power finance & risk

The exclusive source for power financing and trading news

www.iipower.com

A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

MAY 20, 2002
VOL. V, NO. 20

Deutsche Bank Looks To Hire Power Banker

Deutsche Bank is looking to bring in a managing director in its global power group to cover the unregulated utility sector.

See story, page 3

Green Trading Conference

Some 150 industry professionals gathered in New York for an environmental trading summit last week. Topics discussed included structured financing for emissions trading.

Coverage begins on page 4

In The News

Latin America

Corporate Strategies

Departments

AEP DRAWS UP SHOPPING LIST, EYES NISOURCE

American Electric Power is looking to snap up a utility upon the completion of its divestiture of **SEEBOARD** and has drawn up a shopping list of six companies, with NiSource topping the list, says an investment banker who has spoken to AEP about its expansion plans. AEP is not thought to have approached NiSource yet. Calls to **E. Linn Draper**, chairman, president and ceo of AEP, and **Gary Neale**, chairman and president of NiSource, were not returned. **Pat Hemlepp**, a spokesman at AEP in Columbus, Ohio, and **Bill Keegan**, a spokesman at NiSource in Merrillville, Ind., declined to comment,

(continued on page 8)

MIDAMERICAN TO FIRE UP $875M TRANSMISSION LOAN

MidAmerican Energy Holdings is launching an $875 million loan funding the expansion of the Kern River natural gas pipeline, a deal bankers say should be well received because of the high credit rating of the project and also the scarcity of gas transmission project paper. "So many people have gorged on power that people will go for the diversification," says one banker who will likely sign up for the deal at the retail level.

The Des Moines, Iowa-based company, which is owned by **Warren Buffett**'s

(continued on page 8)

RELIANT PLANS POST-SUMMER BOND RELAUNCH; LOANS DELAYED

Reliant Resources is looking to fire up a cancelled $500 million bond issue after Labor Day and expects to increase the size of the offering, senior company officials told a lenders' meeting last Tuesday in New York. The 10-year private placement was pulled at the eleventh hour May 10 after the Houston-based player disclosed traders had been engaging in so-called "round-trip" electricity transactions: back-to-back buy and sell trades that do not generate profit but inflate volumes. The revelations also derailed a major loan

(continued on page 8)

BERMUDAN PLAYER EXITS WEATHER MARKET

Commerical Risk Reinsurance, a subsidiary of French reinsurance company **SCOR**, exited the weather derivatives market Monday and let go four of its five-strong trading team. **Francois Bertrand**, executive v.p. in Hamilton, Bermuda, said the operation took a hit on its positions last winter which negated what had been an overall positive performance over the three winters and two summers it had been trading. Another factor in the decision to exit was an external consultant study the firm commissioned around the turn of the year which concluded that the weather market is not about to see

(continued on page 7)

Williams Sets Up London Coal Desk

Williams has hired two coal traders in London as it looks to build up its international presence in the market from scratch. At the beginning of May the firm hired **Alan Gillespie** from **Duke Energy International** and **Ivan Van Kiekerk** from derivative broker **Tradition Financial Services**. Gillespie says the move reflects the growing maturity of financial contract-based coal trading.

The firm also set up its first U.S. coal desk last month with the hire of two traders.

Bragger-Watts

Suspect Power Traders To Face Collateral Test

Discredited electricity trading shops, such as **CMS Energy, Dynergy** and **Reliant Resources**, which used bogus "round-trip" transactions to boost revenue, will need to post significantly more collateral to convince counterparties its safe to resume trading with them, according to the head of trading at a European shop and an analyst in New York. Many counterparties are believed to have cut their trading lines with Reliant and CMS. Dearborn, Mich.-based CMS last week admitted it used bogus trades to inflate its trading volume by 80% in one year. The cost of posting additional collateral will significantly increase the expense of trading and could result in some of these firms winding up their trading desks, the senior trader adds.

Most of the bogus trades were bilateral, the senior trader says, and this should have alerted managers at the companies since the bulk of plain-vanilla transactions are executed through brokers. Similarly, the sharp rise in volume without a concomitant jump in P&L should have tipped off management of improprieties. "Its astonishing," he continues, commenting on the scale of the bogus trading.

Following the revelations **Shahid Malik**, president of wholesale trading at Reliant, and **Tamela Pallas**, president and ceo of energy marketing at CMS, resigned late last week.

Credit Lyonnais Reportedly Hires For Weather Desk

Credit Lyonnais is believed to be setting up a weather derivatives desk and has hired **Peter Brewer**, an originator who recently departed **Aquila**'s nascent U.K. weather desk (PFR, 5/13) to lead the effort, according to two industry officials. His exact title and role at Lyonnais, which has yet to enter the weather market, could not be determined. Brewer, who is expected to join the French bank on May 28, could not be reached for comment. Calls to Lyonnais were referred to an external public relations firm, which was unable to provide comment.

Brewer joined Aquila after shuttering weather consultancy **Weather Risk Advisory** last fall. The Cambridge, U.K.-based start-up was unable to raise the necessary venture capital funding.

Edison Mission Risk Honcho Goes Back To School

Mark Williams, v.p. global risk at **Edison Mission Marketing & Trading** in Boston, has left the firm for a slot in **Boston University**'s Finance & Economics Department. Williams, who had been teaching some classes while at Edison, did not return calls seeking comment. His Edison post has been filled by **Andy Hertneky**, who joined from the energy practice at **McKinsey & Co.** Hertneky confirmed the move, adding that he has taken on Williams' role and also some additional duties, which he declined to outline. Calls to **Kevin Kelley**, a spokesman for **Edison Mission Energy**, were not returned by press time.

power finance & risk

EDITORIAL
TOM LAMONT Editor
STEVE MURRAY Deputy Editor
VICTOR KREMER Executive Editor [London] (44 20) 7303-1748
WILL AINGER Managing Editor [London] (44 20) 7303-1735
PETER THOMPSON Senior Reporter [San Diego] (760) 635 3308
AMANDA LEVIN ARNOLD Reporter [New York] (212) 224 3292
ARADHNA DAYAL Hong Kong Bureau Chief (852) 2912-8009
STANLEY WILSON Washington Bureau Chief (202) 393-0728
ROCHELLE BRETON Editorial Assistant
JANA BRENNING, KIERON BLACK Sketch Artists

PRODUCTION
DANY PEÑA Director
LYNETTE STOCK, DEBORAH ZAKEN Managers
SHERRY MURRELL, MICHELLE TOM, ILIJA MILADINOV, ERIC OGBURN Associates
GEORGE NELSON Senior Web Production Designer
JENNY LO Web Production Designer

MARIA JODICE Advertising Production Manager (212) 224-3267

PUBLISHING
GUY CROSSLEY Group Publisher
NAZNEEN KANGA Publisher (212) 224-3005
ELAYNE GLICK Director of Marketing & Circulation (212) 224-3069

ADVERTISING
For Advertising info, call (212) 224-3005
JENNIFER FIGUEROA Media Kits (212) 224-3895

INDIVIDUAL SUBSCRIPTIONS
ANTHONY COMANTO Director of Sales (212) 224-3457
WILLIAM POWELL Senior Account Executive [New York] (212) 224-3012
THOMAS GANNAGE-STEWART [London] (44-20) 7779-8998,
KATE COLCHESTER [Hong Kong] (852) 2842-6929, Fax: (852) 2973-6260, email: colchesterk@iinewslts.com, Account Executives

GROUP SUBSCRIPTIONS/ELECTRONIC LICENSES
DAN LALOR Director (212) 224-3045

REPRINTS
AJANI MALIK Reprint Manager [New York] (212) 224-3205
ELIZABETH ONISIFOROU Sales [London] (44-20) 7779-8591

CUSTOMER AND SUBSCRIBER SERVICES
New York (212) 224-3800, London (44-20) 7778491
CHRISTINE RAMIREZ Director

CHRISTOPHER BROWN Chief Executive Officer

Subscriptions: To subscribe, call New York at (212) 224-3012, London at (44-20) 7770-8998 or fax (212) 224-3491. One Year-US$2,495 (in Canada add $30 postage, others outside U.S. add $75).

Power Finance & Risk is a general circulation newsweekly. No statement in this issue is to be construed as a recommendation to buy or sell securities or to provide investment advice.

Circulation Offices: 225 Park Avenue South, New York, NY 10003. Tel: (212) 224-3800. Fax: (212) 224-3491.

For further information, please contact us at: customerservice@iinews.com

Edison Mission Nabs NRG Trading Head

Edison Mission Energy has hired **Andy Pace**, senior power trader at **NRG Energy** in London, according to a market official. Pace, who will join Edison Mission June 5 as a shift trader on the company's 24-hour trading desk, declined comment. **Phil Edgington**, head of trading at EME in Bala House, near Chester, did not return calls.

NRG is reportedly having difficulty finding a replacement for Pace because the company is up for sale, an official familiar with the company says. Calls to **Martin Mannion**, trading manager at NRG, were not returned by press time.

Lenders Wrap Upsized Avista Facility

Lead arrangers **Bank of New York** and **Union Bank of California** last week wrapped syndication on a 364-day revolver for Spokane, Wash.-based Avista, and increased its size to $225 million from the originally planned $200 million target. A UBoC official says the company had a strong story to tell because it has negligible spot market exposure and it's been a good hydro season in the Pacific Northwest. It also benefited from a dearth of rival deals. Rounding out the roster are **US Bank** with a $25 million ticket and **Key Bank** and **Washington Mutual**, which dropped in $20 million, the banker says. BoNY and UBoC each committed $45 million. Soon after the April 9 launch **FleetBoston**, **Wells Fargo** and **Bank Hapoalim** committed to the deal, which replaces an expiring loan (PFR, 4/21).

Deutsche Bank Looks To Hire Utility Rainmaker

Deutsche Bank is looking to hire a managing director in its global power group in New York to cover mergers and acquisitions and corporate finance in the unregulated utility sector. According to a banker familiar with the firm's plans, the new hire will report to **Rob Gray**, global head of utilities and energy, and will work alongside **Michael Johnson**, managing director and head of utilities, and **James Denaut**, managing director and head of oil and gas. Johnson primarily covers independent power producers and companies that overlap the gas and electricity industries. Gray and Denaut did not return calls and Johnson declined to comment.

Another banker says finding this new hire has proven to be a difficult task because as a prerequisite the individual needs to have a tremendous *Rolodex* of industry contacts. "Deutsche Bank does business with big clients so the new person coming in would have to know a lot of people in the utility sector and basically be somewhat super-human."

While Deutsche Bank's failure to find a suitable hire may seem puzzling given the large pool of unemployed investment bankers, hiring the type of rainmaker the German bank seeks will take longer than the average hire, the banker adds.

In February Deutsche Bank let go M&A bankers in its investment-banking utility team as part of an overall cut of 2,100 investment banking jobs (PFR, 2/11).

<u>**Way Cool**</u>

Weather Desks See Spike In Monthly Vs. Seasonal CDD Trading

Weather derivative dealers say activity in monthly trades has spiked sharply in the traditionally busy pre-summer market for cooling degree-day deals. One trader says his desk's book has moved from a 90:10 weighting toward whole season flows last spring to a roughly 50:50 split this year. While some aren't seeing quite so dramatic a swing, officials believe the trend is positive. "I think most markets eventually go down to the lowest unit and it helps dealers," says **Jeff Porter**, business leader on the weather desk at **Hess Energy Trading Co.** in New York. This means greater liquidity and therefore greater flexibility for dealers to hedge their books and offset trades.

One factor that may be driving the move is the increasing number of players offering cross-commodity hedges. Structuring gas and power prices into weather trades brings in the much shorter-term horizon that energy players use, says one trading chief. "Doing gas or power as a seasonal trade doesn't help you," he reflects.

While momentum has been building over the last year in the shorter tenor arena, weather players say last week also saw a spike in trading on the **Chicago Mercantile Exchange**, following the designation of Chicago-based **Wolverine Trading** as lead market maker for CDD and HDD contracts. Officials at Wolverine Trading could not be reached for comment by press time.

Last Tuesday 30 CDD contracts traded and a record open interest level of 265 was chalked up, says CME spokesman **Bill Burks**. The proceeding Friday, 10 contracts traded before Wolverine became lead market maker. With the new status, Wolverine has agreed to make bid-offers in all contracts, Burks notes.

GREEN TRADING CONFERENCE

*The MYA Group and Global Change Associates jointly held the Green Trading Summit: Emissions, Renewables & Negawatts in New York City on May 14-15. Some 150 executives, primarily from the utility, power marketing and energy sectors, attended. Reporter **Amanda Levin Arnold** filed the following stories:*

Project Sponsors Could Benefit From Structured Emission Finance

Sponsors of power projects could benefit from structured debt financing to meet the upfront costs of purchasing greenhouse gas emissions credits, **William Klun**, v.p. at **DZ Bank** in New York, told conference attendees. He explained that financing for the emission credits would require bringing in a multi-lateral lending institution with a high credit rating, which would end up raising the overall credit quality of the project. However, he said that the insurance industry would probably have to get involved at some point and provide a credit wrap until the market evolves.

According to Klun, DZ is currently exploring how to provide financing for greenhouse gas trading. But he said that all of its clients that have engaged in trading thus far have simply sold credits and gotten cash in return.

Green Companies Achieve High Performance, Says Advisor

Power companies proven to be leaders in environmental issues and engage in emission reduction trading achieve overall high financial performances, **Frank Dixon**, managing director of New York-based **Innovest Strategic Value Advisors**, told attendees. Some of the leaders in the industry are **FPL Group**, **American Electric Power** and **Duke Energy**, he said.

Meanwhile, Dixon said the connection between the environment and financial performance is a relatively new development. "The financial community has traditionally treated environmental issues as irrelevant. Most of us thought the best way to deal with the environment was to minimize expenses and pay little attention to it," he said.

However, most academic and business studies now show a positive correlation between attention to the environment and stock performance. He said the idea is that if companies can deal with complex environmental issues, then they probably have the ability to handle other complex areas of business as well.

Dixon explained that over the past few years, the financial community has grown increasingly aware of the need to examine companies for their environmental compliance. He said there has been increased awareness among institutional investors, heightened regulation, strengthening of scientific research and most recently, growing transparency following the **Enron** debacle.

Power Industry Embraces Kyoto Alternative

Even though the Bush administration has vowed not to follow the Kyoto Protocol, a large number of U.S. companies, especially from the power industry, realize that since many of them have operations around the world they need to adapt to the soon-to-be ratified global warming pact, said **Michael Walsh**, senior v.p. of Chicago-based **Environmental Financial Products**.

For example, some 50 participants have signed up to the Chicago Climate Exchange, a voluntary pilot greenhouse gas-trading program that was organized by Environmental Financial Products. The pilot is taking place in North America and Brazil and has signed up participants from the energy, manufacturing, forestry, municipality, financial and agriculture sectors. Walsh expects the pilot to launch on January 3, 2003 and to operate for approximately four years. He said the initial goal is to reduce participants' emissions by 2% in 2003.

Even though companies from a number of sectors have shown interest in the program, there has been notable interest from power concerns. He attributes the interest partly to their power projects abroad that will be subject to Kyoto. Some of them include **American Electric Power**, **Pinnacle West Capital**, **CMS Energy**, **Exelon**, **Ontario Power Generation**, **Cinergy**, **DTE Energy**, **FirstEnergy**, **Alliant Energy** and **NiSource**.

"We originally thought we'd have maybe a dozen companies interested in the pilot because they had to ask their board of directors to spend $10-$20 million on something that they didn't have to do," said Walsh. "But to the contrary, they apparently did not want to be left out of the emerging greenhouse gas-trading market."

Walsh said that many of the details of the pilot have not yet been determined. However, the pricing and the type of the trading platform that is chosen will be made public early next year.

GREEN TRADING CONFERENCE **(cont'd)**

Panelist Urges Cos. To Support Pooling SEP Proceeds

Michael Shepard, senior v.p. of Boulder, Colo.-based **E Source** and **Platts Research and Consulting**, urged conference attendees to support pooling the proceeds obtained from environmental penalties instead of putting them into supplemental environmental projects, commonly referred to as SEPs.

An SEP is a project proposed by a company that has violated an environmental rule in exchange for receiving a partial offset against a monetary penalty. The SEP is limited to enforcement actions from the **U.S. Environmental Protection Agency** and are not found in the legal system. Shepard said there are at least $200 million in environmental penalties levied in the U.S. annually and that on average, an SEP is as small as $10,000 and as large as $1 million.

"When companies get caught violating an environmental rule and being naughty, they are usually caught off guard so they don't have projects ready to go," said Shepard. "Companies suffer because they have to spend time and resources on these projects. And the environment ends up suffering because once companies come up with ideas, they have to get them approved, which can sometimes take more than a decade."

Shepard proposed that violators give the fine to a non-profit organization with projects ready to go and receive certificates in return that they can give to the EPA. According to Shepard, there are two such organizations starting to do this, including **Climate Cool** and the **Climate Trust**, but they are in the early stages of development.

Corporate Strategies

TECO Taps Mart To Take Out Short-Term Debt

Teco Energy recently dipped into the bond market for $700 million in a two-part deal to take out short-term debt, says **Mark Kane**, director of investor relations in Tampa, Fla. The deal was led by **Banc of America Securities**, **BNY Capital Markets**, **Credit Suisse First Boston** and **Salomon Smith Barney**, he adds, declining to comment on the criteria used in the selection process or to elaborate on the debt being taken out.

The Florida power company issued May 8 a $300 million, 6.125% five-year tranche at 99.733 and a $400 million 7.0% 10-year tranche priced at 99.89.

Fitch Ratings assigned the deal an A- rating and in a research note the agency says the proceeds will pay down maturing debt and also reduce outstanding commercial paper. The rating and a negative outlook reflect increasing business risk resulting from growing investments in unregulated activities, particularly independent power projects. In addition, TECO's exposure to engineering contractor—and **Enron** subsidiary—**National Energy Production** (PFR, 4/1) also factor in the outlook. The company has to accelerate equity investments in IPP financings and take on guarantees to keep the finance juice flowing on NEPCO projects.

Kane says TECO is looking to issue $400 million in equity, split into $300 million in 2003 and $100 million in 2004. However, the $300 million piece may be shifted to this year, depending on the performance of the company's stock price, he notes, declining to elaborate. Fitch notes the additional equity is needed to maintain a capital structure consistent with the current rating.

Cleco Taps Bond Mart To Repay Debt

Pineville, La.-based Cleco plans to immediately use the proceeds from a $50 million offering of 10-year retail notes to help pay down approximately $63 million of short-term debt. An investor relations official says that eventually the energy concern will use the funds to repay $25 million in medium-term notes coming due on July 15 and two other medium-term notes totaling $25 million that will be callable in July. **Mike Burns**, company spokesman, says Cleco wanted to tap the bond market now to take advantage of the favorably low interest rate environment and lock in rates for the long-term.

Burns says the AAA/Aaa rated notes offer a 6.05% coupon and were priced at par to yield 98 basis points over comparable Treasuries. The notes also received a credit wrap from monoline bond insurer **Ambac Insurance**. Burns says that Cleco sought out the wrap to appeal to investors looking for a low-risk investment.

Calls to bankers at **Edward Jones** and **A.G. Edwards**, which co-led the offering, were not returned.

Latin America

Citi To Seal Brazilian Project Financing

Citibank expects shortly to close a $650-$700 million bond and non-recourse bank loan financing for the construction of Santa Isabel, a 1,087 MW hydroelectric power plant in northeastern Brazil, says a banker familiar with the sponsoring consortium's plans. Officials at Citibank did not return calls.

The consortium, which consists of **Alcoa Aluminio**, the Brazilian arm of the U.S. aluminum giant **Alcoa**; **Companhia Vale do Rio Doce**, a Brazilian mining firm; 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 (PFR, 4/15). 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.

Union Fenosa Mexican Financing Faces Delays

Some $400 million in financing earmarked for the construction of two combined-cycle gas turbine plants being developed by Spanish utility **Union Fenosa** is likely to be delayed. The plants, dubbed Tuxpan III and IV, will have 938 MW of combined generation capacity and are located in the state of Vera Cruz, Mexico. A project financier familiar with the matter says **Deutsche Bank** and **Bank of Tokyo Mitsubishi** have been struggling to pull the deal together and will likely not close it until the fall. Bankers at Deutsche Bank declined to comment and bankers at BoTM did not return calls. Calls to officials at Union Fenosa were also not returned.

The financier would not discuss the reasons for the delay except to say that there are some outstanding due diligence points that need to be resolved and are taking longer than expected. The two projects are currently scheduled to come on line in 2003.

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@iinews.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	Santa Isabel	Hydro	1,087	700	Brazil	Citi	Has hired Citi to lead deal	2/11/02
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
EdF, Mitsubishi	Altamira	Gas-fired	495	300	Mexico	Citi/Fuji	Is talking to potential co-arrangers.	5/13/02
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	Macae	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	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	SocGen	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

BERMUDAN PLAYER

(continued from page 1)

significant growth among non-energy end users. He declined to name the consultant or reveal the size of the trading book.

The firm still has active weather derivatives positions covering this summer which it is "not necessarily unhappy with," Bertrand says. It will continue to monitor the market and may decide to unwind these positions.

While Commercial Risk was by no means a major player, the question of whether weather derivatives can break into the wider non-energy market is a pertinent one, say industry professionals. "I'm beginning to question it," says the head of a U.S. weather desk, noting that many weather operations were predicated on the assumption that non-energy end users will eventually begin hedging and boost liquidity. One stumbling block is that trying to quantify weather risk for non-energy companies can be extremely difficult, just as quantifying weather risk for energy companies is extremely easy, he continues. However, he believes **Swiss Re**'s decision to re-enter the market soon with a team of recently hired former **Enron** traders sends a stronger message.

—Victor Kremer

Financing Record (MAY 9 - MAY 16)

Bonds

Issue Date	Maturity	Issuer	Country	Industry	Bookrunner(s)	Amount ($ mil)	Offer Price	Type of Security Coupon (%)		Moodys Rating	S&P Rating
05/14/02	10/15/07	Australian Gas Light Co	Australia	Gas Distribution	COMM-BK-AUST/ ABNAMRO(JB)	164.2	100.692	Fxd/Straight Bd	7.000	A2	A
05/14/02	05/27/04	Iberdrola International BV	Netherlands	Electric Service	SOC-GEN	135.4	99.982	Float Rate Nts	Floats	A1	A+

M&A

Date Announced	Target Name	Country	Acquiror Name	Acquiror Advisors	Acquiror Industry Sector	Acquiror Country	Rank Value of Deal ($mil)
05/09/02	Cornwall Street Railway Light	Canada	Fortis Inc	-	Electric, Gas, and Water Distribution	Canada	42.800
05/09/02	Dolphin Energy Ltd (DEL)	Qatar	Occidental Petroleum Corp	-	Oil and Gas; Petroleum Refining	United States	-
05/09/02	China Huaneng Grp Zhejiang	China	Huaneng Power Intl Inc	JP Morgan Secs (Asia) (HK) CLSA Global Emerging Markets JP Morgan	Electric, Gas, and Water Distribution	China	247.435

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

AEP DRAWS

(continued from page 1)

citing company policy.

AEP's sale of SEEBOARD, its electric and gas distribution subsidiary in southeast England, is not expected to occur until at least the third quarter because of accounting restrictions stemming from AEP's merger with **Central and South West**, according to the company's Web site.

A tie-up between AEP and NiSource would create a $20 billion power concern, given their current market capitalizations of $15 billion and $5 billion, respectively. Although unaware of AEP's plans, another banker says acquiring NiSource would be a logical fit because both companies have contiguous service territories. He adds that NiSource has a substantial gas business in New England, which makes it attractive.

AEP owns and operates more than 38,000 MW of generating capacity in North America and provides electricity to seven million customers worldwide. NiSource is a holding company for both regulated and non-regulated businesses in the electricity generation, natural gas, transmission, storage, exploration and production sectors. Its companies provide service to 3.7 million customers located from the Gulf of Mexico through the Midwest to New England.

—Amanda Levin Arnold

MIDAMERICAN

(continued from page 1)

Berkshire Hathaway, has signed up **Credit Suisse First Boston**, **Union Bank of California** and **Commerzbank** to lead the deal. The deal launches today for $75 million co-arranger tickets before opening for retail buyers toward the end of the next month, says a CSFB banker. Calls to MidAmerican spokesman **Kevin Waetke** were not returned.

Pricing on the loan, which is expected to attain a BBB plus rating, starts at LIBOR plus 1 3/8%, and while the facility has a 17-year tenor it will be taken out after the two-year construction phase wraps, the CSFB banker says. CSFB has been lined up to lead the bond market refinancing. MidAmerican is strongly incentivized to use a capital markets take out because pricing jacks up dramatically to 250-350 over LIBOR after construction, notes another banker unconnected with the leads. The highly predictable income flow, the strong rating, the cachet of the Buffett name and the scarcity of bank paper for pipelines—which are mostly financed in the bond market—makes for a deal that is likely to sell strongly, he adds. The 926-mile pipeline runs from Wyoming to California and the $1.26 billion expansion will increase capacity to 1.7 billion cubic feet of gas per day from 835 million.

CSFB was the M&A advisor for MidAmerican when it acquired the pipeline earlier this year from **Williams** for $960 million.

—Peter Thompson

RELIANT PLANS

(continued from page 1)

restructuring program, which covers at least $1.9 billion in project finance loans (PFR, 4/29). **Sandy Fruhman**, spokeswoman, says the company does not comment on information disclosed at bank meetings.

Instead of launching new corporate level facilities for both the unregulated Reliant Resources and the regulated arm of **Reliant Energy**, the meeting was used as an information session, say bankers in attendance.

Reliant officials told bankers that the planned increased size of the bond deal reflects strong investor demand, according to an attendee at the meeting, who was unsure why the company will wait until after Labor Day. Reliant is looking to launch the corporate loan facilities within the next few weeks, he adds.

No details of the loan size, pricing or maturity have emerged, but some say lenders may overlook the irregular trading practices because they did not impact profits or net cash flow. "It doesn't concern me that much but there is a little bit of a concern about management," says one financier. "It's a slight negative but it wouldn't keep me from doing the deal," he adds. Another lender was less sanguine. "It will be tough, but these are deals that have to get done," he notes.

With both **Moody's Investors Service** and **Standard & Poor's** holding the company on negative credit watch, an issue in the success of the loans may be whether they are secured.

—P.T.

Quote Of The Week

"The financial community has traditionally treated environmental issues as irrelevant."—**Frank Dixon**, *managing director of New York-based* ***Innovest Strategic Value Advisors****, explaining that environmentally aware companies tend to be strong overall performers (see story, page 4).*

One Year Ago In Power Finance & Risk

Axia Energy, the energy trading company now known as **Entergy-Koch Trading**, filed suit against **Hess Energy Trading Co.** charging that Hetco conspired with two former Koch employees—who were later hired by Hetco—to obtain proprietary weather derivatives information.