

power finance & risk

The exclusive source for power financing and trading news

www.iipower.com

A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

MAY 31, 2004

VOL. VII, NO. 22

Macquarie Readies Trading Push

Macquarie Bank is looking to launch a U.S. commodity trading desk and has hired **Trafigura** Managing Director **Ron Neal** to lead the effort.

See story, page 2

At Press Time

Caithness Set To Fly Solo 2

In The News

Sempra Trader Joins Glencore 3

Shell Wind Deal To Launch 3

Macquarie Bidding For NUI 3

CreditSights To Cover Europe 4

Middle East

AES Retains BNP In Qatar 4

Tractebel Lands Omani Mandate 4

Corporate Strategies

Sempra Makes Floating-Rate Debut 5

Italian Utility Taps Bond Mart 5

Departments

Recaps 6

Generation Auction & Sale Calendar 8

Financing Record 11

COPYRIGHT NOTICE: No part of this publication may be copied, photocopied or duplicated in any form or by any means without Institutional Investor's prior written consent. Copying of this publication is in violation of the Federal Copyright Law (17 USC 101 et seq.). Violators may be subject to criminal penalties as well as liability for substantial monetary damages, including statutory damages up to \$100,000 per infringement, costs and attorney's fees. Copyright 2004 Institutional Investor, Inc. All rights reserved.

For information regarding subscription rates and electronic licenses, please contact Dan Lalor at (212) 224-3045.

CSFB LAUNCHES INNOVATIVE HIGH-YIELD DEAL

Credit Suisse First Boston is in the B loan market looking to place a \$325 million loan package to finance New York-based **MatlinPatterson's** acquisition of **Duke Energy's** eight-plant southeast merchant fleet. If the deal closes as initially pitched, it'll mean institutional investors have again broken new ground in financing power projects: a \$175 million second-lien slug of the deal essentially covers merchant risk and carries a whopping all-in spread of 11.75% over LIBOR, the bulk of which is deferred until maturity. A CSFB spokesman declined comment.

A \$150 million first-lien facility is underpinned by a seven-year offtake contract

(continued on page 12)

NEW YORK INVESTMENT BOUTIQUE PUTS THREE PLANTS UP FOR SALE

Private equity shop **Energy Investors Funds** is looking to sell its stake in three U.S. power plants from its first two investment funds, **Energy Investors I** and **II**, and is presently collating a shortlist of bidders. The sales come as the vehicles holding the assets near the end of their expected lives, says **Andrew Schroeder**, partner in New York.

Terence Darby, managing partner, says the firm is looking to sell a 24% stake in the 240 MW **Crockett** gas-fired plant near San Francisco and a 60% stake in the 79.5 MW

(continued on page 11)

House of Cards

BANK-OWNED GENCO DISBANDS AS RIVALS UP THE ANTE

CGE Power's decision last week to disband, was driven by a recent flurry of negative developments and failures, the most telling of which was news that it was about to lose out in two separate battles for **Damhead Creek** and **Killingholme B**, two bank-owned power plants that it had

(continued on page 12)



CABLE DEVELOPER READIES L.I. FINANCING

Neptune Regional Electric Transmission System is looking to raise equity for a 67-mile undersea transmission cable between New Jersey and Long Island. **Chuck Hewitt**, ceo, says the equity should be in place within the next month or so and then the developer will head to the non-recourse debt markets for the balance of construction funding. "We're negotiating with several potential equity participants," he says, declining to name them. The construction tab will run to several hundred million dollars, he says, declining to be more specific. One industry estimate puts the project cost at \$300 million.

The Maine developer was among a handful of players given a fillip last week by the unveiling of the **Long Island Power Authority's** 1 GW energy plan. LIPA selected **Neptune**

(continued on page 12)

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



At Press Time L.I. Plant Developer May Forgo Debt Financing

New York-based developer **Caithness Energy** is unlikely to tap external financing for its planned 326 MW plant on Long Island, N.Y., predict bankers. The **Long Island Power Authority** chose Caithness as preferred base-load power purchase agreement counterparty last week. Financiers say the long-established developer hasn't been seen in the project finance markets for several years. They add Caithness has over recent years generally operated as the classic independent developer: securing sites, permits and PPAs and then selling the project to larger players who then refinance the assets. Calls to Caithness were not returned and further details of the costs of the plant and construction timetable could not be determined.

Ed Grilli, chief of staff at LIPA, says the Caithness project, to be built in Bellport, Suffolk County, emerged as the strongest proposal. "The most significant reason is cost and then there is the community support for the project," he says, noting the local community is strongly behind the project. LIPA will be negotiating a PPA for 277 MW of the plant's output, making 49 MW available for merchant transactions. Grilli says LIPA was keen on the merchant output being made available to start to foster some competition on the island.

Macquarie Makes Commodity Push...

Ron Neal, until last month head of structuring, power and gas, at **Trafigura Group** in London, has joined **Macquarie Bank** to lead a push into energy trading in the Americas. Neal is working from Macquarie's London office through the end of the year as head of energy structuring, he says, at which point he will move to the U.S. to head up a new trading desk.

Neal says he moved to Macquarie for the opportunity to work on a new business initiative with more resources. Neal reports to **Simon Grenfell**, head of Macquarie's energy division. Hiring for the U.S. operations will include at least as many appointments from the physical industry as from the financial community, Neal says, although he does not yet know how many hires he will make.

...As Trafigura Seen Winding Down

Trafigura is reportedly considering closing its London-based power and gas derivatives unit, a little over a year after establishing the desk (PFR, 3/24/03). The decision comes as two of its senior officials **David Mooney**, head of power and gas, and **Ron Neal**, head of power and gas structuring (see above), have left the privately-owned firm. Calls to **Mark Crandall**, partner, were not returned.

"My understanding is that Trafigura will close down the London desk, but retain its Milan power operation, **Trafigura Italia**. This is a stand-alone business that is a much more established mover in the power sector than the operation in London," explains one financier.

Mooney was set to leave Trafigura last week to join **Merrill Lynch** in New York (PFR, 5/24).

power finance & risk

The exclusive source for power financing and trading news

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 [Chicago]
(773) 525-6978

ANGELA SALVUCCI
Reporter [New York]
(212) 224-3226

CHRIS GAUDIO
Development Editor
(212) 224-3278

ARADHNA DAYAL
Hong Kong Bureau Chief
(852) 2912-8009

STANLEY WILSON
Washington Bureau Chief
(202) 393-0728

JANA BRENNING, KIERON BLACK
Sketch Artists

PRODUCTION

DANY PEÑA
Director

LYNETTE STOCK, DEBORAH ZAKEN
Managers

MICHELLE TOM, ILIJA MILADINOV,
MELISSA ENSMINGER,
PHILIP CHIN, BRIAN STONE
Associates

JENNY LO
Web Production & Design Manager

MARIA JODICE
Advertising Production Manager
(212) 224-3267

ADVERTISING

MIKE McCAFFERY
Publisher, Director of Advertising Sales
(212) 224-3534
mmccaffery@iineus.com

NAZNEEN KANGA
Publisher
(212) 224-3005
nkanga@iineus.com

PAT BERTUCCI, MAGGIE DIAZ,
KRISTIN HEBERT, TAMARA WARD
Associate Publishers

JENNIFER FIGUEROA
Media Kits
(212) 224-3895

PUBLISHING

ELAYNE GLICK
Publisher
(212) 224-3069

BRIAN McTIGUE
Marketing Manager
(212) 224-3522

JON BENTLEY
European Marketing Manager [London]
(44-20) 7779-8023

VINCENT YESENOSKY
Senior Fulfillment Manager
(212) 224-3096

SUBSCRIPTIONS/ ELECTRONIC LICENSES

One year - \$2,495 (in Canada add \$30 postage, others outside U.S. add \$75).

DAN LALOR
Director of Sales
(212) 224-3045

THOMAS GANNAGE-STEWART
Account Executive [London]
(44-20) 7779-8998

ADI HELLER
Account Executive [Hong Kong]
(852) 2842-6929

GEORGE WITTMAN
Client Development Manager
(212) 224-3019

REPRINTS

AJANI MALIK
Reprint Manager (212) 224-3205
amalik@iinvestor.net

CORPORATE

CHRISTOPHER BROWN
Chief Executive Officer

DAVID E. ANTIN
Director of Finance and Operations

ROBERT TONCHUK
Fulfillment Director

Customer Service: PO Box 5016,
Brentwood, TN 37024-5016.
Tel: 1-800-715-9195. Fax: 1-615-377-0525
UK: 44 20 7779 8704
Hong Kong: 852 2842 6950
E-mail: customerservice@iineus.com

Editorial Offices: Nestor House,
Playhouse Yard, London, EC4V 5EX,
England. Tel: (44 20) 7303-1735
Email: wainger@euromoneyplc.com

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.

Power Finance & Risk ©2004 Institutional Investor, Inc.

Copying prohibited without the permission of the Publisher.

**Institutional
Investor NEWS**
INTELLIGENCE FIRST

Dynegy Eyes Institutional Increase For \$1.3B Financing

Houston-based **Dynegy** is looking to jack up a \$600 million six-year B loan by \$100 million after commitments totaling \$1 billion were landed during syndication. The loan was launched at the same time as a \$700 million three-year revolver (PFR, 5/24), which will now likely be scaled back. One banker says the B loan gathered momentum after pricing was sweetened from the LIBOR plus 325-350 basis points mark to 400 basis points over.

Increasing the institutional tranche allows lead arrangers **Lehman Brothers**, **Bank of America**, **Citigroup**, **Credit Suisse First Boston** and **J.P. Morgan** to shave back the \$700 million revolver. One financier explains this would allow the leads to get closer to or below a \$625 million mark they agreed to commit to the revolver ahead of launch.

The loan package will refinance a \$1.1 billion loan facility ahead of its February maturity. The new deals are expected to close this quarter.

Sempra Trader Joins Stamford Rival

Jason Lipman, a New England natural gas trader at **Sempra Energy** in Stamford, Conn., has left the firm and will move across town June 8 to join **Glencore Commodities**. Lipman could not be reached for comment and calls to **Glencore Commodities** Chief Executive **Howard Packet** were not returned.

Lipman was recently replaced at Sempra by **Rich Manganiello**, who joined from **Mirant**. Manganiello declined to comment.

Shell Lone Star Wind Deal Set To Launch

Shell WindEnergy is expected to bring to market in June non-recourse debt refinancing for a 160 MW wind farm in Texas. The project was developed in conjunction with **Padoma Wind Power**, a Southern California developer that plans to sell its interest (PFR, 1/27). One financier says the deal for the Brazos wind farm was expected to launch earlier this year, but it has been held back by several small issues, declining to elaborate.

Dexia Crédit Local and **ANZ Investment Bank** are lined up to lead the financing. Further details of the tenor, structure and pricing could not be ascertained. Officials at Dexia declined comment and calls to ANZ were not returned. One banker, who looked at the deal before leads were assigned says the loan will likely be around \$100-130 million, the standard size for a

single wind farm.

The wind farm, located 90 miles southeast of Lubbock, came on line before Dec. 31 and so its finances are underpinned by the all-important federal production tax credits. **TXU Energy** has signed an offtake contract with the farm and entered into a retail electricity arrangement with **Green Mountain Energy Co.**

Calls to **Jan Paulin**, president and ceo of Padoma in La Jolla, Calif., were not returned.

Macquarie Seen Bidding For NUI

Macquarie is reportedly the only financial investor still competing for **Bedminster**, N.J.-based **NUI**, a gas utility and energy trader that put itself up for sale last fall (PFR, 10/6). Market watchers say only a small handful of strategic suitors also remain in the sales process.

The deadline for bids has been pushed back from an initial date of mid-April (PFR, 4/5) to June 2. One market watcher says muted interest in the auction reflects the lack of an obvious buyer for a gas utility operating in both Florida and New Jersey. He adds a large debt load and sizable capital expenditures that are hurting cashflow are also potential deterrents for bidders. **Chris Leslie**, a banker at Macquarie, did not return calls. **Ron Reisman**, NUI spokesman, declined comment.

NUI is being auctioned by **Credit Suisse First Boston** and investment banking boutique **Berenson & Co.** (PFR, 4/5). Calls to officials at CSFB and Berenson were not returned.

PPL Looks To Expand, Extend Revolver Capacity

PPL Corp. is in the bank market with a \$900 million five-year package of revolvers, a financing that will increase lending capacity and also extend loan maturities. One banker says the move underscores lenders' increasing willingness to give more money and longer-dated maturities to strong utility names. "It's not available to everyone yet," he reflects.

The financing is split between a \$200 million facility for **PPL Electric Utilities Corp.**, led by **Wachovia** and **Citigroup**, and a \$700 million loan for **PPL Energy Supply** led by **Wachovia** and **Barclays Capital**. The \$200 million piece draws a commitment fee of 15 basis points and the \$700 million chunk offers 20 basis points, say bankers. The loans are set to close June 22 and are earmarked for general corporate purposes.

The same bank group led a \$600 million loan financing for PPL last year (PFR, 6/9) and the new package will replace the \$600 million deal.

CreditSights To Launch European Utility Coverage

CreditSights, a New York-based independent fixed-income research firm, will shortly initiate coverage of the European energy and utility sectors and has hired **Andrew Moulder**, a utility fixed-income analyst at **Barclays Capital** in London, to lead the effort. Moulder, part of a two-strong *Institutional Investor*-ranked utility research team, left Barclays at the beginning of this month and will join CreditSights early in June, says a market watcher. Moulder could not be reached for comment.

Neil Beddall, Barclay's senior utility analyst, says the U.K. bank is looking for a replacement for Moulder.

CreditSights presently only provides utility coverage in the U.S. through **Dot Matthews**, a former **Deutsche Bank** utility analyst, though it does provide some European corporate bond coverage, according to its Web site. Calls to Matthews and **Glenn Reynolds**, head of research, were not returned.

German Player Adds New York Syndicator

HSB Nordbank has bolstered its loan syndication effort in New York with the hire of **Kavita Bogdon**. Bogdon, a seasoned project finance and corporate loan syndicate banker, has worked at **Crédit Lyonnais**, **Union Bank of California** and most recently **IntesaBci**, until the Italian bank closed its Big Apple syndication desk (PFR, 5/20/03). Citing bank policy Bogdon declined comment. Her precise role, and whether it is a new position, could not be determined.

HSB Nordbank was formed by the merger of two German mortgage banks **Hamburgische Landesbank** and **LB Kiel**. Its New York office has been active in several deals over recent months, with an \$8.4 million commitment to **FPL Energy's** \$126 million Stateline wind deal (PFR, 4/12) and a \$17 million ticket for **Calpine's** \$230 million Riverside financing (PFR, 10/28).



Middle East & North Africa

AES Retains BNP For Qatar Tender

U.S. IPP **AES** has retained **BNP Paribas** and law firm **Shearman & Sterling** to advise on bidding for **Ras Laffan II**, a 750 MW, 50 million gallons per day power and water desalination project, being developed adjacent to Qatar's 700 MW **Ras Laffan** plant. Officials at AES, BNP and Shearman declined to comment.

London-based **International Power** in conjunction with **Qatar Power & Water Co.** is also thought to be mounting a bid. Calls to IP were not returned by press time.

The Qatari government is asking bidders to file binding and fully underwritten bids by mid June, notes one financier. He says the tight timeframe reflects Qatar's desire to have the generation plant on line by 2006 in time for the 15th Asian Games that are being held in Doha.

The Qatari government is being advised by London law firm **Denton Wilde Sapte**. It has not appointed a financial advisor.

Arlington, Va.-based **AES** also is developing the first **Ras Laffan IWPP**. A 10-bank lead arranger group comprising **Barclays Capital** (international book-runner), **International Bank of Japan** (international book-runner), **Arab Banking Corp.** (regional book-runner), **Gulf International Bank** (regional book-runner), **ANZ Investment Bank** (modeling advisor and documentation agent), **Bank of Tokyo-**

Mitsubishi (insurance advisor), **Société Générale** (technical advisor), **BNP Paribas**, **HSBC** and **Qatar National Bank** arranged a \$572 million project loan in late 2001 (PFR, 11/20/01).

Tractebel Lands Omani Development Mandate

A consortium led by Brussels-based **Tractebel** has been named preferred bidder to develop a 500 MW and 30 million gallons per day power and water desalination project at **Sohar** in Oman and is slated to ink a binding development contract and 15-year **PWPA** with the Omani government come July 5.

An official close to the auction process says all the rival bidders, including **AES**, Singapore industrial giant **SembCorp** and Japan's **Nissho Iwai Corp.**, filed technically compliant bids, but narrowly lost out on pricing. Bids were filed in late March (PFR, 4/5).

The roughly \$400 million **Tractebel** bid was underwritten by **BNP Paribas** and **Standard Chartered Bank**, and these two will likely lead a long-dated project loan this July. The aim is to reach financial close concurrently with the signing of the offtake contract, says one official.

The **Tractebel** consortia included five Omani companies that provided equity; **The Omani Ministry of Defense Pension Fund**, **W.J. Towell**, **National Trading Co.**, **Zubair Corp.** and **Sogex**.

Corporate Strategies

Sempra Energy Makes Floating-Rate Debut

Sempra Energy has tapped the floating-rate note market for the first time as part of a \$600 million bond offering that will refinance upcoming debt maturities. **Charlie McMonagle**, v.p. and treasurer at Sempra, says the \$300 million tranche of floaters gives the company balance sheet flexibility, particularly as Sempra can call the notes after two years.

The financing was split equally between four-year floating notes priced at 47 basis points over three-month LIBOR and 4.75% coupon debt due 2009. The floaters were issued at par and the fixed paper was issued at 99.909 to yield 4.771%. McMonagle notes the fixed-rate debt was also swapped into floating-rate debt because Sempra has various variable-rate assets that it wanted to match on the debt side. These include cash on hand and also parts of Sempra's energy trading book.

The maturing paper is a \$500 million issue of 6.8% notes due July 1. McMonagle says this coupon was also swapped into floating rates and with a rough calculation, Sempra will save around \$5 million annually by refinancing the old paper. The \$100 million balance from the new issue is earmarked for general corporate purposes, he adds.

Leads on the deal were **ABN AMRO**, **Citigroup** and **Deutsche Bank**. Sempra's key criteria in selecting underwriters is ability to execute, though many also participate in corporate loan facilities (PFR, 10/28).

Ameren Utility Refinances Secured Debt

Union Electric, a electric and gas utility owned by **Ameren Corp.**, tapped the bond market with \$104 million of 10-year, 5.5% senior secured notes earlier this month to refinance existing 20-year debt at cheaper levels. Proceeds are earmarked to pay down a \$100 million series of 7% first-mortgage bonds due 2024. **Susan Gallagher**, Ameren spokeswoman, declined comment.

Another advantage of the new deal is that the notes will switch from being secured against Union Electric assets to becoming unsecured general obligation bonds parri passu with the utility's other unsecured debt once all other first-mortgage bonds are paid off or mature, explains **Denise Furey**, a **Fitch Ratings** analyst. The earliest this can happen is 2008.

The "fall away" bonds give the balance sheet flexibility of unsecured bonds, but also offer cheaper financing than straight unsecured debt, explains Furey. The issue was rated A by Fitch,

A minus by **Standard & Poor's**, and A1 by **Moody's Investors Service**.

S&P has placed Union Electric's credit ratings on watch with negative implications because of Ameren's pending merger with **Illinois Power**, says **Barbara Eiseman**, an S&P analyst. Although, as Ameren is expected to finance the acquisition largely with equity, the rating may be maintained.

The notes were issued at a 70 basis point spread over comparable Treasury bonds, and were underwritten by **Barclays Capital** and **Citigroup**.

Italian Utility Makes Bond Foray

ASM Brescia, a municipal energy and water utility in northern Italy, tapped the bond market for the first time May 19 with a EUR500 million 4.875% fixed-rate offering led by **Merrill Lynch**, Milan-based **Banca Caboto** and **Barclays Capital**.

Neil Beddall, a fixed-income analyst at Barclays in London, says ASM Brescia tapped the capital markets to fund the rollout of its generation expansion program. Over the next four years the utility intends to spend some EUR500 million developing new generation projects. According to a Barclays research report ASM Brescia has some 628 MW of installed generation capacity and plans to have some 1,350 MW on line by 2008.

Beddall notes ASM Brescia is also beefing up its wholesale trading and marketing affiliate, **Ergon Energie**, which is a joint venture with Madrid-based **Endesa**, and has an option to increase its stake in **Endesa Italia** from 14.7% to 20%.

Despite an aggressive expansion plan, ASM's conservative balance sheet means that gearing should remain below 100% going forward, according Beddall.

The 10-year bond offering was priced at 99.304 to yield 50 basis points over the swap curve. **Standard & Poor's** rated the deal A plus.

Get your Company EXPOSED!

See how newsletter reprints can increase your PR and sales effectiveness – and enhance your Web marketing efforts!

Call Ajani Malik in New York at 212-224-3205 or e-mail amalik@iinvestor.net

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

- Newark, N.J.-based **Public Service Enterprise Group** sold its stake in **Carthage Power Co.**, owner of a 471 MW plant in Tunisia, to regional investment group **BTU Power** for an undisclosed price. The sale is part of PSEG's plan to shed some of its international power assets (*Reuters*, 5/21).

Europe & Middle East

- **Enel**, Italy's largest utility, has won approval from Italy's stock market regulator to sell as much as half of its **Terna** transmission unit in stock, which could be worth about EUR1.6 billion. The government is forcing Enel to cede ownership to guarantee equal access to infrastructure for a competitive market (*Bloomberg*, 5/26).
- **Viktor Khristenko**, Russia's energy and industry minister, said Russia is seeking access to U.S. LNG technologies so that it can export more of the fuel to North America. **Gazprom**, the world's biggest gas company by production, said it needs to agree deals this year with potential partners such as **Exxon Mobil** and **Royal Dutch/Shell Group** (*Bloomberg*, 5/27).
- A unit of U.K.-based **Expro International** won a \$60 million order to provide oil and natural gas processing facility for **Exxon Neftgas** by the summer of 2005 (*Bloomberg*, 5/27).
- **Antonio Marzano**, Italy's industry minister, is preparing a five-year plan to cut Italy's dependence on oil by a third by diversifying Italy's energy sources and using more coal, natural gas, and renewable energy (*Bloomberg*, 5/27).
- There is a high probability that **Yukos Oil**, Russia's biggest oil exporter, will go bankrupt this year because it can't raise enough cash to pay a \$3.4 billion ruble-denominated tax claim (*Bloomberg*, 5/27).

Latin America

- A second Argentine province, Chubut is moving its clocks back an hour to hold down energy demand. The country is facing the prospect of major power and gas shortages during the southern hemisphere winter and some provinces see changing the clocks as a better option than the central government's energy conservation plan, which involves

charging residential and small business clients more if they don't reduce demand (*Dow Jones*, 5/24).

- **Duke Energy Corp.** has agreed to sell its 30% stake in **Campania de Nitrogeno de Cantarell**, a Mexican nitrogen production business, to **BOC Group** for \$59.7 million, continuing its effort to refocus on its core power and gas business (*Reuters*, 5/25).
- **AES Corp.** has bought \$97.8 million in stock of affiliate **AES Gener**, Chile's second-largest energy generator. Santiago-based AES Gener also plans to sell \$114.4 million in stock in an ongoing effort to reduce debt (*Bloomberg*, 5/25).

U.S. & Canada

- A California appeals court refused to dismiss **PG&E Corp.**, the parent of California's largest utility, and others from an investigation by the **California Public Utilities Commission** into actions they took during the California energy crisis of 2000 and 2001. PG&E argued that the commission has authority only over the utilities and not their parent companies. PG&E could be charged with violating rules that make utility holding companies give first priority to the capital requirements of their utility units (*Bloomberg*, 5/21).
- **Oscar Wyatt**, former **Coastal Corp.** chairman, and a group of investors including **Citigroup**, have agreed to pay \$1.77 billion for **Enron Corp.**'s U.S. natural gas pipelines, subject to bankruptcy court approval. The pipeline business is bankrupt Enron's largest remaining unit (*Bloomberg*, 5/21).
- The California State Senate passed a bill to allow **Pacific Gas & Electric** to refinance its debt at a lower cost. The utility unit of **PG&E Corp.** was allowed to create a \$2.21 billion "regulatory asset," an accounting tool designed to add equity to its balance sheet and help it recoup some of the funds lost during the California power crisis. The bill will now be sent to Governor **Arnold Schwarzenegger** for approval (*Reuters*, 5/25).
- Wisconsin-based utility owners **Alliant Energy Corp.** and **WPS Resources Corp.** plan to build a 500 MW plant that would come on line in 2010. The plant would likely be coal-fired, although the site and cost of the plant have not been

determined. This would be the fourth partnership in the region for the two companies. (*Reuters*, 5/25).

- **KeySpan Corp.** cut its stake in **Houston Exploration** by half, transferring 10.8 million shares to the natural gas producer in exchange for oil production assets and cash as part of its effort to reduce debt and raise cash (*Reuters*, 5/14).

- **Calpine Corp.** raised more than \$180 million by renegotiating and selling a power contract that supplies an unidentified Mid-Atlantic utility to pay down debt and complete plant construction. Two Calpine plants in New Jersey, Parlin and Newark, have therefore been left free to sell as much as 176 MW on the open market (*Bloomberg*, 5/26).

- Houston-based **DKRW Energy** is planning to build a \$1 billion liquefied natural gas terminal in northwestern Mexico. It joins a series of LNG projects planned in the U.S. and Mexico aimed at meeting North America's growing demand for natural gas. DKRW signed an agreement with the state of Sonora to build a 1.3 billion cubic foot per day LNG regasification terminal at Puerto Libertad on the Gulf of California (*Houston Chronicle*, 5/26).

- U.S. antitrust enforcers have approved a plan by **Sempra Energy** and **Carlyle/Riverstone** to acquire 10 Texas power plants from **American Electric Power** for \$430 million. The **Federal Trade Commission** ended its investigation of the deal without taking any action (*Reuters*, 5/26).

- **Exelon** and its **Exelon Generation Co.** operation completed the transfer of ownership of its **Boston Generating** unit to a

special-purpose entity owned by the lenders under the unit's \$1.25 billion credit facility. Exelon has been looking to cut its ties to Boston Generating, which owns the Mystic 4-7, Mystic 8 and 9 and Fore River generating projects (*Dow Jones*, 5/25).

- **DTE Energy** has cut its stake in fuel cell company **Plug Power** by 25% as part of a plan to raise cash. Detroit-based DTE said it sold 3.5 million Plug Power shares, reducing its stake in the Latham, N.Y., alternative energy developer to 14.5% from 19.4%. It has no plans to reduce its stake further (*Reuters*, 5/25).

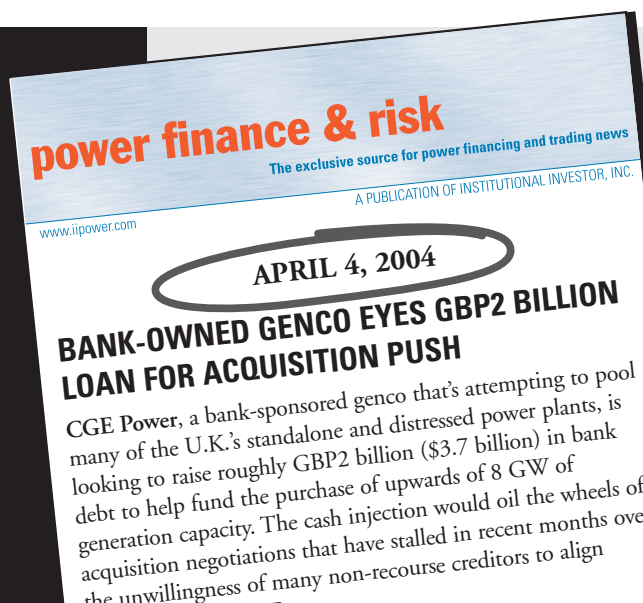
- Three ex-**Duke Energy** officials likely won't go on trial until early next year on charges of using bogus trades to doctor the company's books and secure higher bonuses for themselves. Lawyers for two defendants are also involved in separate **Enron**-related trials which could create scheduling conflicts. Former v.p.'s **Timothy Kramer** and **Todd Reid**, and ex-trader **Brian Lavielle** have all pleaded innocent and are free on \$100,000 bond (*AP*, 5/24).

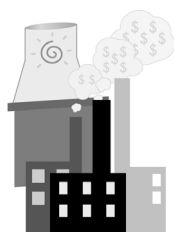
- The **Federal Energy Regulatory Commission** delayed creation of a power market in the Midwest until March 1 to give utilities in the region longer to resolve disputes over how much transmission capacity will be available to the new market. The start date was set for Dec. 1, and this delay is the fourth in the process (*Bloomberg*, 5/26).

- **Enron** sued defunct power agency the **California Power Exchange** for the return of \$136 million it had to deposit to trade energy before the exchange went bankrupt in 2001. Enron says the exchange improperly drew the \$136 million that Enron had taken out in letters of credit (*Bloomberg*, 5/27).

You
read
it here
first!

We stay ahead
of our competition
so you can stay
ahead of yours.





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
AEP	Fiddler's Ferry	U.K.	2,000	Coal	Lexicon	Intention to sell.
	Ferry Bridge	U.K.	2,000	Coal	Lexicon	
	El Bajio	Mexico	600 (50%)	Gas	WestLB	
AES	Wolf Hollow	Texas	730	Gas	N/A	Ongoing.
	Granite Ridge	N.H.	720	Gas		
	Termomamonal	Colombia	90	Gas		
	Ottana	Italy	140	Gas	None	Ongoing
AES Fifoots Point	Fifoots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant.
Allegheny Energy Supply	Armstrong	Penn.	356	Coal	J.P. Morgan	Ongoing.
	Hatfield	Penn.	1,600 (75%)	Coal	Citibank	
	Mitchell	Penn.	442	Coal	J.P. Morgan	
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention to sell.
Black Hills Energy	Pepperell	Mass.	40	Gas	-	Intention to sell.
CenterPointEnergy	Texas Genco portfolio (12 plants)	Texas	14,175	Variety	-	Reliant has passed up option to purchase portfolio.
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.	Seperate auction for each plant.
	La Paloma	Calif.	1,121	Gas	Lehman Bros.	
ConocoPhilips	Ingleside	Texas	440 (50%)	Gas	None	Looking to sell stake by June.
Damhead Power	Damhead	U.K.	800	Gas	E&Y	Banks Looking To Divest Ownership.
Delta Power	Lowell Power	Mass.	82	Gas	None	Actively pursuing a sale.
Duke Energy North America	Hot Spring Energy Facility	Ark.	620	Gas	CSFB	Has agreed sale with MatlinPatterson.
	Murray Energy	Ga.	1,240	Gas		
	Sandersville Energy	Ga.	640	Gas		
	Marshall Energy	Kty.	640	Gas/oil		
	Hinds Energy Facility	Miss.	520	Gas		
	Southhaven Energy	Miss.	640	Gas		
	Enterprise Energy	Miss.	640	Gas		
	New Albany Energy	Miss.	385	Gas		
	Lee Energy	Ill.	640	Gas		
	Bridgeport Energy	Conn.	480 (67%)	Gas		
	Grays Harbor (in construction)	Wash.	650	Gas		
	Deming Energy (in construction)	N.M.	570	Gas		
	Moapa Energy	Nev.	1,200	Gas		
	Griffith Energy (50%)	Ariz.	600	Gas		
	Maine Independence	Maine	520	Gas		
	Lee Energy	Ill.	640	Gas	J.P. Morgan	-
Dynegy	Oyster Creek	Texas	424 (50%)	Gas	N/A	Ongoing.
	Hartwell	Ga.	300 (50%)	Gas		
	Michigan Power	Mich.	123 (50%)	Gas		
	Commonwealth	Va.	340 (50%)	Gas		
El Paso Europe	Enfield	U.K.	396 (25%)	Gas	No Advisor	Looking to exit Europe.
	EMA Power	Hungary	70	Coal		
	Kladna	Czech Rep.	350	Coal		

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
El Paso North America (Merchant assets)	Bastrop	Texas	543 (50%)	Gas		Final bids due.
	Bayonne	N.J.	186	Gas		
	Berkshire	Mass.	261 (56.41%)	Gas		
	Camden	N.J.	149	Gas		
	CDECCA	Conn.	62	Gas		
	Eagle Point	N.J.	233	Gas		
	Fulton	N.Y.	45	Gas		
	Milford	Conn.	540 (45%)	Gas		
	Newark Bay	N.J.	147	Gas		
	Pawtucket	R.I.	67	Gas		
	Rensselaer	N.Y.	79	Gas		
	San Joaquin	Calif	48	Gas		
El Paso North America (Contracted assets)	Midland Cogen	Miss.	1,500 (44%)	Gas	Citigroup	Set to sell majority of QF portfolio to AIG.
	Prime	N.J.	66 (50%)	Gas		
Edison Mission Energy	Derwent	U.K.	214 (33%)	Gas	CSFB/Lehman	Has received initial non-binding bids.
	Dinorwig	U.K.	1,728	Pumped-storage		
	Ffestiniog	U.K.	360	Pumped-storage		
	ISAB Energy	Italy	512 (50%)	Waste		
	ICPV4	Italy	312 (50%)	Wind		
	Spanish Hydro	Spain	86	Hydro		
	Doga Energy	Turkey	180 (80%)	Gas		
	CBK	Philippines	728 (50%)	Pumped-storage		
	Clyde	N.Z.	432 (51%)	Hydro		
	Kwinana	Australia	116 (70%)	Gas		
	Loy Yang B	Australia	1,000	Gas		
	New Plymouth	N.Z.	464 (51%)	Gas		
	Oakey	Australia	300 (12%)	Gas		
	Ohaaki	N.Z.	104 (51%)	Gas		
	Otahuhu A	N.Z.	45 (51%)	Gas		
	Otahuhu B	N.Z.	372 (51%)	Gas		
	Poihipi	N.Z.	55 (51%)	Steam		
	Roxburgh	N.Z.	320 (51%)	Hydro		
	Te Rapa	N.Z.	45 (51%)	Gas		
	Valley Power	Australia	300 (60%)	Gas		
	Wairekei	N.Z.	165 (51%)	Steam		
	Paiton	Indonesia	1,230 (40%)	Coal		
	Tri Energy	Thailand	700 (25%)	Gas		
Endesa	Conatillor	Chile	172	Hydro	N/A	Ongoing.
EnCana	Cavalier	Alberta	106	Gas	HSBC	Launched sale in April. Looking to exit generation business.
	Balzac	Alberta	106	Gas	HSBC	
	Kingston	Ontario	110 (25%)	Gas	HSBC	
Energy East	Ginna	N.Y.	470	Nuclear	J.P. Morgan/Concentric	Agreed sale to Constellation Energy.
Energy Investors Fund	Multitrade	Va.	79.5 (60%)	Biomass	None	Intention to sell.
	Crockett	Calif.	240 (24%)	Gas	None	
Entergy Asset Management	Crete	Ill.	320	Gas	Deutsche Bank	ArcLight is set to acquire Entergy's 50% stake. Launched sale in September.
	Robert Ritchie	Ark.	544	Gas/oil		
	Warren Power	Miss.	314	Gas		
	Top of Iowa	Iowa	80	Wind		
	RS Cogen	La.	425 (49%)	CHP		
	Roy S. Nelson	La.	550 (20%)	Coal		
	Harrison County	Texas	550 (70%)	Gas		
Independence		Ark.	842 (15%)	Coal		
Ernst & Young Corporate Finance (representing secured creditors)	Bear Swamp	Mass.	599	Hydro	E&Y	Exploring sale.
Exelon	Mystic 8	Mass.	800	Gas	Lehman Bros.	Has shortlisted bidders. Looking to execute a quick sale.
	Mystic 9	Mass.	800	Gas		
	Fore River	Mass.	800	Gas		
Fife Power	Fife	U.K.	115	Coal	E&Y (Administrator)	El Paso placed plant in administration.
HSBC-led creditor group	Attala	Miss.	526	Gas	HSBC	Ongoing.

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
InterGen	El Bajio	Mexico	600 (50%)	Gas	No Advisor	Ongoing.
Killingholme Power	Killingholme B	U.K.	800	Gas	N/A	Banks looking to divest ownership.
LG&E Power	Roanoke Valley	N.C.	178 (50%)	Coal	N/A	Ongoing.
	Gregory Power	Texas	550 (50%)	Gas		
	Palm Springs	Calif.	42 (50%)	Wind		
	Tyler	Minn.	27 (50%)	Wind		
	Van Horn	Texas	41 (33%)	Wind		
	Tarifa	Spain	30 (46%)	Wind		
Mirant	Kendall	Mass.	270	Oil	CSFB BofA	Ongoing.
	Shady Hills	Fla.	474	Gas		
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538	Gas		
	Wichita Falls	Texas	77	Gas		
Morrow Power	Boardman	Ore.	28	Gas	Marathon Capital	Looking to select bidder by June.
National Energy Gas & Transmission	Cedar Bay	Fla.	258 (64%)	Coal	Lazard	Ongoing.
	Panther Creek	Penn.	80 (55%)	Coal		
	Logan	N.J.	226 (50%)	Coal		
	Northampton	Penn.	110 (50%)	Coal		
	Indiantown	Fla.	330 (51%)	Coal		
	Carneys Point	N.J.	245 (51%)	Coal		
	Selkirk	N.Y.	345 (42%)	Gas		
	Altresco Pittsfield	Mass.	173 (89%)	Gas		
	Masspower	Mass.	267 (13%)	Gas		
	Scrubgrass	Penn.	87 (51%)	Coal		
	Colstrip Energy	Mont.	40 (17%)	Coal		
	Hermiston	Ore.	474 (25%)	Gas		
	Salem Harbor	Mass.	745	Coal & Oil		
	Pittsfield	Mass.	173	Gas		
	Brayton Point Station	Mass.	1,599	Coal		
	Manchester Street Station	R.I.	495	Gas		
Nations Energy	Bayport	Texas	80	N/A		Considering liquidating the company.
	Mungo Junction	Ohio	32			
	Southbridge	Mass.	7			
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		
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.
	Termopaipa IV	Philippines	185	Gas		
TECO Energy	Gila River Power Station	Ariz.	2,300	Gas	N/A	Considering exiting the merchant energy business.
	Odessa Power Station	Texas	1,000	Gas		
	Guadalupe Power Station	Texas	1,000	Gas		
	Frontera Power Station	Texas	477	Gas		
	Dell Power Station	Ark.	540	Gas		
	Union Power Station	Ark.	2,200	Gas		
	McAdams Power Station	La.	599	Gas		
	Commonwealth Chesapeake	Va.	315	Gas		
Tractebel North America United Utilities	Chehalis	Wash.	520	Gas	N/A RBC Capital Markets	Looking to sell or swap. Set to launch sale in May.
	Landfill Generation Portfolio	U.K.	50 MW	Landfill		

NEW YORK

(continued from page 1)

Multitrade biomass generation facility in Hurt, Va. Both plants have offtake contracts. Darby declined to reveal the identity of the third asset up for sale. EIF is selling the plants individually.

EIF's partner in Multitrade is **FPL Inc.**, and its partners in Crockett are **AIG**, **GE** and **Arclight Capital Partners**.

EIF also owns a significant general partner interest in Crockett through its newest investment fund, the United States Power Fund, and this stake is not for sale. Calls to officials at FPL, AIG, GE and Arclight were not returned.

Darby says EIF would like to see three or four potential

buyers at the table for each deal. Interested parties thus far have included a mix of financial and strategic investors, says Darby, noting that he has been surprised at how many strategic parties are interested in the sale.

Darby declined comment on the assets' likely price tag or reveal how much EIF paid for them. The firm has not enlisted the help of a bank to advise on the sales.

EIF's U.S. Power Fund recently kicked in \$50 million in equity for the \$983 million construction financing of the 500 MW Astoria Energy plant.

And today the \$250 million U.S. Power Fund is more than half committed, and will be 100% allocated within 18 months, says Darby.

—Angela Salvucci

Financing Record (MAY 20 - MAY 26)

M&A

Date Announced	Date Effective	Target Name	Target Advisors	Target Country	Acquiror Name	Acquiror Advisors	Acquiror Country	Value (\$mil)
5/20/04	-	TECO Energy-Coal Synfuel Plant	-	U.S.	Undisclosed Acquiror	-	Unknown	-
5/21/04	5/21/04	Belize Electric	-	Belize	FortiS	-	Canada	3.692
5/21/04	-	Ningde Qiaotou Reservoir	-	China	Fujian Mindong Power	-	China	3.266
5/24/04	-	Hidroelectrica-Energy Bus	-	Spain	Caja Madrid-Renewable Energy	-	Spain	-

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

SUBSCRIPTION ORDER FORM

www.iipower.com

☐ **YES!** Please send me 1 year (51 issues) of **Power Finance & Risk** at the special price of \$2,195*. Once I have subscribed I can select a permanent User ID and Password to www.iipower.com at no extra charge.

NAME B40501

TITLE FIRM

ADDRESS

CITY/STATE POSTAL CODE/ZIP COUNTRY

TEL FAX E-MAIL

Options for payment:

- ☐ Bill me ☐ Check enclosed (please make check payable to Institutional Investor News)
☐ I am paying by credit card: ☐ Visa ☐ Amex ☐ Mastercard

CREDIT CARD NUMBER EXPIRATION DATE SIGNATURE

The information you provide will be safeguarded by the Euromoney Institutional Investor PLC group, whose subsidiaries may use it to keep you informed of relevant products and services. We occasionally allow reputable companies outside the Euromoney Group to mail details of products which may be of interest to you. As an international group, we may transfer your data on a global basis for the purposes indicated above.

- () Please tick if you object to contact by telephone. () Please tick if you object to contact by email.
 () Please tick if you object to contact by fax. () Please tick if you do not want us to share your information with other reputable businesses.

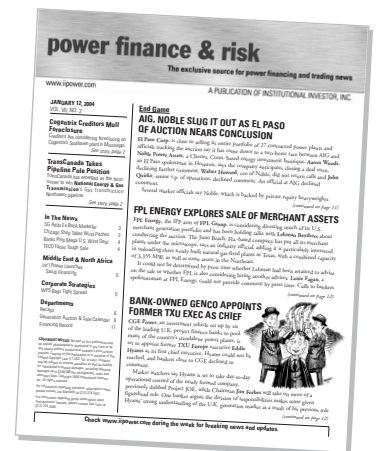
* In Canada, please add US\$30 for postage. Other non-U.S., please add US\$75.

Institutional Investor NEWS
INTELLIGENCE FIRST

UNITED STATES
Tel: 1-212-224-3570
Fax: 1-615-377-0525
Email: customerservice@iinvestor.com
Mail: Institutional Investor News
P.O. Box 5016
Brentwood, TN 37024-5016

UNITED KINGDOM
Tel: 44 20 7779 8998
Fax: 44 20 7779 8619
Email: tgstewart@euromoneyplc.com
Mail: Thomas Gannag-Stewart
Institutional Investor News
Nestor House, Playhouse Yard
London, EC4V 5EX, England

HONG KONG
Tel: 852 2842 6929
Fax: 852 2973 6260
Email: heller@iinvestor.com
Mail: Adi Heller
Institutional Investor News
5/F, Printing House, 6 Duddell Street
Central, Hong Kong



CSFB LAUNCHES

(continued from page 1)

between one of the plants and **Georgia Power**, a **Southern Co.** utility, and carries a LIBOR plus 400 basis point yield. **Pete Sheffield**, a spokesman at Duke, says under the planned \$475 million sale agreement Duke will continue to operate the Murray I plant for seven years until the power-purchase agreement expires.

CSFB is pitching the B loan to hedge funds on the basis that the Georgia Power PPA will pay off the first-lien tranche and the second-lien loan can be covered by MatlinPatterson selling some of the other power plants down the track, or adding additional PPAs. One financier says both options for the second tranche carry significant risk and the pricing reflects this.

The payment structure of the junior tranche also has an innovative twist to reflect the uncertain cashflows of the uncontracted plants. A margin of 400 basis points over LIBOR will be paid regularly over the life of the loan, but the balance of the 11.75% spread will be paid at the loan's maturity when principal is also repaid.

Whether the loan actually reaches maturity is doubtful, argue some officials. MatlinPatterson is a financial player and would likely be willing to flip the plants to another buyer when the power market rebounds, or when it can attach more PPAs.

The acquisition is expected to close next quarter and covers 5,325 MW of capacity.

—Peter Thompson

CABLE

(continued from page 1)

as the preferred option enabling LIPA to tap off-island generation. The contract and its terms have yet to be finalized, but the LIPA move is a major step toward Neptune realizing its project. "This will enable us to link New Jersey and Long Island," Hewitt says.

LIPA is planning to lease capacity on the 660 MW line and Neptune has offered contract maturities of between 20 and 40 years, Hewitt adds. **Ed Grilli**, chief of staff at LIPA, says the authority's preference is for a 20-year contract. The contract, when finalized, will have to be approved by the LIPA Board of Trustees and the New York State Comptroller. Hewitt thinks the contract should be signed within five months.

The exact form of the debt financing has yet to be determined. Neptune anticipates a debt-to-equity split of 70-80/30-20, Hewitt says. The aim is to start construction late this year or early next, and the debt would have to be in place prior

to that, according to Hewitt.

Société Générale is acting as financial advisor to Neptune. **Roger Bredder**, head of project finance at SG in New York, says the project has been designed from the start to be suitable for the project finance market, rather than for high-yield investors. "It'll look like a traditional project finance deal," he says.

LIPA will issue a new RFP this fall seeking proposals to supply 600 MW of capacity via the Neptune cable. —P.T.

BANK-OWNED

(continued from page 1)

been struggling to wrestle control of for the better part of six months (PFR, 1/26).

Damhead and Killingholme were not the largest plants that CGE was going after, but they were supposed to be two of the easiest to acquire, given CGE's effective control of much of the foreclosed plants' project-level bank debt, explains one distressed debt trader. If CGE couldn't acquire these plants, it must have doubted its chances of acquiring anything else, reasons the trader. "It was always going to be a finely balanced house of cards. When one component fell away CGE was always liable to collapse," adds a banker.

Just two weeks back U.K. utility **Centrica** effectively unhinged CGE's Killingholme pretensions, by sweetening its own bid on the plant by some GBP5 million to GBP142 million. While this price came nowhere close to covering Killingholme's GBP260 million debt load, a move by **Deutsche Bank** last month to pay some GBP120 million to Killingholme for a deeply in-the-money six-year gas contract with Centrica affiliate **British Gas Trading** effectively provided Killingholme's creditors with sufficient cash to recoup their entire lending to the plant.

A similar picture emerged at **Damhead Power** this month when **ScottishPower** reportedly sweetened a GBP309 million bid, filed in January, to GBP320 million, says one banker.

With both bids close to covering the plants' debt levels, CGE came to the conclusion that blocking the bids, through their ownership of plant debt, was becoming increasingly untenable, says one official. **Andrew Dowler**, a spokesman for CGE confirms that rival bids prompted CGE to disband, declining further comment.

—Will Ainger

Quote Of The Week

"This will enable us to link New Jersey and Long Island."—**Chuck Hewitt**, CEO of **Neptune Regional Electric Transmission System**, commenting on the developer's plan for an undersea power cable (see story, page 1).