

power finance & risk

The exclusive source for power financing and trading news

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Standard Bank Raises Fund

Standard Bank is looking to raise a \$750 million Middle Eastern and North African fund to invest in power and infrastructure projects. The move is part of a broad push into emerging market power and project banking.

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LOUIS DREYFUS HIRES AEP'S ADDIS; JOINT VENTURE MAY BE NEXT STEP

Louis Dreyfus Energy has re-hired Paul Addis, most recently executive v.p. at AEP, and has hired David Delainey, former chairman and ceo of Enron Energy Services. Addis joins as ceo and Delainey as coo of Louis Dreyfus Energy, according to Mary Anne Costello, a spokeswoman at Louis Dreyfus Holding Co. in New York. She declined comment on the reason for the hires in an e-mailed response to questions.

(continued on page 2)

BP REPORTEDLY PUTS CALPINE IN ITS CROSSHAIRS

Oil and gas leviathan BP is reportedly considering acquiring embattled San Jose, Calif.-based independent power producer Calpine, according to market officials in the U.S. The potential sale price could not be determined by press time. Colum Doyle, communications director for gas, power and renewables at BP in London, scotched the talk, noting "there is absolutely no truth in the [rumor] that BP is about to acquire Calpine." Bill Highlander, spokesman at Calpine, declined comment.

However, a market official in Houston says the deal is in the works, citing

(continued on page 12)

MORGAN STANLEY HONCHO JOINS TOP-RANKING HEDGE FUND ...

Andy McMillan, head of European power and gas trading at Morgan Stanley in London, has left the bank to join Tudor Investment, one of the world's largest and most renowned hedge funds managers with more than \$6 billion in assets. McMillan, a native New Zealander whose background is in oil and energy options, left the U.S. investment bank last month and has already taken up a position at Tudor in Epsom, U.K., say officials

(continued on page 12)

... AS CHICAGO HEDGE FUND HIRES "THE GENIUS" FROM ENRON

Citadel Investments, a Chicago-based hedge fund with \$6-7 billion in assets, has hired Vince Kaminski, founder and head of Enron's research group in Houston. Kaminski, a quantitative heavyweight known as 'the genius' within Enron, referred questions to Scott Rafferty, an investor relations official, who declined all comment.

An official familiar with the firm says Kaminski has taken a new role heading up quantitative analysis for Citadel's nascent energy trading operation. "Kaminski is very well known and well respected," he adds. The firm has recently been gearing up to trade energy (PFR, 4/22).

—V.K.



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

AEP Finds Solid Revolver Support

American Electric Power last week wrapped syndication for its \$2.5 billion 364-day revolver, with a bank line-up some 30 strong. Lenders say the showing was as forecast given the Columbus, Ohio, player's strong name and bank following. In the pecking order after leads Citibank and J.P. Morgan Chase, Bank Of America, Barclays and Key Bank committed to tickets for agent titles, says a banker, who was unable to provide definite allocations. David Hagelin, an AEP spokesman, confirmed the deal's closure adding that the deal was 20% oversubscribed.

The triple B+ facility, with a fully drawn mark of 87.5 basis points, serves as a commercial paper backup (PFR, 5/6).

Calpine To Muscle Up B Loan, Shave Back Pro Rata Facility

Calpine is looking to bulk up its planned \$600 million B term loan to \$950 million-1 billion and cut back its pro rata facility by an equal amount. The move reflects strong institutional investor interest after pricing was juiced to LIBOR +375, from LIBOR +275, bankers say. The \$1.6 billion financing was launched earlier this year as part of the IPP's effort to secure a stronger liquidity cushion (PFR, 3/18).

Standard & Poor's rated the facilities as triple B- May 17, but added the rider that the default risk of the loans is double B, the same as S&P's corporate credit rating on Calpine. The two-notch elevation reflects the prospects for recovery in a default because of the assets secured against the debt, the agency says.

LOUIS DREYFUS

(continued from page 1)

Industry players say Louis Dreyfus is likely looking to set up another energy trading joint venture led by the heavyweight hires, and Mirant is an obvious candidate. Electricité de France, Louis Dreyfus' partner in a joint venture named EDF Trading, is believed to be looking to buy its way out of the agreement (PFR, 4/22). In addition, a non-compete agreement between Louis Dreyfus and former energy trading joint venture partner Duke Energy, is set to expire next month.

With EdF and Duke out of the picture, Louis Dreyfus would be free to pursue another partner. The company has a strong credit rating but lacks access to physical generation assets. Conversely, Mirant has a sizable generation portfolio but its trading operation has been hammered by the company's downgrade to junk status in December. Marce Fuller, ceo, told analysts earlier this year that Mirant is looking for a stronger-rated trading partner (PFR, 2/11). Officials at Mirant could not be reached by press time.

The pedigree of Louis Dreyfus' hires certainly indicates the company is preparing another trading venture, say traders and recruiters. Addis is widely credited with setting up the energy trading operation at Louis Dreyfus prior to the launch of its trading joint venture with Duke, and then building a highly successful trading operation at AEP. Addis was traveling and could not be reached for comment.

Delainey was a well-respected figure within Enron, according to a market official. *The Washington Post* reported in March that Delainey mailed a check for \$10,000 to the Enron Ex-Employee Relief Fund. Delainey could not be reached for comment.

—Victor Kremer

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CMS Extends Close Date On \$750M Corporate Facilities

Bankers for Dearborn, Mich.-based **CMS Energy** are expecting to close a \$450 million 364-day revolver and a \$300 million facility for its utility arm **Consumers Energy** within the next few weeks, after missing last Wednesday's target date for sealing the financing.

CMS has been at the center of the controversy over round-trip trades (see story, opposite) and as a result there have been due diligence questions that are delaying some banks, says one syndicator. He adds that most lenders are close to finalizing commitments and a number are already lined up: **J.P. Morgan**, **Bank Of America**, **Union Bank of California** and **Citibank** will be in on the CMS deal and **Bank of New York**, **Credit Lyonnais** and **Wachovia** will take part in the Consumers Energy leg.

The \$450 million revolver is led by **Barclays Capital**, which is also co-leading the \$300 million facility—split 50/50 between a 364-day revolver and a three-year term loan—with **Bank One** (PFR, 5/6).

Barclays Launches Irish Financing

Barclays Capital launched syndication at a bank meeting in London May 14 of a EUR219.5 million 16-year non-recourse loan tied to the Huntstown power project in the Republic of Ireland. A Barclays official says the firm is offering EUR20 million and EUR10 million tickets during syndication, but declined comment on how many participants it is seeking.

The larger ticket garners a senior lead manager title and pays a commitment fee of 55 basis points, while the smaller ticket offers lead manager status and 45 basis points. The official notes that the one-tranche loan pays a spread of 95 basis points over LIBOR until the plant comes online this December. The spread then falls to 90 basis points for the next five years, rises to 105 basis points during years six to 11 and peaks at 115 basis points for the final five years.

One banker who attended the meeting says the deal should do well give its "clean and simple structure." But he and other bankers also complain that the pricing is miserly given the deal's exposure to a single counterparty, **Viridian Power**. Viridian, a Northern Ireland utility, is both the sponsor, O&M manager and, through its unregulated supply affiliate **Energia**, has entered a 16-year tolling agreement with the plant.

Until now Viridian has financed the construction of Huntstown, a 343 MW combined-cycle gas turbine plant slightly north of Dublin, on its balance sheet. The non-recourse loan marks Viridian's first foray into the power generation project finance market (PFR, 3/11) and one of the Republic of Ireland's first independent power projects.

Round-Trip Trades Could Total \$30B

Round-trip electricity transactions could account for \$30 billion per year of inflated revenue among the top 10 power traders, according to **Mark Williams**, a visiting scholar at **Boston University** and former senior v.p. of **Citizens Power**. Williams' calculation is based on admissions that many of the top power traders in the U.S., including **Dynegy**, **Reliant Resources**, **Duke Energy** and **CMS Energy**, engaged in the bogus trades. Total electricity sales in the U.S. accounted for some MWh6.7 billion last year.

But while Williams asserts that excuses offered by some of the companies, for example that they were using round-trip trades for price discovery, are a smokescreen, he says reaction to the revelations is colored by the aftermath of **Enron's** collapse. "This [practice] was acceptable to the industry, now it's not," he notes. "In the aftermath of Enron even the impression of sleight of hand is unacceptable."

One potential beneficiary of the exposure of round-trip trades are investors, Williams continues. "The cowboys are probably going to ride off into the sunset and we're going to see more controls," he believes. Ultimately companies that provide more than the minimum disclosure will do the most to enhance their reputations and win back investor confidence.

Standard Bank Raises Funds

Standard Bank is in the process of raising a \$750 million fund to invest in Middle Eastern and North African power and infrastructure project and shortly will launch a separate fund for investing in Latin American projects. **Allan Walker**, newly appointed head of Standard Bank's power and infrastructure advisory group in London, says these two funds, as well as a recently closed \$300 million emerging Africa infrastructure fund, will invest in project level debt, mezzanine financing and private equity. He adds the bank is raising the funds because of the abundance of projects in the emerging markets that need financing and these projects limited access to traditional financing.

Walker joined Standard Bank earlier this month from **Credit Suisse First Boston** where he headed up its Latin American power business in Sao Paulo before returning to London recently. Walker says his hiring was part of a broad strengthening of Standard Bank's energy practice. Standard Bank has also hired **John Scott** from **ABN AMRO** to head up oil and gas and **Paulo Arbex**, from **Société Générale**, to run its Brazilian project finance business out of Sao Paulo.

Simon Morgan and **Simon Eaves**, previously head of project and energy finance, will now focus on raising money for and managing the three new energy and infrastructure funds.

Banc One Links Up With Chicago Weather Broker

Banc One Capital Markets has inked a deal with **Wolverine Trading** under which the bank markets and originates weather trades, and the Chicago-based broker executes the trades on the **Chicago Mercantile Exchange**. **Jim Harkness**, coo at **Wolverine**, says the agreement was fired up as part of his firm's move to become lead market maker for CME weather contracts (PFR, 5/20). "We are pricing and [Banc One] has the client base," he says, noting that **Wolverine** has struck this kind of relationship in other markets. **Scott Mathews**, a former **United Weather** broker who is heading up Banc One's weather push from New York, was out of the office last week and did not respond to messages.

Credit Lyonnais Focuses On Weather Origination

Credit Lyonnais Rouse Derivatives will be homing in on client-driven business in its first foray into weather derivatives, rather than building up a trading team. **Peter Brewer**, the ex-**Aquila** staffer who joins this week to head up the push (PFR, 5/20), says the plan is to start small and his strategy will be to home in on client demand, rather than come at the market with a set product list. Brewer, who will be the chief point person for marketing and structuring weather derivatives, says **CLR** has been looking at the market for a couple of years. With the growing level of awareness among end-users and the increasing number of trading players, it decided to make the move now, he explains.

Tawney's Team Readies Structures, Volume Trading For Swiss Re

Swiss Re will make a push into long-term structured weather deals and also look to garner heavy trading flow when it re-enters the weather market under ex-**Enron** staffer **Mark Tawney**. "They're going to be banging out trades," says one rival, who along with the rest of the market sees a big positive in the addition of a triple-A rated reinsurer. The **Swiss Re** team is currently ironing out infrastructure and documentation issues with a view to having the desk "up and running in the very near future," according to a statement **Swiss Re** e-mailed to *PFR*. Market officials say the desk could be live as early as next week. Spokeswoman **Nancy Jewell** declined to comment on a specific timeline. Tawney referred questions to Jewell.

Tawney and five of his **Enron** weather team agreed to join **Swiss Re** last month, after solicitations from a number of firms for what rivals say was the core of **Enron's** weather desk

(PFR, 1/28). "In order to successfully tap into the potential of this market we needed not only a strong structuring team but the capability to be active in the traded business. We now have the expertise necessary to fully leverage this platform focusing on all aspects of the business," explains the **Swiss Re** statement. "This should take flows up a notch," enthuses another industry rival.

SEEBOARD Sale Nears End

American Electric Power was due to collect final bids last Friday in its sale of U.K. supply and wires business **SEEBOARD**. Officials close to the sale say **AEP** has shortlisted four incumbent U.K. supply companies for the auction; **London Electricity** (the U.K. power arm of **Electricité de France**), **Powergen** (soon to be bought by **E.on**) and **Scottish and Southern Energy**. One banker involved in the sales process says **AEP** has yet to say when it will announce a sale and adds **AEP** could launch a second round of bidding if two of the binding offers are suitably close.

Bankers say no bidder has emerged as a clear favorite and that all four suitors are expected to put in competitive bids exceeding GBP1 billion. "Clearly **E.on** and **EdF** have the larger acquisition warchests, but **Scottish** and **TXU** are also aggressively looking to add customers," notes one banker. Officials at **AEP** and its financial advisor **Schroder Salomon Smith Barney** did not return calls.

French Banks Go Dutch On InterGen Deal

InterGen has awarded **BNP Paribas** and **Société Générale** joint lead arranger titles on its **Rijnmond** project loan in the Netherlands. The French pair beat rival bids from **ABN AMRO**, **Credit Lyonnais** and **KBC Bank** to win the mandate. At the beginning of this month **InterGen** whittled down the shortlist to **BNP** and **SocGen** (PFR, 5/6) and subsequently decided to hire both banks rather than opt for a sole arranger, says an official close to the deal.

The official says the banks hope to seal financing and syndication by July, but says much will depend on the performance of another **InterGen** deal also set to do the rounds in the European project finance market (see story, page 3). He declined to comment on the terms of the deal, beyond saying it will be a fully amortizing project loan rather than a mini-perm.

Proceeds will be used to finance the construction of an 800 MW combined heat and power plant in Rotterdam. Output from the **Rijnmond** plant will be sold to Dutch utility **Nuon** under a 15-year power purchase agreement.

InterGen Seals Financing For U.K. Project

InterGen has sealed non-recourse bank financing for the construction of Spalding, an 860 MW combined-cycle gas-fired power project that it is developing in Lincolnshire, eastern England. *PFR* was unable to ascertain the terms, pricing or exact size of the loan, but market watchers say it is in the GBP300-400 million (\$426-568 million) range.

Financing has been fully underwritten by joint lead arrangers **Barclays Capital** and **Citibank**. A banker close to the deal says syndication will likely be launched within the next two weeks.

Centrica, the U.K.'s largest power and gas retailer, has entered a 17-year tolling arrangement with the plant.

Corporate Strategies

Canadian Player Uses Equity To Cut Leverage

St John's, Newfoundland-based **Fortis** is issuing equity to reduce gearing and take its capital structure back to a debt/equity split of 65/35, following a number of acquisitions over the last year. **Karl Smith**, cfo, says the company will raise a minimum of CAD97.7 million (\$63.6 million) and there is an over allotment option that could take the total to CAD109.9 million. Equity is currently in the 30-33% range, he adds.

The company, which has holdings in electric utilities in Newfoundland, Prince Edward Island, Ontario, the U.S., Belize and the Cayman Islands, announced its latest acquisition May 9, a CAD67 million deal with **Enbridge Consumers Energy** for an Ontario-based power distribution firm.

The equity deal, which is expected to close next week, is a fully underwritten bought deal with **Scotia Capital**, rather than a marketed offering. Smith says Fortis preferred this route because the funds are garnered "quick and easy." Scotia pipped **CIBC World Markets** for the business after coming in with better terms.

Fortis maintains a relationship with a small group of banks and Smith says this allows it to tap them with a minimum of fuss when it wants to execute something like this fully underwritten deal. "I find at most you can maintain a relationship with three banks," he says. He adds that for a company of Fortis' size after that point the company spends too much time maintaining the relationship, and banks can start to think the business is spread too thin.

Electric Authority Taps Bond Mart To Fund Construction

Jacksonville Electric Authority plans to use the proceeds from a \$75 million offering of senior revenue bonds to finance the development of its wires business and a further \$15 million tranche of subordinated revenue bonds to finance acquisitions and also for general construction purposes, says **Ross Byers**, an investment specialist at the Florida utility.

Byers declined to comment on specific construction and acquisition plans, but notes, "We are in the market frequently to finance our ongoing capital needs so the decision to [come to market] was based more on capital needs than market timing. But we did see that interest rates were low and thought we'd take advantage of the good rates."

According to Byers, the offering priced the week of May 13 and will likely close on May 30. He says maturities on the bonds range from 2004-2041 and coupons from 2.5-5.5%. The senior debt was rated AA2/AA and the subordinated debt received AA-/AA3 ratings. **Bear Stearns** was the lead underwriter on the deal.

London Utility Debuts With Inflation Bonds

London Electricity tapped the inflation-linked bond market for the first time last Thursday to refinance short-term debt associated with its wires business. **Steve Bott**, group finance manager in London says its distribution arm **London Power Networks** issued GBP150 million of 30-year bond linked to the retail price index (RPI) and GBP200 million of 25-year fixed-rate debt.

Bott explains that issuing inflation-linked bonds was an attractive choice because the revenues of its wires business are linked to a pricing formula set by the U.K. regulator Ofgem that incorporates RPI. He adds that long-dated financing was also a good match because of the slow depreciation rate of distribution assets. "Such a deal wouldn't be appropriate for generation or supply assets," he explains.

London Power Networks issued the debt to comply with new deregulation rules in the U.K. that require utilities to ring-fence their wires assets. This also means putting in place stand-alone debt, explains Bott.

The two tranche bond deal was led by **Barclays Capital** and **HSBC**. The larger tranche pays a coupon of 6 1/8% and was priced to yield 6.075% at reoffer. The index-linked bonds pay an initial coupon of 3 1/8% and were priced to yield 3.133%. London Electricity is the London-based utility arm of **Electricité de France**.



Latin America

Citi To Seal Brazilian Financing In Q3

Citibank is looking to close \$235 million in financing for the construction of two hydroelectric projects in the state of Minas Gerais, Brazil, by the end of September, says a project financier familiar with the matter. He says the financing, which will involve the participation of Brazil's development bank, **Banco Nacional de Desenvolvimento**, should consist of a domestic capital markets offering combined with a loan that is either non-recourse or guaranteed by the sponsors. He adds that further financing details have yet to be determined. Bankers at Citi declined to comment.

Electric distributor **Companhia Energetica de Minas Gerais** (CEMIG) and **Companhia Vale do Rio Doce** (CVRD), a Brazilian mining group, are sponsoring the two projects, dubbed Aimores (330 MW) and Funil (180 MW) (PFR, 4/15). The financier says Aimores is scheduled to come on line by the end of this year and Funil will be commissioned next year. They will cost \$300 million to build. Calls to officials at BNDES, CEMIG and CVRD were not returned.

Alcoa, Tractebel Lead Race For Brazilian Hydro Project

Tractebel and a consortium led by the Brazilian arm of Alcoa, the U.S. aluminum giant, have emerged as the two main competitors bidding for the national government-sponsored Estreito hydroelectric power project in Brazil. A banker familiar with the matter says the 1,087 MW project will cost about \$700 million to build and is expected to be operational by 2007. He adds that the government-run auction will be held on July 12.

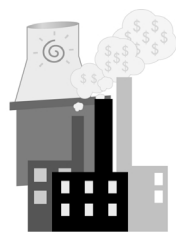
The Alcoa consortium consists of **Companhia Vale do Rio Doce**, a Brazilian mining outfit, **Alcoa Aluminio** and **Camargo Correa**, a local contractor. Calls to members of the consortium and **Jacques Van Hee**, a Tractebel spokesman in Brussels, were not returned.

The Alcoa consortium is also building a similarly sized hydro facility at Santa Isabel in northeastern Brazil. **Citibank** is in the process of arranging some \$650 million in bond and non-recourse bank debt financing for the project (PFR, 5/20).

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	5/20/02
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	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	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	Financing has been delayed until Q3	5/20/02



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					
ADWEA	Um Al Nar	Abu Dhabi	1,100	Gas & Water Desalination	CSFB	Looking to sell plants in 2003.			
AES Fifoots Point	Fifoots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant by end of April			
BP	Great Yarmouth	U.K.	400	Gas	JP Morgan	Looking to sell plant this summer.			
Central Hudson Gas & Electric	Syracuse	N.Y.	100	CHP	Navigant	Final bids due by late Nov.			
	Beaver falls	N.Y.	100	CHP					
	Niagara falls	N.Y.	52	Coal					
Cinergy	Ascoy	Spain	6 (20%)	Wind	J.P. Morgan	Expects to sell assets this summer			
	Cinergetika	Czech Rep.	230	CHP					
	Crisa	Spain	6 (95%)	Hydro					
	Desebro	Spain	15 (50%)	Wind					
	Energetika Chropyne	Czech Rep.	48	CHP					
	EPR Ely	U.K.	36	Straw					
	Moravske Teplamy	Czech Rep.	410	CHP					
	Paxareuras	Spain	40	Wind					
	Pizenska Energetika	Czech Rep.	406	CHP					
	Redditch	U.K.	29	Gas					
	Teptama Otrokovice	Czech Rep.	349 (11%)	CHP					
	CMS Energy	Loy Yang	Melbourne, Australia	2,000			Coal	Not chosen J.P. Morgan J.P. Morgan J.P. Morgan	Announced intention to sell.
		Ensenada	Argentina	128			Gas-fired		
CT Mendoza		Argentina	520	Gas-fired					
El Chocon		Argentina	1,320	Hydroelectric					
DPL	All plants	Ohio	3,500	N/A	Morgan Stanley				
Enel	Eurogen	Italy	7,008	Various	-	Having sold Eletrogen it will sell one of two other generation portfolios shortly.			
	Interpower	Italy	2,611	Various	-				
Enron	Nowa Sarzyna	Poland	116		PwC (administrator)	Intention to sell.			
	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		Looking to refocus in Nordic region.			
	Grangemouth***	U.K.	130	Gas					
	Edenderry	Ireland	120	Peat					
Mirant	Canal	Mass.	1,109	Gas & Oil	-	Part of \$1.6B restructuring			
	Kendall	Mass.	100	Gas & Oil					
	Martha's Vineyard	Mass.	12	Gas & Oil					
Niagara Mohawk Power	Nine Mile Point 1	N.Y.	1,614	Nuclear	N/A	Awaiting bids.			
	Nine Mile Point 2	N.Y.	1,140	Nuclear	N/A				
NRG/Xcel	Gladstone Power	Australia	1,500 (37.5% stake)	Coal	ABN AMRO				
	Flinders	Australia	760	Coal					
	Loy Yang A	Australia	2,000 (25% stake)	Coal					
	Hsinchu	Taiwan	400 (60% stake)	Gas-fired	Deutsche Bank				
	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil					
	Collinsville	Australia	192 (50% stake)	Coal					
	TermoRio	Brazil	1040 (50% sake)	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	-	-
	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		
	Mississagi River	Ontario	490	Hydro		
Pacific Gas & Electric	68 Plants	Calif.	3,800	Hydro	Morgan Stanley	Awaiting PUC approval. Expect sale to close shortly.
Polish Treasury	Elektroncieplownie Poznanskie	Poland	-	CHP	-	Bids due in June.
Public Service Co. of New Hampshire (Northeast Utilities)	Merrimack	N.H.	475.8	Coal	J.P. Morgan	Subject to approval for rate settlement by PUC and state legislature.
	Newington	N.H.	415	Oil/gas		
	Schiller	N.H.	146.6	Oil/gas		
	Lost Nation	N.H.	19.1	Diesel		
	Merrimack	N.H.	42.2	Diesel		
	Schiller	N.H.	18	Diesel		
	White Lake	N.H.	23	Diesel		
	Amoskeag	N.H.	17.5	Hydro		
	Ayers Island	N.H.	9.1	Hydro		
	Canaan	Vt.	1.1	Hydro		
	Eastman Falls	N.H.	6.5	Hydro		
	Garvins Falls	N.H.	12.1	Hydro		
	Gorham	N.H.	2.1	Hydro		
	Hoolsett	N.H.	1.95	Hydro		
	Jackman	N.H.	3.55	Hydro		
	Smith	N.H.	14.2	Hydro		
Reliant Resources	Reliant Energy Power Generation Benelux	Netherlands	3,476	Mixture	Merrill Lynch	Is looking to seal sale imminently
	Argener	Argentina	160	CHP	-	-
ScottishPower	Hazelwood	Victoria, Australia	1,600	Coal	CSFB	Final bids due shortly.
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		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)	-	-	Has put up for sale following collapse of NRG deal.
	New Haven	Conn.	1,100 (combined)			

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

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.

Africa

- Electricité de France and TotalFinaElf won a EUR13 million (\$11.97 million) contract to supply 16,000 Moroccan homes with solar power panels to generate electricity. The consortium will provide households in rural regions remote from the power grid southeast of Rabat and Casablanca with a solar panel and a battery system (*Reuters*, 5/21)

Australia

- Power generator International Power has emerged as the sixth potential buyer of Victoria state electricity retailer and network company Citipower. An industry source said that International Power had lodged an expression of interest in Citipower with ABN AMRO (*Reuters*, 5/21).

Europe & Middle East

- **Westdeutsche Landesbank** traded the first European electricity contract on **eSpeed**, the electronic trading subsidiary of broker **Cantor Fitzgerald**. The contract on German power was with an undisclosed counterparty (*Reuters*, 5/21).
- Finland looks set to become the first west European country in over a decade to approve the construction of a new nuclear reactor in a move aimed at meeting future energy needs and greenhouse gas targets. The Finnish parliament is expected to pass a bill allowing the construction of Finland's fifth nuclear power station. France was the last west European country to approve a new nuclear power facility in 1991 (*Reuters*, 5/22).
- The Slovak government has approved the sale of 49% stakes in three separate electricity distributors to various foreign investors. The cabinet approved the sale of **Zapadoslovenska Energetika** to **E.ON** for EUR330 million; **Vychodoslovenska Energetika** to **RWE** for EUR130 million; and **Stredoslovenska Energetika** to **Electricité de France** for EUR158 million (*Dow Jones*, 5/22).
- The future of Czech utility **CEZ** is unclear after plans by the government to reorganize the company were dealt a sudden setback at an extraordinary shareholders' meeting. The EGM veered off course when the government agency responsible for handling state assets unexpectedly voted against the planned reorganization. The meeting had been called to approve plans for the sale of CEZ's stake in grid operator **Ceska prenosova soustava** to the government (*Dow Jones*, 5/22).

U.S. & Canada

- The Ohio Power Siting Board has approved three new power plant projects that would add some 2 GW of capacity to the state grid. It approved plans by **Cogentrix** to build a \$600 million 1.1 GW gas-fired plant at Center Township, **Aquila's** plan to erect a \$160 million 300 MW gas-fired peaker project at Metamora and **Global Energy Inc.'s** \$500 million 580 MW project at Lima (*Reuters*, 5/20).
- **El Paso** says it did not engage in round-trip energy trading deals like other energy firms looking to artificially inflate volumes. "We've not done any volume-enhancing kind of trades," according to **William Wise**, ceo (*Reuters*, 5/20).
- The **Federal Energy Regulatory Commission** has widened its probe into alleged manipulation of wholesale power prices in California, ordering 150 energy firms to reveal whether they engaged in so-called round-trip trades. The agency gave all buyers and sellers in Western U.S. markets until May 31 to respond (*Reuters*, 5/21).
- **Reliant Resources** restated revenue for the first quarter of 2001 and is reviewing revenue from round-trip trades for the last three years. According to its quarterly report filed with the **Securities and Exchange Commission**, Reliant lowered first-quarter 2001 revenue 14% to \$8.6 billion from \$9.9 billion to reflect the net value rather than the gross value of the round-trip trades (*Dow Jones*, 5/21).
- **Duke Energy** admitted that round-trip trades added \$1 billion to its revenues over three years. However, Duke denied it had used the trades to bolster volumes, like its rivals **Dynegy** and **Reliant Resources**; instead saying they were to validate real-time prices (*Financial Times*, 5/20).
- **Centrica** is looking to acquire generation capacity in North America to support its Canadian and U.S. energy supply businesses. "We're in the process of developing a capability to seek and execute power station acquisitions," according to **Deryk King**, ceo of **Centrica North America**. "Come the end of this year and next year, we will be looking for acquisitions" (*Dow Jones*, 5/22).
- **Aquila** has cut about 200 jobs from its power trading and corporate staffs and will carry out another 500 previously announced job cuts by early July. The Kansas City-based company said about 150 of the latest reductions affect employees working in its two downtown Kansas City offices, with the remaining positions throughout the U.S., Canada and Europe (*Reuters*, 5/22).
- **Duke Energy** told regulators that it did not use inappropriate trading strategies to manipulate prices during California's power crisis, although at times it may have been paid to relieve power grid congestion it had created inadvertently. The statement was in response to an investigation by the **Federal Energy Regulatory Commission** into whether other players used any questionable trading techniques cited in internal **Enron** memos to manipulate the California market (*Reuters*, 5/22).
- The **Commodity Futures Trading Commission** has created a toll-free telephone number and a special e-mail questionnaire for the public to offer information on any "suspicious activities or transactions" involving **Enron's** trading in California during the state's power crisis (*Reuters*, 2/22).
- **Aquila** plans to raise some \$1 billion in asset sales to stave off a credit rating downgrade. The move doubles the size of previously announced asset divestitures. Early last week **Moody's Investors Service** placed **Aquila's** debt on review for possible downgrade to junk status (*Financial Times*, 5/22).

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www.iipower.com - MAY 10

NATIONAL GRID EYES NORTHEAST UTILITIES TIE-UP

U.K. transmission monopoly National Grid has been holding merger discussions with Northeast Utilities for the past few months and is planning to swoop for the U.S. utility toward the end of this year following the completion of its announced tie-up with Lattice, a U.K. monopoly gas pipeline business. A banker close to the negotiations says Northeast Utilities has retained Morgan Stanley to advise on the deal, but he declined to name National Grid's advisor.

Jackie Barry, a spokeswoman at National Grid in Westborough, Mass.,

DOW JONES NEWSWIRE

May 13

Natl Grid Merger Talks With US Utility Co-Report

LONDON (Dow Jones) - U.K. power transmission company National Grid Group PLC (NGG) has been holding merger talks with Northeast Utilities (NU) of the U.S. and expects to complete a deal at the end of the year, an industry newsletter reported Monday.

A deal with West Springfield, Mass.-based Northeast Utilities is likely to go through after National Grid completes its merger with U.K. infrastructure company Lattice Group PLC (U.LTI) in the autumn, Institutional Investor Inc.'s Power Finance & Risk newsletter reported.

In the past two years, National Grid has spent \$6.2 billion buying two electricity utilities in the New England market. The U.K. company says the purchases have positioned it as one of the top 10 electricity companies in the U.S.

A National Grid-Northeast Utilities union would create a \$24 billion energy concern given the two companies' current market capitalizations, Power Finance & Risk reported.

PFR - APRIL 15

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 FirstEnergy, declined to comment, citing company policy.

REUTERS .com

APRIL 18

Power company DPL back on selling block

U.S. energy group DPL Inc., which a year ago pledged to remain an independent company, is once again looking for a buyer, sources familiar with the situation said on Thursday. Investment bank Morgan Stanley, which had been hired by DPL to evaluate its strategy when the company

PFR - MARCH 18

XCEL TO PUT AFFILIATE NRG'S INTERNATIONAL ASSETS UP FOR SALE

Xcel Energy is planning to put affiliate NRG Energy's entire 5.4 GW international plant portfolio and trading operations up for sale once their merger is approved and is in the process of selecting banks to advise on the process.

A power sector M&A banker whose firm is courting Xcel for the lucrative sale advisory mandate says the utility began holding a beauty parade with the great and the good of Wall Street last Monday and continued discussions throughout last week. Xcel is looking to recoup

THE SUNDAY TIMES

APRIL 18

NRG to dump its British assets in £1.3bn sell-off

GOLDMAN SACHS has been appointed to find a buyer for the British assets of NRG, the Minneapolis-based energy company, in the first stage of a £1.3 billion worldwide sell-off.

The company owns interests in several power stations and has significant trading business in Britain. But Enron's collapse plunged it into financial difficulty and it is seeking buyers. In the first two months of this year NRG recorded a \$29m loss and was forced to shore up its balance sheet with a \$1 billion unsecured revolving credit line.

Lucinda Kemeny

director for investor relations at Xcel, confirmed that it wants NRG to focus primarily on its domestic operations. "We are not going to keep on anything else. We would expect the gross value of the assets to be worth \$1.9 billion and net worth to be about \$1.1 billion."

NRG bought the gas-fired Killingholme plant in Lincolnshire for more than £400m in 2000. Killingholme accounts

started a spate of credit-rating downgrades. Moody's, the credit-rating agency, put NRG under review for a possible downgrade in December, and the company's planned £630m spending spree was put on hold to bolster its rating.

"We were at the start of an acquisition programme — Enron changed all that," said the company insider. It is thought that Xcel would be keen to sell NRG's British assets in one package and to a single buyer.

However, the plunging re-

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MORGAN STANLEY

(continued from page 1)

familiar with the matter. Calls to Tudor in New York went unanswered and McMillan could not be reached by press time.

One trader notes that McMillan has been given a free hand at Tudor to trade "whatever he thinks is interesting in the commodity markets." This will include power and gas options, two markets as yet untested by Tudor, says the official. He adds McMillan has not been charged with recruiting more traders initially.

Greenwich, Conn.-based Tudor Investment is one of the world's best-known hedge funds. Headed by veteran trader **John Paul Jones**, the firm runs a number of multi-strategy hedge funds, notably the flagship Tudor BVI Global Fund. The funds primarily make interest rate and currency bets based on the global macro economic picture, but also invest in equity and commodities. According to a recent *Financial Times* report some 60% of the flagship fund is invested in macro strategies, 30% in equity and the remainder in other strategies.

Traders in London say they have yet to see Tudor trading the European power markets, but say it makes sense for hedge funds to enter both the European and U.S. markets now as liquidity is growing, yet sharp price movements continue to offer scope for profit.

—Will Ainger

BP REPORTEDLY

(continued from page 1)

conversations with a Calpine insider. One banker adds that BP has been tipped over the last few weeks by Wall Street bankers as a likely acquirer of Calpine. An acquirer would be able to snap up the IPP's generation portfolio at a bargain basement price. "The cost per megawatt would be significantly below your cost to build," he reflects. Calpine shares closed Wednesday at \$9.35, up from lows of \$6.15 at the beginning of the year but still well off its 52-week peak of \$55.89. The IPP has a market capitalization of \$3.496 billion and has said it will have a 20.1 GW generation portfolio in place by year-end.

Whether a deal gets consummated is another matter. While many of the oil giants have talked about entering the U.S. power sector, only **Chevron**, through its **Dynegy** stake, and **Shell**, through its **InterGen** joint venture with **Bechtel**, have made decisive moves, the banker says. "Since you have the fuel, you have a natural hedge [against generation costs]. You can create a value chain," he explains. The official in Houston adds that selling Calpine would be a blow to the ego of **Pete**

Cartwright, president, ceo and founder of the IPP. "[But] there doesn't seem to be any relief on the horizon," he notes.

Calpine is also looking at ways of bolstering its power trading and marketing operation, which was hit by the IPP's downgrade to junk status, and BP has also been touted as a possible partner for that business, comments another banker. Calpine's **Highlander** says the company is still working toward enhancing the credit status of its trading arm, declining to say whether a partnership with BP is a possibility.

A banker in London, who was unaware of BP's reported overtures, says a move to acquire Calpine would not be a surprise as the London energy behemoth has already tried to acquire North American gas fields from Calpine. He notes Calpine rebuffed the approach as it viewed the gas assets as a valuable hedge for its power generation business.

—V.K. & Peter Thompson

Quote Of The Week

"In the aftermath of Enron even the impression of sleight of hand is unacceptable."—**Mark Williams**, a visiting scholar at **Boston University** and former senior v.p. of **Citizens Power**, reflecting on the stock market's recent reaction to disclosures about round-trip trading (see story, page 3).

One Year Ago In Power Finance & Risk

Credit Suisse First Boston was prepping two hefty loan launches: a \$3.5 billion financing for **Mirant**, and an \$822 million peaker construction facility for **PSEG Power**. [The **Mirant** package was shorn of a planned \$1.5 billion construction revolver because of market pricing demands, and closed as a \$2 billion corporate facility. The **PSEG** deal wrapped as planned. **CSFB** is now using the short loan tenor with longer term tolling structure it debuted in the **PSEG** deal in a new \$365 million non-recourse loan for **Conectiv** (PFR, 5/13).]

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