gas		
	Millennium	Mass.	360	Gas		
STEAG	Iskenderun	Turkey	1,320	Gas	Morgan Stanley	Ongoing. Reviewing Options
Teco Energy	Dell Power Station	Ark.	540	Gas		
	McAdams Power Station	La.	599	Gas		
Tractebel North America	Chehalis	Wash.	520	Gas	N/A	Looking To Sell Or Swap.
United Utilities	Landfill Generation Portolio	U.K.	50 MW	Landfill	RBC Capital Markets	Set To Launch Sale In May.
WPS Resources	Sunbury Generating Station	Shamokin Dam, Pa.	450 MW	Coal	Lazard	Buyers Are Stalling Over Fuel Contracts.

## CMS LOOKS

(continued from page 1)

CMS' \$300 million and Consumers \$500 million line, says a banker familiar with the deal. The names of interested participants could not be obtained. Commitments are due next week and the deal should close on May 12. Officials at leads **Citibank** and **Union Bank of California** did not return calls by press time.

CMS' new line is priced at LIBOR plus 150 basis points and has a commitment fee of 37.5 basis points. The line is secured by the energy company's stock. The company is rated Ba3 by **Moody's Investors Service**. The previous facility was priced at LIBOR plus 275 basis points and had a fee of 50 basis points.

Consumers' new line is priced at LIBOR plus 75 basis points, down from LIBOR plus 125, and has a fee of 17.5 points, down from 22.5 basis points. Consumers' line is backed by first-mortgage bonds, rated Baa3 by Moody's and is led by **JP Morgan** and **Barclays**. Officials at JP Morgan and Barclays declined to comment.

Within the past month, the company has issued \$450 million in notes to pay down higher rate debt (PFR, 4/18). The lower interest rates will support the company's initiatives to decrease its leverage over the long term from 50%-60% by freeing up cash flow (PFR, 4/18).

—R.P.

## DEVELOPER HOPES

(continued from page 1)

U.S. biomass plants have typically averaged no more than 60 MW, according to **Stephen Anderson**, president of consultants **Evergreen Energy** in Wilsonville, Ore. The fuel risks can be significant, he explains, because the cost of transporting the fuel can be high and biomass supply contracts are set up on an as-available basis. "If [the suppliers] find better uses for that material, they may divert that material," he says. **Richard Haddon**, an official at **PACE Global Energy Services** in Fairfax, Va., which is acting as the partnership's consultant, says the developer has contracted 125% of its fuel needs with nearby saw mill companies, logging contractors and furnisher manufacturers to address fuel risks. The plant requires 1.6 billion tons of wood per year.

Despite the input fuel situation, Anderson says the environment is ripe for financing a biomass plant because the cost of oil and gas are so high. Fuel prices are at \$0.62 per MMBtu for wood, \$1.20 for coal and \$5.50 for gas, according to a report by PACE.

At this point, the Blue Grass State developer is in advanced negotiations with an investment-grade utility that should be inked within a month for a power purchase agreement, according to Harris. Neither Harris nor Haddon would name prospects.

Development, which involves renovating and converting an

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existing ethanol plant, is expected in mid-summer once the financing is wrapped and the facility should be completed by the summer of 2007. On the debt front, Kentucky Biomass is considering issuing \$100 million tax free **Ohio Air Quality Development** bonds and \$130 million in *Empowerment Zone Bonds*, says Harris. The Empowerment bonds are issued by the local government to companies operating within federally designated zones that are in need of development. The low interest rates available on the notes make them appealing, but debt options could change if the new investor has a strong appetite for production tax credits, adds Haddon.

Haddon says the partnership is in talks with numerous potential underwriters, including UBS. He underscored that no deal with UBS has been struck.

Harris owns 50% of the company while the remainder is owned by five high-net worth individuals, which he declined to name.

—*Raquel Pichardo*

## U.K. UTILITIES

(continued from page 1)

any names.

According to *PFR* sister publication *BondWeek*, market analysts forecast each deal will be significantly smaller than the £1 billion-plus (\$1.9 billion) whole business deals done in the water sector, since gas companies are simply smaller.

One deal will come from an existing player in the industry looking for a cheaper way to fund capital expenditures, lawyers say, and other potential issuers include the three winning bidders for the £5.8 billion in gas distribution networks auctioned off last summer by **National Grid Transco**.

The most likely of the NGT bidders to refinance its debt, according to securitization analysts, is **Macquarie**, the Australian bank which picked up the **Wales and the West of England Network** for £1.2 billion. The other two consortia are thought to want to maintain lower levels of leverage. One includes U.K. gas company **Scottish and Southern Energy**, and Canadian funds **Borealis Infrastructure Management** and **Ontario Teachers**

**Pension Plan**; the other is composed of Hong-Kong based energy investment company **Cheung Kong Infrastructure**, **Li Ka Shing Foundation** and U.K.-based **United Utilities**.

**Tom Fallon**, group treasurer at United Utilities, says the consortium has no immediate plans to do such a deal but will keep its options open. **Karen Smith**, spokeswoman for Macquarie, was out of the office and could not be reached, while **Julian Reeves**, spokesman for SSE, declined comment.

The activity in the gas utility sector is being driven in part by last summer's partial privatization of NGT, but equally important was the introduction through the Energy Act 2004 of the Energy Administration Order Regime last October, a special insolvency regime specific to the gas sector. "This regime is a protective regime similar to Chapter 11 in the U.S., and provides additional comfort to creditors in the event of insolvency at the utility," says Linklaters' Davies.

In addition, the maturing of the market for whole business securitizations in the water sector is providing comfort to issuers and investors alike. "In the water sector there was concern the regulator would lower prices based on the cost-of-capital reductions securitization afforded issuers, but at the last five-year review in December 2004, the regulator did not reset prices, demonstrating clear support for the sector," Davies observes.

—*Marlies Morsink*

## Calendar

- **Infocast** is hosting its *12th Annual Power Industry Forum* on May 11-13. The event will be held at The Watergate Hotel in Washington. For more registration information call (818) 888-4444.
- **Synergy** is hosting its annual Energy Trading Central & Eastern Europe conference on May 24-25 at the Novotel Hotel in Budapest. For information email: [info@synergy-events.com](mailto:info@synergy-events.com).

## Quote Of The Week

"We're not going to buy a 1 MW plant in Texas, even if it's the greatest hydroelectric facility ever built." —**Michael Storch**, executive v.p. for **Enel North America** in Andover, Mass., on his company's plans to limit its acquisitions to certain regions (see story, page 3).

## One Year Ago In Power Finance & Risk

**Reliant Resources** was drawing a strong show of bidders for two portfolios of power plants it was selling: 675 MW of hydro generation assets in upstate New York and a 95 MW natural gas and oil fired plant in New York City. [**Brascan Power Corp** announced it would acquire the assets for \$900 million. The acquisition took Brascan's generation portfolio to around 2,600 MW (PFR, 5/24).]

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