

power finance & risk

The exclusive source for power financing and trading news

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U.K. Distribution Creditors Tap Advisor

Avon Energy creditors have retained **Close Brothers** to advise on whether they should accept **Scottish & Southern Energy's** GBP1.1 billion (\$1.8 billion) bid for **Midlands Electricity**, a U.K. distribution network owned by **Aquila** and **First Energy**.

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EL PASO HIRES BofA TO SELL PORTFOLIO PIECEMEAL

El Paso Corp. has hired Banc of America Securities to sell its portfolio of 27 contracted U.S. power plants after the failure of a plan to sell its entire generation mix in a single lot via Citigroup. Bankers say Citi—which was retained by El Paso at the turn of this year—is still advising the Houston energy company on the sale of its merchant generation portfolio. Mel Scott, a spokesman at El Paso, declined to comment, and calls to power and M&A bankers at Citi and BofA went unreturned.

(continued on page 8)

Gordon Out

AIG TO MERGE ENERGY & FINANCIAL UNITS

AIG is merging AIG Financial Products and AIG Trading, which includes the newly created AIG Energy unit. The move is believed to have led to the resignation last week of Tony Gordon, head of Stamford, Conn.-based AIG Energy, first reported on www.iipower.com last Wednesday. Gordon's departure follows weeks of speculation about his position after only eight months at the firm, where he was responsible for re-building AIG's energy presence. Gordon did not respond to messages on his U.S. and U.K. cell

(continued on page 8)

MIRANT READIES NOTE EXCHANGE OFFER, PUSHES FOR FIVE-YEAR LOAN EXTENSION

Mirant has begun hammering out the details on its mammoth \$5.3 billion refinancing of outstanding bonds and bank loans, a process expected to include offers to exchange bonds for longer-dated paper. Lenders say the Atlanta-based IPP may launch—as early as this week—exchange offers for some of the bonds, such as a \$500 million issue due '06 by Mirant America Generation, the holding company for its U.S. power plants. At the

(continued on page 8)

CENTRICA ENTERS TALKS TO ACQUIRE AES U.K. ASSET

Centrica has entered talks with AES to acquire one of its distressed U.K. merchant energy plants, AES Barry, and lenders close to the company say a deal could be hammered out within the next month so long as banks are willing to take a haircut on the plant's debt. Calls to AES Barry were not returned and a Centrica spokesman declined comment.

One official says Centrica has placed a bid in the GBP60 million range. For the sale to proceed, non-recourse creditors to the 250 MW CCGT power plant in Wales will have to

(continued on page 2)



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

MidAmerican Pares Back Loan

MidAmerican Energy has slashed back the size a \$500 million loan having turned to the bond market a few weeks after the loan launched. One lender says the package now consists of a \$100 million facility which will likely close this week. The Warren Buffett controlled utility holding company tapped the bond market for \$450 million with a 3.5% senior note offering, due '08 (PFR, 5/18). Officials at the lead banks on the loan, Credit Suisse First Boston and Union Bank of California, either declined comment or could not be reached.

One financier says the wrinkle in the loan syndication reflects the fact funding rates in the bond market have become so attractive to utility issuers. The \$500 million in loan facilities was launched with all-in drawn pricing of LIBOR plus 137.5 basis points.

Creditors Tap Advisor To Determine Fate of Midlands Deal

Scottish & Southern Energy's GBP1.1 billion (\$1.8 billion) acquisition of Midlands Electricity from Aquila and First Energy remains in the balance after bondholders, that have to approve the deal for it to happen, tapped London investment bank Close Brothers to advise on how to proceed. Officials at Close declined to comment.

The sale is contingent on the successful redemption of GBP567 million of U.S. and sterling bonds issued by Avon Energy Partners, an affiliate of Aquila, at a 14% discount to face value.

Analysts are divided on whether the Avon creditor will accept. "It's a tough one to call," says Neil Beddall, fixed-income analyst at Barclays Capital in London. He argues that

bondholders may be loath to take a hit given that the equity investors, Aquila and First Energy, will receive GBP43 million in proceeds from the sale. "The fact that they're taking money out won't please the bondholders."

When the deal was announced Bank of America's utility analyst Agnes de Royere argued the bondholders would hold out for better terms, but following a steep downgrade of Midlands from Standard and Poor's early last week she switched her opinion.

CENTRICA ENTERS

(continued from page 1)

stomach a roughly GBP20 million loss, says the official, adding some of this loss could eventually be recouped through the liquidation of the plant's tolling counterparty TXU Europe.

A deal would mark Centrica's second acquisition of a distressed U.K. power plant in the last two months. In late April Centrica acquired Lakeland/Roosecote, a 229 MW former Edison Mission Energy plant in northern England that was placed into receivership at the turn of the year by its bank creditors. Centrica is still short generation relative to its supply needs in the U.K., so acquiring another power plant would make sense, notes one financier involved in Barry. Centrica owns 1.9 GW of capacity, which can meet some 22% of Centrica's peak day power demands.

AES originally put Barry up for sale last summer (PFR, 6/3) as plummeting wholesale power prices hit the merchant plant's debt coverage ratios. Barry subsequently entered a tolling contract with TXU Europe to stabilize the plant's economics, but the collapse of TXU Europe last October again left Barry having to sell its output on a merchant basis.

AES financed the merchant plant's costs in 1999 through a 20-year loan arranged by the Industrial Bank of Japan. —W.A.

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Houston Startup Targets Midstream Merchant Assets

Two seasoned power industry players are looking to enter the market for distressed energy assets, but breaking ranks from the swathe of generation-focused investment boutiques they'll be targeting the ownership of midstream assets, such as gas storage facilities. "Gas is a lot less glitzy, but the returns are steadier," says **David Dunn**, a former v.p. of gas trading at **American Electric Power**. While these types of assets are less distressed than many generation assets, many are on the block because of financial liquidity pressures at their parent companies.

Dunn has teamed up with **Soli Forouzan**, a former risk officer at **PG&E Energy Trading**, and the two are about to start pitching their business plan to potential investors. Dunn adds the business will be pitched to a range of financial backers, including energy players beyond the U.S. and financial institutions. The two are still working on a name for their new operation.

Forouzan, who founded Houston-based risk management consultancy **Mind Span** three years ago, says the idea for the operation is based on the original merchant model, where firms were compensated for services they provided rather than taking on trading risk. "We've seen how the business fundamentals worked before they were thrown out of the window," he says. He notes there is demand for midstream services from both producers and end users.

BofA Hires Henshall For European Push

Bank of America has hired **Robin Henshall**, former European head of power at **Donaldson, Lufkin & Jenrette**, **Credit Suisse First Boston** and most recently **SG Barr Devlin**, to spearhead its European power and electric utilities investment banking practice.

Jim McBurney, managing director and head of the **Natural Resources** group in London, says the hire reflects BofA's desire to build a European investment banking practice in certain core sectors including energy and power. "Bank of America has done a great job building an investment banking business in the U.S. over the past five years and is now looking to do the same in Europe."

He adds that the decision of many banks to scale back their sector-focused energy and power teams over the past year also has created a great opportunity to BofA to build market share quickly.

Since joining the bank at the tail end of last year from

Merrill Lynch McBurney has hired close to a dozen bankers for his natural resources group.

BofA had a London-based power franchise prior to McBurney's arrival but it was more focused on project finance and corporate finance, than pure investment banking.

Dominion Wraps Oversubscribed \$1.45B Loan Package

Dominion has wrapped its innovatively priced \$1.45 billion package of two loans, with 23 banks oversubscribing to the tune of \$1.9 billion. One syndicate official says lenders include a healthy chunk of investment banks that were attracted by the deal's relative value pricing. Instead of the standard pricing of LIBOR plus a fixed spread, the drawn pricing on the facilities is LIBOR plus the average asset swap spread on a defined publicly traded bond of the borrower. This is determined by getting market dealer quotes on the bonds. The deal is thought to be the first widely syndicated power facility to incorporate pricing referenced against the performance of the borrower's bonds, and as such was lauded when syndication launched (PFR, 4/21).

The loans are made up of 364-day revolvers, lead by **J.P. Morgan** and **Barclays Capital**, for **Dominion Resources**, **Consolidated Natural Gas** and **Virginia Electric and Power Co.** A \$200 million three-year senior unsecured facility led by **Bank of America** for **Virginia Electric** rounds out the package.

Tomen Unit Readies U.S. Wind Loan

Eurus Energy America Corp., a San Diego-based subsidiary of Japan's **Tomen Corp.**, is close to launching a non-recourse loan funding two U.S. wind projects via lead **RBC Capital Markets**. Financiers says RBC has been gauging interest among potential senior participants for a roughly \$100 million deal ahead of launching a general syndication within the next month. They add specific terms have yet to be circulated. Eurus officials did not respond to questions and calls to RBC officials in New York were not returned by press time.

Financiers say the uncertain status of tax credits for wind projects is delaying some projects and in some cases speeding up the financing of others. The current tax credit—which works out at 1.8 cents per kwh—expires December 31 and while there are proposals to extend it for three years it's still unclear whether this will happen before year-end. Facilities that are up and running by that cutoff date can lock in the credit, but those that have little chance of meeting the

deadline are being put on the back burner for now, explains one wind financier.

The Euras facilities, which have a combined capacity of around 100 MW, are Crescent Ridge in Illinois and Combine Hills in Oregon (PFR, 2/17).

Bear Stearns Lands Third El Paso Exec

A third senior executive from **El Paso Merchant Energy's** power origination and asset acquisition team has landed at Bear Stearns in Houston. **Jodie Rephlo** joins **David Field** and **Pam Baden** at Bear Stearns's newly formed structured investment group that is thought to be looking to restructure long-term power contracts and make principal investments in U.S. generation assets (PFR, 5/26). One market watcher says she joined last month. Rephlo could not be reached for comment and a Bear Stearns spokeswoman was unable to provide details by press time.

Rephlo, like Field, joined El Paso at the beginning of 2000 from **Cinergy Capital & Trading**, where the origination team also focused on restructuring long-term PPAs.

Entergy Europe Chief Heads Stateside

Gareth Brett, senior managing director and head of Entergy's European operation in London, is relocating to Houston as president of **Entergy Asset Management**, the division that operates Entergy's fleet of unregulated non-nuclear generation assets. Brett says he formally takes up the position today, but will likely move to Houston next month. He will continue to manage Entergy's small pool of European assets and projects in development, including its stake in the Maritza II coal-fired plant in Bulgaria.

Entergy's U.S. portfolio consists of Crete, a 315 MW open cycle peaker in Illinois, Harrison County, a 550 MW CCGT asset at Marshall, Texas, RS Cogen, a 425 MW asset at Lake Charles, La., Warren, a 314 MW peaker in Mississippi and Top of Iowa, a 80 MW wind farm in Worth County Iowa.

Until last year the portfolio was operated by Entergy Wholesale Operations, Entergy's IPP development and management arm. Entergy Asset Management was created to replace EWO. Brett replaces **Mike Childers** as president.

Corporate Strategies

El Paso Pays Off Secured Loan With Cheaper Bond

El Paso Corp. last week placed \$1.2 billion in 10-year senior unsecured notes to pay down a similarly sized secured term loan that the Houston player arranged a little over two months ago. The move cuts annual interest charges by \$24 million as the new notes carry a coupon of 7.75% versus the 9.75% rate on the **Citibank** and **Credit Suisse First Boston**-led loan. One financier says sentiment has improved toward the company, which has executed planned asset sales and also reworked its management team over recent months. "They're having success selling assets. Things are working here," he reflects.

Since the loan closed, the company has shaken up some of its top management and also announced the planned sale of its Eagle Point refinery and related pipeline assets and some of its Mid-Continent and Northern Louisiana midstream assets, the financier notes. Debt levels are probably still on the high side, but El Paso is a company rich in assets, he adds.

The loan was originally planned as a \$1 billion facility, but blew out in syndication with heavy oversubscription, says one industry official, and so was upsized. Pricing was set at LIBOR plus 625 basis points, with a 3.5% LIBOR floor. The deal was also structured to give El Paso the flexibility to call the loan, he adds, noting in the first four months of the deal

the loan was callable at 99.25.

The private placement, which was also led by CSFB and Citi, was made via **El Paso Production Holding Co.**, says an El Paso spokesman. The bond market take-out was signaled by the company in its first quarter conference in mid-May, he adds. The proceeds were used to repay intercompany obligations to El Paso Corp.

PNM Utility Reworks Pollution Bond Maturities

PNM has extended the maturity profile of its tax-exempt pollution control revenue refunding bond portfolio and in the process slashed funding rates. The utility arm of Albuquerque **PNM Resources** issued three new series of the bonds, totaling \$182 million, with maturities in 2033 and 2038 and retired three other issues which would have matured in 2022 and 2023, says **Bob Hagan**, spokesman.

The new bonds pay an initial annual interest rate of 2.75%, against the retired bonds that were paying 6.375% to 6.40%. "We wanted to extend the maturity and get cheaper debt," says Hagan. Morgan Stanley led the offerings. PNM is the main subsidiary of PNM Resources, with around 450,000 natural gas customers and 390,000 power customers in New Mexico.



Middle East & North Africa

Abu Dhabi Financiers Seek 10-bank Roster

Banks involved in financing the roughly \$1.5 billion Umm Al Nar project in Abu Dhabi are looking to bring at least two more underwriters into an \$855 million commercially syndicated international tranche before sealing financing by month-end, say lenders close to the deal. They add that four or five banks are still considering taking a lead arranger slot including Mizuho and KfW. Officials at Mizuho declined to comment and calls to KfW went unanswered.

The eight lead arrangers want to bring at least two more banks into the fold to mitigate syndication risk, notes one lender. He adds tough pricing on the 20-year financing—which is broadly in line with Abu Dhabi Electricity and Water Authority's pre-9/11 Al Shuweihat deal—is making it hard for the incumbent lead banks to round out the roster. "Pricing hasn't changed post 9/11, but the risk profile obviously is much higher," grumbles the banker. He notes pricing begins just north of 100 basis points over LIBOR.

The banking roster comprises Bank of Tokyo-Mitsubishi,

HSBC, Gulf International Bank, ING, Sumitomo Mitsui Banking Corp., Westdeutsche Landesbank, National Bank of Abu Dhabi and First Gulf Bank.

Umm Al Nar is being developed by ADWEA, International Power, Tokyo Electric Power Co. and Mitsui. Proceeds will be used to fund the acquisition of the 850 MW plant and the development of a 1.5 GW replacement.

The financing also includes a \$440 million equity bridge loan, a \$322 million short-term facility and a \$250 million Islamic financing tranche.

Agricole Readies Saudi Financing

Credit Agricole Indosuez is set to close financing shortly of a \$160 million project loan for Jubail Energy Co., funding its acquisition and development of Sadaf, a 250 MW oil-fired plant in Jubail, Saudi Arabia, from Saudi Arabia Basic Industrial Corp. A City financier notes CAI is close to rounding out the deal with five local and regional banks. Jubail is a joint venture between CMS Energy and local contractor Al Zamil. Officials at CMS and CAI in London declined to comment.

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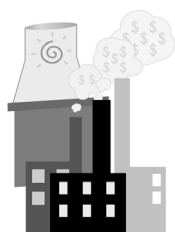
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- Bank Loan Ratings for Power & Energy
- The Debt Market Challenge: Restoring Confidence - A Panel Discussion
- Individual Credit Review Presentations on Key Power and Energy Credits

**STANDARD
& POOR'S**



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
ADWEA	Um Al Nar	Abu Dhabi	1,100	Gas & Water Desalination	CSFB	Int'l Power is preferred bidder.
AEP	Fiddler's Ferry	U.K.	2,000	Coal	N/A	Intention to sell.
	Fern Bridge	U.K.	2,000	Coal		
AES	Yarra Power Station	Australia	510	Gas	-	Has appointed an advisor.
	Jeeralang	Australia	449	Gas		
	Mt Stuart	Australia	288	Gas		
AES Fifeots Point	Fifeots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant.
Allegheny Energy Supply	Armstrong	Penn.	356	Coal	J.P. Morgan	In talks with Exelon
	Mitchell	Penn.	442	Coal	J.P. Morgan	In talks with Exelon
Alliant Energy	Southern Hydro	Victoria, Australia	500	Hydro	N/A	Intention to sell.
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		
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention to sell.
Calpine	11 QFs	Calif. & East Coast	1,000	Gas	Salomon Smith Barney	Ongoing.
Cinergy	Cinergetika	Czech Rep.	230	CHP	J.P. Morgan	Expects to sell assets shortly.
	Energetika Chropyne	Czech Rep.	48	CHP		
	EPR Ely	U.K.	36	Straw		
	Moravske Teplamy	Czech Rep.	410	CHP		
	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	Announced intention to sell.
	Ensenada	Argentina	128	Gas-fired	J.P. Morgan	
	CT Mendoza	Argentina	520	Gas-fired	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydroelectric	J.P. Morgan	
DPL	All plants	Ohio	3,500	N/A	Morgan Stanley	
El Paso Europe	Enfield	U.K.	396 (25%)	Gas	No Advisor	Looking to exit Europe
	EMA Power	Hungary	70	Coal	No Advisor	Looking to exit Europe
	Kladna	Czech Rep.	350	Coal	No Advisor	Looking to exit Europe
Endesa	Conatillor	Chile	172	Hydro	N/A	Ongoing
Enron	Wilton	U.K.	133	Coal/Oil/Gas	Close Brothers	Ongoing.
Fife Power	Fife	U.K.	115	Coal	KPMG (Administrator)	El Paso placed plant in administration.
IVO Energy	Grangemouth***	U.K.	130	Gas	-	Looking to refocus in Nordic region.
	Edenderry	Ireland	120	Peat		
Mirant	Birchwood	Va.	119	Coal	CSFB	Ongoing.
	Kendall	Mass.	270	Oil		
	Shady Hills	Fla.	474	Gas	BofA	Ongoing.
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538			Looking for advisor to assist with sale
	Wichita Falls	Texas	77			Looking for advisor to assist with sale
NRG/Xcel (Asia)	Gladstone Power	Australia	1,500 (37.5% stake)	Coal	ABN AMRO	Awaiting bids.
	Flinders	Australia	760	Coal		
	Loy Yang A	Australia	2,000 (25% stake)	Coal		
	Hsinchu	Taiwan	400 (60% stake)	Gasfired		
	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil		
	Collinsville	Australia	192 (50% stake)	Coal		

Continued

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
NRG/Xcel (Latin America)	TermoRio	Brazil	1040 (50% stake)	Gas	Deutsche Bank	Awaiting bids.
	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		
NRG/Xcel plants. (Europe)	CEEP	Poland	10 (10% stake)	-	Goldman	Has already sold two Eastern European
	Enfield	U.K.	380 (25%)	Gas-fired		Awaiting further bids.
	MIBRAG	Germany	238 (50% stake)	Coal		
NRG/Xcel (U.S.)	Big Cajun II	La.	2,400 (90%)	Coal	-	Has shortlisted three bidders.
	Pike	Miss.	1,192	Gas		
	Batesville	Miss.	1,129	Gas		
	Brazos Valley	Texas	633	Gas		
	Kaufman	Texas	545	Gas		
	Big Cajun	La.	458	Gas		
	McClain	Okla.	500 (77%)	Gas		
	Bayou Cove	La.	320	Gas		
	Sabine River	Texas	420 (50%)	Gas		
	Sterlington	La.	202	Gas		
	Mustang	Texas	485 (25%)	Gas		
	Pryor Cogen	Okla.	88 (20%)	Gas		
	Timber	Fla.	13.8	Biomass		
	Power Smith	Okla.	80 (9.6%)	Gas		
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	-
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	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		
Pacific Gas & Electric	68 Plants	Calif.	3,800	Hydro	Morgan Stanley	Awaiting PUC approval. Expect sale to close shortly.
PESG Global	Tanir Bavi	India	220 (74%)	Naphtha	-	-
	Karpatsalm	India	330 (20%)	Naphtha	-	-
PG&E National Energy Group	Bear Swamp	Mass.	599	Hydro	Lehman	Ongoing.
	Masspower	Mass.	267	Gas		
	Salem Harbor	Mass.	745	Coal & Oil		
	Millennium	Mass.	360	Gas		
	Pittsfield	Mass.	173	Gas		
	Brayton Point Station	Mass.	"1,599"	Coal		
	Manchester Street Station	R.I.	495	Gas		
	Lake Road	Conn.	840	Gas		
	Athens Generating	N.Y.	1,080	Gas		
Polish Treasury	Elektroncieplownie Pozpnanski	Poland		CHP	-	Ongoing.
Reliant Resource	Argener	Argentina	160	CHP		
Roosecote tion.	Lakeland	U.K.	220	Gas	KPMG (Administrator)	Edison Mission placed plant in administra-
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		Merrill Lynch	Is looking to sell an undisclosed number of its coal assets.
	Monticello	Texas	1,900	Coal		
	Martin Lake	Texas	2,250			
	Big Brown	Texas	1,150			
	Sandow	Texas	545			
TXU Europe	Shotton	U.K.	229	CHP	PWC	Awaiting bids.

EL PASO HIRES

(continued from page 1)

The decision to retain a second investment banking advisor reflects Citi's unwillingness to sell El Paso's generation portfolio in single lots. "Many of El Paso's contracted plants are very small qualifying facilities and Citi didn't think it economic to undertake the potentially arduous task of selling these on a piecemeal basis," says a banker familiar with the process. Citi is still advising on the sale of El Paso's merchant portfolio as this book is more likely to be divested as a single piece, adds the banker.

BofA was retained late last month to advise on the sale of more than 2 GW of generation capacity made up primarily of small cogeneration qualifying facilities. El Paso's contracted portfolio also includes Vandolah, a 600 MW plant in Florida that sells its entire output to **Centerpoint Energy**, Free Range in Colorado, Mass Power in Massachusetts, and Mid Georgia in Georgia.

Last month El Paso sold its largest contracted U.S. power plant, the 940 MW East Coast Power facility in New Jersey, to an affiliate of **Goldman Sachs** for \$1.056 billion.

—Will Ainger

MIRANT READIES

(continued from page 1)

same time Mirant is looking to convince bank lenders to agree to a five-year loan extension and is offering pricing in the 400-450 basis point range. "It's progressing," says one lender, who believes it will be well into July before a universal agreement is possible.

In regulatory filings, Mirant has said it would be forced to seek protection from creditors in the bankruptcy courts if it is unable to restructure its debt.

The exchange offer is being kept closely under wraps until launch, and so terms and the precise issues to be targeted could not be determined. The offer will give a good insight into the attitude of bondholders who form a much bigger constituency in this refinancing than in previous nail biters, such as **Reliant Resources'** recent refinancing efforts (PFR, 4/14). "People are not sure what the bondholders are going to do," says one banker.

On the bank loan front, a default waiver related to debt-to-equity ratios that expired last Thursday, was extended out to July 14. "The pricing is high enough so it's secondary to the structural issues," says a lender referring to the 400-450 basis point spread on offer. Discussions over tenor, security and amortization rates are likely to generate heated debate over the coming weeks, he adds.

—Peter Thompson

AIG TO MERGE

(continued from page 1)

phones. Calls to AIG in Stamford were referred to the firm's general counsel, **Andy Kaplan**, who did not return calls.

AIG Energy, under Gordon's leadership, has emerged as one of the more credible financial players, along with **Goldman Sachs**, in the crowded field of outfits looking to acquire or restructure U.S. generation assets, according to market officials. AIG is pressing ahead with plans to acquire or restructure U.S. generation assets despite the merger of the two units and Gordon's departure, says one official familiar with the strategy.

Gordon scored some early coups in hiring talent from the U.S. and U.K. power industries, but officials familiar with the firm say he may have been a victim of his own success in building the nascent energy group into an entity that overlapped with AIG Financial Products. Prior to joining AIG last fall (PFR, 9/25), Gordon was a managing director at **Goldman Sachs** in London.

—Victor Kremer

Calendar

- **Infocast** is holding a conference on Northeast gas storage and supply strategies at the Boston Park Plaza Hotel in Boston, June 16-18.

It will also hold a conference on asset optimization and portfolio management at the Holiday Inn Chicago Mart Plaza, in Chicago, June 25-27. For information on both events, visit the company's Web site (www.infocast.com) or call (818) 888 4444.

Quote Of The Week

"Gas is a lot less glitzy, but the returns are steadier." —**David Dunn**, a former gas trader at **American Electric Power**, explaining why he is setting up a boutique that will look to acquire midstream energy assets such as gas storage facilities (see story, page 3).

One Year Ago In Power Finance & Risk

Blacks Hills Corp. ditched plans for a \$200 million project finance bond to fund a 230 MW plant in North Las Vegas and was looking to tap the loan market instead. The Rapid City, S.D.-based player believed the likely terms of the bond were starting to resemble bank debt terms and didn't have much flexibility [A \$160 million loan deal also ended up being pulled and the company was planning to keep the funding on balance sheet over the short-term. Some financiers say the loan deal wasn't drumming up enough interest, not least because of an offtake arrangement with the then troubled **Allegheny Energy**. The plant began commercial operation in January].