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Lazard Snags Commerz Analyst For Research Push

Andre Meade, a utility analyst at **Commerzbank** in New York, has joined Lazard, where he will initiate utility research.

See story, page 2

In The News

Corporate Strategy

Latin America

Departments

NRG SHORTLISTS TRACTEBEL, DOMINION AND DUKE IN 7.2 GW U.S. AUCTION

Minneapolis-based **NRG Energy** has shortlisted Dominion, **Duke Energy** and **Tractebel North America** to purchase a 7,420 MW portfolio of generation assets in the south central region of the U.S. that it has put up for sale as part of a restructuring plan to improve liquidity. A banker close to the negotiations says the beleaguered independent power producer will likely announce the sale of the assets within the next month.

Meredith Moore, an NRG spokeswoman, declined to comment except to say that the company is reviewing its entire domestic portfolio, including the potential sale of a partial or full interest in select regions. **Terry Francisco**, a spokesman at Duke, also declined to comment.

(continued on page 8)

AES EYES SALE OF BELEAGUERED U.K. PLANT

AES has sought bids for its financially stricken Barry power plant in the U.K. and is also considering restructuring the financial terms of the 250 MW natural gas-fired plant if it cannot find an outright buyer, say London financiers. AES has not hired an investment bank to advise on the process, but has begun sounding out potential advisors, they add. Repeated calls to spokespeople at AES in Richmond, England, and Arlington, Va., were not returned.

(continued on page 7)

PWC Q1 Survey

EUROPE TAKES CENTER STAGE IN M&A

Europe leapt ahead of the U.S. as the focal point of electric power and gas merger & acquisition activity in the first quarter and that trend is likely to continue as North American companies reassess their activities in the aftermath of the **Enron** scandal, according to **PricewaterhouseCoopers**' latest quarterly analysis. Despite an overall decline in the number of cross-border electric power M&A deals to 31 in Q1 2002 from 39 in the same quarter last year, European bidders and targets accounted for around 94% of activity. "Europe's where it's at in terms of M&A," says **Mark Hughes**, corporate finance

(continued on page 8)

TENASKA PUTS OUT RFP FOR 885 MW VA. FINANCING

Omaha, Neb.-based Tenaska has started the ball rolling on financing an 885 MW plant it plans to build in Virginia. The privately held IPP has just begun an RFP process for a non-recourse loan, so terms are unlikely to be firmed up until at least month-end, says one project financier who was unable to provide further details on the plant or the possible financing structure. Calls to **Howard Hawks**, chairman, were referred to a

(continued on page 7)

El Paso Slices Back Weather Desk

El Paso Merchant Energy has handed a pink slip to one of its lead U.S. weather staffers, **Todd Johnson**, as part of the retrenchment of its merchant trading operation. Market officials say the desk has been an active player in weather derivatives, particularly at the monthly end of the market, under lead trader **Richard Igau** and Johnson, who one official characterizes as having a trading role with an origination bent. "They have some good talent on the meteorology side," says one rival, noting that is at a premium in short-term trading. Igau did not respond to calls for comment. **Norma Dunn**, a spokeswoman at El Paso, says the company does not comment on the departure of individuals. El Paso is phasing in the trading cutbacks over the summer (see related story, page 4), and she notes that if staffers have been cut in a certain area, those remaining in that operation will likely be kept. Ahead of press time she was unable to provide comment on the plans for the weather desk.

Black Hills Balks At Bond Structure, Preps Project Loan

Rapid City, S.D.-based **Blacks Hills Corp.** has ditched plans for a $200 million project finance bond and will tap the loan market instead. **Richard Ashbeck**, senior v.p. of finance, says as the company got further down the track toward a 144a deal the probable structure was starting to resemble bank debt terms and wasn't offering the flexibility Black Hills was seeking. As a result the company has ditched the plan and **ABN AMRO**, which was lined up to lead the offering, has been given the mandate for a $200-220 million construction plus five-year maturity non-recourse loan. The funds are for a 230 MW plant under development in Las Vegas (PFR, 3/24).

Ashbeck says there was no single factor that led the company to pass on the bond idea, but notes that it would have been a shorter maturity than originally envisaged and probably would have needed cash traps and sweeps. Talks have started with company relationship banks on the loan and the formal launch is likely to be this month, he notes. The plant is fully contracted via a 10-year deal with **Allegheny Energy**.

Lazard Builds Research Effort, Hires Commerzbank's Meade

Lazard in New York has formed a utilities equity research practice and has hired **Andre Meade**, a utility analyst at Commerzbank, and his associate **Andrew Smith**, to provide coverage. They joined the investment bank on May 20 and will cover approximately 15-20 utilities and merchant energy companies including **Duke Energy**, **Mirant**, **Dominion**, **Southern Co.** and **Reliant**.

Commenting on the move, Meade says, "It was a pretty compelling opportunity because Lazard has a much bigger franchise than Commerzbank, with about 20 people in equity research covering other sectors." He adds that Lazard is not likely to expand the utilities research team further. Meade reports to **John Rohs**, head of equity research. Calls to Rohs were not returned.

As part of its push into the power sector, Lazard most recently hired **Peter Marquis**, formerly v.p. in the global power and utilities group at **Morgan Stanley** in New York, in a new position as v.p. covering power sector mergers & acquisitions (PFR, 4,22). Prior to that it hired **George Bilicic** from **Merrill Lynch** as a managing director focusing on utility sector M&A.

At Commerzbank, Meade reported to **Edward Cartwright**, global head of equity research in London. Cartwright did not return calls.

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Conectiv To Launch PJM Asset Sale

Wilmington, Del.-based Conectiv plans to send out a prospectus to potential bidders within the next couple of weeks outlining 720 MW of baseload fossil fuel-fired plants in the New Jersey, Pennsylvania and Maryland (PJM) power pool that it has put on the block. **Lisa Quillici**, v.p. of **Commonwealth Energy Advisors** in Boston, an advisor to Conectiv, says that following the issuance of a letter of interest, the company intends to secure initial bids by mid-July and conclude an auction late this summer. Quillici declined to comment on the potential bidders or the value of the assets. Calls to **Jonathan Bailiff**, director at **Credit Suisse First Boston**, which is also advising on the sale, were not returned. **NRG Energy** originally agreed to purchase these assets from Conectiv, but it terminated the agreement April 1.

According to **Tim Brown**, a Conectiv spokesman, the divestiture is part of a plan to focus on the mid-merit generation market in the mid-Atlantic region. He says the company is looking to divest all of its 1,900 MW of baseload generation and that it has already sold 1,080 MW. The following plants were sold to subsidiaries of NRG Energy last June for $630 million: Indian River (784 MW) in Millsboro, Del., Vienna Power (167 MW) in Vienna, Md. and minority interests in Keystone and Conemaugh plants in Pennsylvania. Conectiv also sold its minority stakes in Hope Creek, Peach Bottom and Salem nuclear power stations to **PSEG Nuclear** and **Exelon Generation** last October for $11.3 million.

DQE Readies Equity Offering To Fund $400M Plant

Pittsburgh-based DQE is plotting a third quarter $250 million equity offering, which it will partially use to fund a planned 600 MW, $400 million natural gas-fired plant in Hopewell Township, Beaver County, Pa.

John Laudenslager, spokesman, says lead mandates have yet to be awarded for the equity offering, but the company is in discussions with bankers, and hopes to get the deal executed early in the third quarter. The offering is part of a wider plan to reduce indebtedness and increase financial flexibility.

DQE has begun the permitting process for the new plant, which it is aiming to break ground on next January. Laundenslager says there will likely be a 24-month construction period and the facility should be fully operational in the first quarter of 2005. **Duquesne Power** would own and operate the plant, which has a 600 MW second phase also in the works, and sell output to its utility arm **Duquesne Light** at rates approved by federal and state regulators. He was unable to provide further details on the financing ahead of press time.

Banks Launch U.K. Project Loan

Citibank and **Barclays Capital** launched syndication of a GBP429 million ($627 million) loan on behalf of the Spalding power project late last week and will hold a bank meeting to pitch the deal June 10. A financier close to the transaction says the underwriters are looking to syndicate the deal in one round and are seeking some 15 banks to commit GBP15-35 million apiece. He declined comment on pricing or fees.

Assuming reasonable pricing, project finance bankers in London forecast the non-recourse loan should meet a warm response given its clean structure and high quality tolling agreement. The 19-year fully amortizing loan mirrors a 19-year tolling agreement between project sponsor **InterGen** and **Centrica** that covers all of the combined cycle gas-fired plant's 860 MW output. The Spalding project is being built in Lincolnshire, on the east coast of England.

Deutsche Bank Hires Gas Trader

Deutsche Bank has landed a U.K. gas trader from **Morgan Stanley** in London. After a brief period of gardening leave **Simon Holmes** will join the German bank later this month to kick start its gas trading effort, says a commodity trader at the firm. He adds the bank will primarily focus on marketing structured gas hedges to clients—rather than look to build a flow business—and is thus unlikely to hire any more gas traders in the near future. Prior to working at Morgan Stanley, Holmes traded the short end of the gas curve at **TXU Europe**. An official at Morgan Stanley declined to comment on the departure.

AEP Extends SEEBOARD Deadline

American Electric Power has delayed the deadline for submitting final bids in the auction of its U.K. supply and wires business SEEBOARD until the week of June 10, say officials familiar with its plans. The U.S. utility and its advisor **Schroder Salomon Smith Barney** had originally told bidders to submit offers by May 24 (PFR, 5/26) but pushed back the deadline because of tax implications linked to the sale, notes one banker. "The tax implications were known well in advance so it's all rather embarrassing for AEP and its advisor to shift the deadline at the eleventh hour," says another banker who's advising a bidder. Calls to AEP and SSSB were not returned.

AEP has shortlisted four incumbent U.K. supply companies in the auction: **London Electricity** (the U.K. power arm of **Electricité de France**), **Powergen** (soon to be bought by **E.on**), **Scottish and Southern Energy** and a consortium comprising **TXU Europe** and a financial buyer.

Street Sees Possibility Of CMS Trading Exit

Some analysts think Dearborn, Mich.-based **CMS Energy** will decide to pull the plug on its power trading business. The recent disclosure of large-scale round-trip trades will result in restated financial results for 2000 and 2001 and also prompted the departure of **William McCormick** as chairman and ceo. "Given that confidence and credibility are as big a part of the marketing and trading business as a strong balance sheet, [**CMS Marketing, Services and Trading**] will likely have a difficult time surviving on a go forward basis. We would not be surprised to see the company exit the business sooner than later," **Lehman Brothers** analyst **Dan Ford** wrote in a research note last week. Calls to Ford were not returned by press time and CMS Spokesman **Dan Bishop** declined comment on the possibility of the trading unit being closed.

CMS is planning to establish a special committee of independent directors to investigate round trip deals at its trading unit, which was headed by industry veteran **Tamela Pallas** until her recent resignation (PFR, 5/20). Bishop says the scope of the committee's remit has yet to be established and so declined to say whether it would look at the future of the business.

El Paso: Trading Profits Could Have Risen

Despite drastically scaling back its power trading operations last week, senior El Paso executives believe its merchant trading business could have continued to drive earning higher. However, the credit cost of running a large trading desk and the negative impact that the desk was seen having on El Paso's share price was deemed too great to support the operations.

"We could continue, we believe, to grow earnings in the trading part of our merchant business, with an ever increasing delta of mark-to-market non-cash earnings. But we don't think that's what the [equity] markets want," **Bill Wise**, chairman, told analysts in a meeting last Wednesday that unveiled the plan to cut its 600-strong trading staff by half.

El Paso also cited the negative impact that running a large trading book had on its credit rating as reason for the retrenchment. And some rivals point to that issue as the chief driver behind the downscaling, rather than a fundamental problem with merchant trading. "Some of the companies that were innovative and creative—and I mean that in a positive way—have had to retrench and pull back because of the amount of capital [tied up in trading] and the current focus on credit," says one power marketer. Wise suggested that this was the case for El Paso: "Our trading business has grown into a business [that] is too large for the credit available in the El Paso corporate balance sheet."

The rival adds that this sort of cut back will likely open up the way for some mid-size players to grow their books, and take on some of the El Paso staff shown the door. "For every negative there is a positive," he reflects.

El Paso started handing out pink slips the day of the analyst meeting, with some 120 trading staffers on the merchant side of business let go, says **Norma Dunn**, spokeswoman in Houston. The rest of the redundancies will likely be wrapped by the end of the summer, she adds.

Three Sign Up To U.K. Deal, RBoS Waits On More

Bank of Toyko-Mitsubishi, **KBC Bank** and **Bank of Scotland** have committed funds to the GBP257 million ($365 million) Immingham project loan in the U.K., but lead arranger **Royal Bank of Scotland** is holding out for at least one more commitment before wrapping up syndication, say bankers still looking at the transaction.

RBoS had originally been looking to close syndication by the beginning of April (PFR, 4/8), but a somewhat lukewarm response following a bank meeting in March has forced it to give financiers more time to study the deal. Bankers says the merchant risk embedded in the **Conoco Power**-sponsored non-recourse loan is causing many lenders to balk at making commitments. Calls to RBoS were not returned.

AEP To Start European Trading Desk

AEP Energy Services, the European wholesale energy marketing and trading subsidiary of **American Electric Power**, has received internal approval to start trading weather derivatives in Europe and plans to pull the trigger on its first trades in the coming months. **Thor Lien**, managing director in Oslo, says AEP will concentrate on structured products, such as precipitation index swaps for hydroelectric power plants. He adds the energy company will also structure products linked to temperature and, if there is demand, wind speed.

AEP hired 35 employees, including Lien, from **Enron Nordic Energy** in January and took over its offices in Oslo, Norway and Sweden. AEP already offers weather derivatives in the U.S. from its office in Columbus, Ohio.

Lien says AEP will focus on risk management products for energy companies because that is where it has expertise. However, Lien notes it will also market to other industries and is open to offering structured products to investors.

Corporate Strategy

TXU Rebuilds War Chest

TXU plans to use the $750 million it expects to raise in a common stock and convertible note offering due late last week to replenish its war chest for future acquisitions. **Tim Hogan**, investor relations manager in Dallas, says since the turn of the year the company has announced $600 million in acquisitions. The offering of five million equity units and 9.5 million of common stock will maintain its ability to look at other M&A opportunities. He adds that the intention has always been to keep some $800 million on hand and the latest financing will allow TXU to meet this goal.

The equity units initially will consist of a $50 note and a contract to purchase TXU common stock in the future, which is expected to be six years. **Merrill Lynch** is book-runner. Hogan says TXU uses different firms for different offerings, noting that an $875 million convertible issue last October was led by **Goldman Sachs** and Merrill.

TXU's shopping list this year has included the $165 million acquisition of the U.K. retail and trading business of **Amerada Hess,** which was announced in March. It also entered a $36 million deal that netted a 122 MW combined-cycle generating facility in Pedricktown, N.J., and agreed to buy a 74.9% stake in German utility **Braunschweiger Versorgungs** for $400 million.

Latin America

SocGen To Seal Mexican Financing In Q3

Société Générale is looking to close a $217 million, 16-year project loan for the construction of Rio Bravo III, a 500 MW gas-fired plant in northern Mexico, by August. A project financier close to the transaction says he expects syndication will be launched toward the end of this month, but declined further comment. The generation facility is forecast to cost $290 million to build and project sponsor **Electricité de France** will provide the remaining $73 million of the costs with internal cash (PFR, 3/4).

Once operational, Rio Bravo III will supply all of its output to the **Comisión Federal de Electricidad**, Mexico's national power company, under a 25-year U.S. dollar-denominated power purchase agreement. Officials at EdF in Paris did not return calls and bankers at SocGen declined to comment.

PSEG To Tap Chilean Bond Mart

PSEG Global plans to tap the Chilean capital markets with a bond offering this fall to help refinance $300 million of bank debt that falls due this November, according to a banker close to the matter. He notes the bank debt consists of a $150 million senior loan and a similarly sized subordinated facility. The banking syndicate was led by **J.P. Morgan** and **Citibank**, both of whom are likely to work on the bond offering. The banker could not comment on the size of the offering as he says discussions are at an early stage.

The $300 million in loans were put in place late last year to fund PSEG's acquisition of **Compania de Petroleos de Chile**'s 94% stake in Chilean distribution company **Sociedad Austral de Electricidad** (PFR, 9/24). The acquisition cost PSEG Global some $432 million and it funded the remaining $132 million with equity capital. J.P. Morgan advised PSEG on the acquisition.

SAESA, the third largest distributor in Chile, consists of four distribution concerns and one transmission company that operate in southern Chile. SAESA also owns a 50% interest in Argentine distribution outfit **Empresa de Energia Rio Negro**.

SocGen Mulls Financing For Mexican Project

Société Générale is looking to arrange either a portfolio construction facility that would encompass a group of projects in both Mexico and the U.S. or a stand-alone corporate loan to finance the construction of a $350 million, 600 MW natural gas-fired plant at Mexicali on Mexico's Baja California peninsula. A New York project financier says that the French bank is in discussions with the project sponsor, **Sempra Energy Resources**, to determine the financing structure that would be the most cost effective. He would not discuss the other projects that would be financed under the umbrella structure. Bankers at SocGen declined to comment.

An official at San Diego-based Sempra says the energy concern is currently financing the Baja Califorinia project through a short-term bridge facility (PFR, 3/11). The plant, Termoelectrica de Mexicali, will be connected to California's power grid via a 230 KV transmission line and will receive natural gas from Sempra's North Baja pipeline. Once operational in 2003, the plant will supply much of its output to the state of California.

CFE Readies Project Auctions

The **Comision Federal de Electricidad**, Mexico's national power company, expects to receive 15 bids by May 30 from companies looking to develop La Laguna II, a 450 MW combined-cycle gas-fired plant, and 19 offers for the CCGT Tuxpan V (479 MW) project by June 20. An official at the CFE says Spanish utilities **Iberdrola** and **Union Fenosa**, **Electricité de France**, **Enel**, **AES** and Canadian IPP **TransAlta** are among the large group of developers that will bid for both projects. Officials at the companies either declined to comment or did not return calls.

The official explains that after the offers are received, the CFE will conduct a 30-day technical evaluation process and then an economic evaluation, which will take approximately two weeks. He says that the CFE will choose developers for the projects following the completions of the evaluations.

Both projects are part of the CFE's plan to auction off some 5.5 GW of power projects by year-end (PFR, 3/4). According to the official, the largest project for this year, the 1.02 GW Altamira V plant, will be auctioned on August 15. He says that the CFE is currently engaged in an informal "question and answer type of process" with potential bidders, but declined to name the companies. He expects the project to be in commercial operation by the end of 2005.

CFE's roll-out plan reflects Mexico's need to add 3 GW of capacity each year to meet growing demand (PFR, 3/4). Last year demand for power grew by 7%. Since the CFE launched Mexico's IPP program in the mid-1990s it has awarded 25 contracts—covering a combined 10 GW of capacity—of which six of the plants are already online.

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
Electricité de France	Rio Bravo III	Gas-fired	500	290	Mexico	SocGen	Arranging a $217M project loan	6/3/02
El Paso	-	Gas-fired	200	200	Mexico	-	Expects to bring project on line by 2003	4/16/01
El Paso	Araucaria	Gas-fired	469	340	Brazil	Dresdner	Closing $340M in financing	3/4/02
El Paso	Macae	Gas-fired	400	700-800	Brazil	-	Refinancing with a project loan	3/11/02
Iberdrola	Vera Cruz	Gas-fired	800	700	Mexico	-	IADB has offered assistance to relaunch the stalled project	6/9/01
Iberdrola, Banco de Brazil, Previ	Termo Pernambuco	Gas-fired	540	350	Brazil	IDB, BBVA	Expects to bring project on line by 2002	3/26/01
InterGen	Carioba	Gas-fired	945	670	Brazil	-	Project delayed until Q1 of 2003	2/25/02
PSEG Global	SAESA	Distribution company	N/A	450	Chile	J.P. Morgan	Considering taking out a $300M loan to fund the acquisition	9/24/01
PSEG Global	Electroandes	Hydroelectric	183	227	Peru	J.P. Morgan	Considering taking out a $100M loan to fund the acquisition	9/27/01
Sempra Energy Resources	North Baja Gas	Pipeline	215 Mile	$230	Mexico	IADB/SocGen	Looking to close $135 million of loans this year	3/11/02
Sempra Energy Resources	Mexicali	Gas-fired	600	350	Mexico	SocGen	Is considering a portfolio loan	6/3/02
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

Financing Record (MAY 23 - MAY 29)

Bonds

Issue Date	Maturity	Issuer	Amount ($mil)	OfferPrice	Type of Security	Coupon (%)	Spread to Treasury	Moody's	S&P	Bookrunner(s)
05/23/02	06/07/27	London Power Networks	291.7	99.468	Fxd/Straight Bd	6.125	95	A2	A+	BarCap/HSBC
05/23/02	06/07/32	London Power Networks	218.7	99.17	Fxd/Straight Bd	3.125	90	A2	A+	BarCap/HSBC
05/23/02	06/03/09	RWE	92.6	99.391	Fxd/Straight Bd	5.625	72	A1	AA-	WestLB
05/28/02	12/20/07	EDF	100	101.9	Fxd/Straight Bd	5.125	-	Aaa	AA+	RBoC/Citi

M&A

Date Announced	Date Effective	Target	Target Advisor	Target Country	Acquiror	Acquiror Advisor	Acquiror Country	Value ($mil)
05/23/02	-	Pourslo Intl Dvlp	-	Canada	BusinessWay International	-	Canada	-
05/24/02	-	EnXco	Dresdner	U.S.	SIIF Energies	JP Morgan	France	-
05/28/02	-	Burlington Resources-Val Verde	Merrill Lynch	U.S.	Texas Eastern Prod Pipeline	-	U.S.	444
05/28/02	05/28/02	EAG Mitteldeutschland	-	Germany	E.On	-	Germany	-

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

AES EYES

(continued from page 1)

AES has been forced to re-evaluate its ownership of Barry because a 25-30% slump in U.K. wholesale power prices over the past 18 months has left the debt-coverage ratios on the merchant power plant looking increasingly threadbare. "While the economics of the plant are not underwater yet, AES needs to take pre-emptive action," says one London project financier.

The U.S. independent power producer sought bids on Barry early last month from roughly a dozen power companies and is currently evaluating the offers as well as looking at other solutions to stave off a funding crisis at the plant, say bankers. These alternatives include entering a power-purchase agreement to hedge the output of the plant, monetize an in-the-money eight-year gas supply agreement it has in place with **TXU Europe**, or restructure the terms of a GBP122 million ($198 million) non-recourse loan it put in place in 1999 to refinance Barry's construction costs.

Bankers in London say that finding a buyer willing to stump up the GBP100 million necessary to fully take out the remaining bank debt could prove tough and believe a restructuring of the debt is a more probable route. AES financed 90% of the merchant plant's costs in 1999 through a loan arranged by the **Industrial Bank of Japan**. It syndicated the 20-year deal to **Bank of Scotland**, **Lloyds TSB**, **Abbey National**, **Allied Irish Bank** and **Skandinaviska Enskilda Banken** (PFR, 5/24/99). Calls to **Mike Smith**, head of project finance at IBJ in London, were not returned.

—Will Ainger

TENASKA LAUNCHES

(continued from page 1)

spokeswoman who confirms the funding part of the project has been initiated. Tenaska expects to have the financing complete in the third quarter, she adds.

The privately-owned IPP was an active sponsor last year with a number of mid-size deals, including its fourth quarter financing for a 1,250 MW natural gas-fueled, electric generating facility in Pittsburg County, Okla., south of Kiowa. The $770 million funding scooped a nomination for *PFR*'s North American deal of the year (PFR, 3/18). Bankers unconnected with the new deal say Tenaska typically organizes its project financing via a club of five banks, **Bank of Tokyo-Mitsubishi**, **HypoVereinsbank**, **Credit Lyonnais**, **DZ Bank** and **TD Securities**. All five banks had lead arranger designations on the Kiowa project loan. Officials at the banks either declined comment or could not be reached.

The new combined-cycle, natural gas-fired facility will be located north of Antioch in Fluvanna County and is being developed by **Tenaska Virginia Partners**. A community relations Web site for the project puts the development cost between $250-325 million, and the spokeswoman characterizes this as a general estimate for a plant of this size, declining to give a more precise figure. Construction is expected to start this year with an operational target of 2004-2005.

Tenaska has fully contracted the plant's output with a credit worthy counterparty, says the spokeswoman, declining to name the entity.

—Peter Thompson

NRG SHORTLISTS

(continued from page 1)

Calls to **Hunter Applewhite**, a Dominion spokesman, **Rachel Kilpatrick**, a finance official at Tractebel in Houston, and **Jacques Van Hee**, a spokesman at Tractebel in Belgium, were not returned.

Although unaware of the sale, **Andre Meade**, a utilities analyst at **Lazard** in New York, says that the portfolio is attractive because most of the plants are brand new, state-of-the-art facilities. "The buyers are probably looking to buy new gas-fired units for less than it would cost to build them," he says. He adds that Big Cajun II (see chart) adds to the attractiveness of the portfolio because it is large and because it burns coal. There are relatively few coal-fired generation assets up for sale in the U.S., notes Meade.

NRG's Assets In The South Central Region of the U.S.

Plant	Location	%Ownership	NRG Owned (MW)	Fuel Type
Big Cajun II	New Roads, La.	90	2,163.5	Coal
Pike	Holmesville, Miss.	100	1,192	Natural Gas
Batesville	Batesville, Miss.	100	1,129	Natural Gas
Brazos Valley	Thompsons, Texas	100	633	Natural Gas
Kaufman	Mesquite, Texas	100	545	Natural Gas
Big Cajun I	Baton Rouge, La.	100	458	Natural Gas
McClain	Newcastle, Okla.	77	400.4	Natural Gas
Bayou Cove	Jennings, La.	100	320	Natural Gas
Sabine River	Orange, Texas	50	210	Natural Gas
Sterlington	Sterlington, La.	100	202	Natural Gas
Mustang	Denver City, Texas	25	121.8	Natural Gas
Pryor Cogeneration	Pryor, Okla.	20	22	Natural Gas
Timber Energy Resources	Telogia, Fla.	100	13.8	Biomass
Power Smith Cogeneration	Oklahoma City, Okla.	8.75	9.6	Natural Gas

Source: ***NRG***

The sale could prove to be significant to the industry as it would provide a benchmark for the market price of new natural gas-fired facilities. He explains that a lot of companies have announced asset sales recently, but very few facilities have actually been sold.

Commenting on the list of bidders, Meade says that Duke makes a lot of sense because it has a good track record of buying when prices are low and selling when prices are high. He adds that its strong balance sheet gives it the firepower to file a competitive bid. Regarding Dominion, he says that these assets would fit in less with its strategy because its focus has primarily been in the MAIN to Maine northeastern quadrant of the U.S. Another analyst in New York says that Tractebel is currently evaluating a handful of generation acquisitions in the U.S. and has a strong balance sheet, also making it a strong candidate for these assets.

—Amanda Levin Arnold

EUROPE TAKES

(continued from page 1)

and recovery partner at PWC in London.

The total value of cross-border electric power M&A deals almost doubled in the first quarter to $8.5 billion, whereas the value of domestic electric power M&A deals plummeted to $6 billion from $22.9 billion in Q1 last year. The data shows U.S. companies are sitting on the sidelines while they focus on shoring up their credit ratings and balance sheets while cash rich European players are starting to flex their muscles, Hughes comments. "Americans are not very good at hanging about. It's not in their nature to sit and watch," he says. Nevertheless, the extent to which U.S. power companies have scaled back their activity illustrates the depth and magnitude of the Enron collapse. "There may well be a long pause," he notes.

One likely consequence of the current round of post-Enron reassessment is that more companies could follow the recent example of **El Paso** and scale back their trading operations, Hughes believes. "I wouldn't be at all surprised to see companies selling up their [power] trading books."

Europe's so-called 'mega-trio' of **Electricité de France**, **E.on** and **RWE** are widely expected to continue to buy up assets, but Hughes cautions that they have a lot of digesting to do and believes Italy's **Enel** could be a significant player in M&A. "Enel has only just started to put its foot in the water," he says. Enel not only has deep pockets, but they are continuously being filled by the sale of its domestic generation assets. For the full PWC report, go to *PFR*'s Web site (www.iipower.com).

—Victor Kremer

Quote Of The Week

"Americans are not very good at hanging about. It's not in their nature to sit and watch."—**Mark Hughes**, *corporate finance and recovery partner at* ***PricewaterhouseCoopers*** *in London, commenting on U.S. power companies' likely discomfort at not being able to take part in the recent wave of cross-border merger activity (see story, page 1).*

One Year Ago In Power Finance & Risk

Edison Mission Energy and its advisor **Goldman Sachs** set a mid-May deadline for initial bids for Fiddlers Ferry and Ferrybridge, two coal-fired generation assets in the U.K. that it was looking to sell and hoped to announce a sale by August . [Edison Mission announced Oct. 3 that it had agreed to sell the plants and associated coal supplies to **American Electric Power** for GBP650 million. **Barclays Capital**, **Commerzbank,** and **Westdeutsche Landesbank** are expected to launched a non-recourse loan this summer to refinance the acquisition cost.]