

# power finance & risk

The exclusive source for power financing and trading news

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A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

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## Web Exclusive

Lenders to a troika of **InterGen** U.S. projects are weighing up a revised plan to restructure the financing.

For the full story go to *PFR's* Web site (www.iipower.com)

## CSFB Launches Hydro Auction

**Credit Suisse First Boston** has begun selling **TXU Europe's** stake in a 350 MW Norwegian hydro plant.

*See story, page 2*

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## EL PASO QUARTET FORMS IPP INVESTMENT BOUTIQUE

A quartet of senior **El Paso Corp.** originators have teamed up with some high-net-worth financial backers to form a transatlantic investment boutique aimed at acquiring generation assets in the distressed IPP market. The recently formed **Rockland Capital Energy Investments** has offices in Houston, New York and London.

The El Paso team comprises **Scott Harlan**, **David Yeager**, **Martin Pickard**, managing

*(continued on page 12)*

## LOUIS DREYFUS SEEN TURNING FOCUS FROM POWER TO GAS MART

**Louis Dreyfus Energy** appears to have backed away from establishing an asset-supported U.S. power trading venture and is instead actively expanding its natural gas operation, a little over a year after re-hiring **American Electric Power's** **Paul Addis** to lead a push back into the U.S. energy market (*PFR*, 5/27/02). Indeed, the privately owned firm recently agreed to purchase from **Mirant** an 8.3 bcf gas storage contract that runs to 2012 on the **AECO-C** storage facility in Calgary, Alberta. In a voicemail message to *PFR*, **David**

*(continued on page 2)*

## CSFB Rides Shotgun

## EDISON TO TACKLE LOOMING LOAN MATURITIES

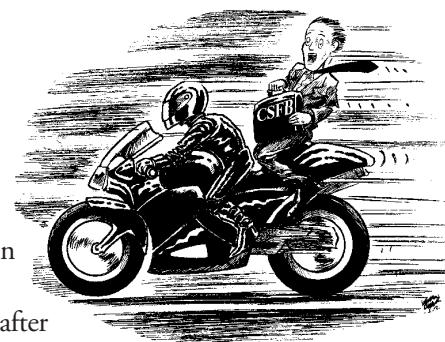
**Edison International** has started the ball rolling on refinancing a series of looming loan maturities by hiring **Credit Suisse First Boston** as financial advisor, in what financiers say will be the next big debt restructuring in the embattled merchant energy sector after **Mirant** (*PFR*, 6/2). The first big maturity is a \$911 million loan to **Edison Mission Midwest Holdings** that comes due in December, says one financier tracking

*(continued on page 11)*

## INNOGY SEEN PREPPING U.K.'S LARGEST NON-RECOURSE WIND FARM FINANCING

U.K. utility **Innogy** and its financial advisor **Royal Bank of Canada** have launched a tender to find banks to arrange and underwrite roughly GBP350 million (\$583 million) in non-recourse 18-year debt financing for its U.K. wind farm business. Such a deal would be the largest such debt financing to date for the U.K. wind energy sector, say renewable energy bankers. Bankers at **RBC** and **Leon Flexman**, an **Innogy** spokesman,

*(continued on page 12)*



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

## CSFB Launches TXU Hydro Auction

Credit Suisse First Boston, acting on behalf of administrator Ernst & Young, has launched an auction to divest TXU Europe's roughly quarter stake in Eastern Norge Svartisen, a 350 MW hydro facility in Norway. An official close to the deal says CSFB sought final bids on the project at the beginning of last week. Calls to Torbjorn Haugen, a London-based banker at CSFB working on the sale, were not returned.

Andreas Zsiga, a Standard & Poor's analyst in Stockholm, says the Svartisen plant is a highly quality asset, backed by a deep reservoir of water that can power the plant continuously for two years. "If you manage it correctly, it's an excellent peaker," he says.

Another official predicts CSFB could fetch up to \$135 million through the auction.

TXU Europe acquired a 55-year lease on 26.7% of the Svartisen's output in late 1998 from Statkraft. It financed the acquisition through a \$112 million 30-year non-recourse bond deal via Chase Securities.

## AES DRAX Creditors Extend Debt Servicing Moratorium

Senior creditors to AES DRAX, a 4 GW merchant coal-fired plant in Yorkshire, England, have agreed to extend a standstill agreement on debt servicing until June 30. An initial six-month debt-servicing moratorium expired at the end of May. The agreement covers a GBP842 million (\$1.4 billion) non-recourse bank loan, a \$302 million senior bond and a GBP200 million senior bond.

AES reported in a 6-Q document filed with the Securities and Exchange Commission that AES DRAX "has reached an agreement in principle with the Bank Steering Committee and

the Ad Hoc Senior Bond Committee regarding the terms of a further standstill agreement."

The June 30 deadline coincides with an interest payment date on AES' senior bonds and bank debt. AES says in the filing that it intends to meet this payment.

## LOUIS DREYFUS

(continued from page 1)

Payne, a Mirant spokesman in Atlanta, declined to reveal the financial value of the deal. Addis was on vacation last week and could not be reached for comment.

One official familiar with the deal says Louis Dreyfus Energy will use the storage contract as the basis for a Canadian gas trading operation. The company agreed to purchase the Canadian gas storage contract after balking at acquiring or forming a joint venture with Mirant's merchant trading operation, the official adds.

Although Addis' arrival at Louis Dreyfus, along with the hires of David Delainey, ceo of Enron Energy Services, and Jim Fallon, formerly head of power trading at Enron, appeared to signal a major push into power, the company has been conspicuous by its failure to acquire power assets, despite the unprecedented number of single plants and portfolios that are up for sale.

At a recent Infocast conference in Washington, D.C., Addis told delegates he believes bid/offer spreads in the secondary market for generation assets are currently too wide. He also acknowledged that, as a private company, Louis Dreyfus' ability to access the capital markets is constrained. Many owners of power plants are "looking for an intelligent exit strategy or one they can stomach," a move that will lead to significant changes in asset ownership over the next five years. Time, Addis told delegates, is on the company's side.

—Victor Kremer

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## FPL Scoops Early Commitments

FPL Energy has drawn in a handful of early commitments for a two-plant \$400 million, non-recourse loan launched last month, but most lenders are likely to take the full allotted time as they wrestle with getting credit committee approval. "People don't know what their credit committee will do," says one financier who is looking at the deal. He explains that the lack of flow over the last year makes it difficult to gauge whether credit committees will give approval.

Mandated lead arrangers **Bank of Nova Scotia** and **Royal Bank of Scotland** have soft-circled Friday as the target for commitments and June 27 to wrap the deal. Lead bankers declined comment. The loan funds a 668 MW simple-cycle gas-fired peaker in Calhoun County, Ala., and a 744 MW gas-fired cogeneration plant in Marcus Hook, Pa. (PFR, 5/19).

## Macquarie Recruits Stateside

Macquarie Bank has begun recruiting for a newly formed New York energy desk. **Simon Grenville**, executive director and head of energy markets in London, says the Australian bank recently extended an offer to an oil and gas marketer and hopes to land the official within the next two weeks. He declined to reveal the identity of the recruit.

Macquarie already has gas and oil derivative operations in London and Sydney. This past March **Andrew Downe**, head of treasury and commodities in Sydney, told *PFR* the bank intends to establish a Big Apple presence by year-end (PFR, 3/24).

## Kansas City Boutique Lands Financial Backing

**Tyr Energy**, a start-up formed by two senior ex-Aquila staffers last year, has landed backing from giant Japanese trading house **ITOCHU Corp.** The Kansas City, Mo.-based shop is receiving both working capital funding and also funds to back investments in power and gas assets, say industry officials. The precise size of the backing could not be determined by press time, but one market official says it runs to eight figures for the investment program. **Brad Nordholm**, ceo at Tyr, declined comment.

Tyr, which was formed last October by Nordholm and **Kim Johnson**, covers three areas of business in the power market: commercial management and optimization services, operation and maintenance (O&M) services and co-investing in energy assets. It is focused on power generation and also midstream energy. ITOCHU has been interested in the U.S. energy space for some time, notes one official, citing its acquisition of **Dynegy's** O&M unit **North American Energy Services** in 2001.

## ConocoPhillips Stages Credit Derivatives Debut

**ConocoPhillips**, the third largest integrated oil and gas firm in the U.S., which also operates a power business, anticipates entering into credit derivatives contracts for the first time as a means of offsetting its exposure to counterparties. An official at the Dallas-based outfit told *PFR* sister publication *Derivatives Week* that the firm is in the process of setting up a proprietary credit risk model that will factor in credit derivative hedges. He notes the company is already an active user of commodity and interest-rate derivatives for risk management purposes.

Credit derivatives are increasingly favored by utilities as a risk mitigation tool with other recent converts including **American Electric Power** (PFR, 30/6).

## Interconnector Financing Meets Market Caution

Initial offers to finance **National Grid Transco** and **Statnett's** proposed \$1 billion 500 mile submarine interconnector between the U.K. and Norway are due in tomorrow, but several project financiers that are evaluating the deal expect an initially muted response from the bank market. "Given the size of the deal, the complexity of the project, the significant construction risk and the merchant exposure of the project it will be a tough deal for most banks to get comfortable with," says one lender.

He predicts that NGT and Statnett will eventually be forced to improve corporate guarantees on the project before banks sign up to underwriting a project loan. Another lender predicts that the grid operators will eventually opt to fund the interconnector on their balance sheets. Calls to **Babcock & Brown**, financial advisor to NGT and Statnett, were not returned.

The aim is to establish a club-type lead arranger group of four or so banks, thereby minimizing syndication risk when selling down the deal. Financing terms have yet to be arranged, but the J.V. is looking for a 20/80 debt-to-equity split and a construction plus 20-year tenor (PFR, 5/19).

The 1.2 GW transmission line, running from Rogaland County, Norway, to Sunderland, northeast England, will, for the first time, directly link Nordpool to the U.K. power grid. The aim is to bolster security of supply in both countries and lessen the excessive wholesale price volatility that has crippled both markets in recent times. While the U.K. generation market has been bedeviled by a glut of capacity and slumping prices for the past two years, Norway and the rest of Nordpool has been crippled by price spikes caused by low rainfall which has shrunk hydro capacity, Scandinavia's primary generation source.



## Calpine Lenders Focus On Bolstering Loan Security

Several Calpine bank creditors are still resisting the IPP's efforts to land a two-year \$1 billion revolving credit facility and they are also suggesting the company should use some of its high quality power contracts as collateral, according to industry officials.

After receiving a short-term rollover on \$950 million in expiring facilities, the San Jose, Calif., IPP is now working to a June 16 deadline (PFR, 5/26). One banker says at the kernel of the issue for the new deal, which is said to have pricing of LIBOR plus 400 basis points, is the company's liquidity. He explains that bank lenders want to be sure that an extension doesn't leave them subordinate to a \$1 billion B loan that matures in May and \$1.2 billion of convertible bonds that become putable December next year. As a result, maturities of one-year or shorter are being talked about, he adds.

Whether the lenders will get the power contract collateral they want is unclear, says one market official. The company is resisting that lien grab, not least because any contracts pledged would not be available for Calpine's contract monetization program (PFR, 5/19).

## Insiders Rush To Sell Stock

Executives in the U.S. gas and electric industry offloaded four times as much of their company's stock over the last three months as in the previous quarter, suggesting that recent talk of an industry recovery may be a little premature. Between March and May insiders sold some \$128 million of their stock compared to \$33.1 million between December and February, according to research from **Thomson Financial**.

**Joan Goodman**, an analyst at **Pershing**, says the data suggest insiders believe gas and power shares could slide going forward, perhaps because many of these companies are still mired in debt. She also reasons that many sellers may be locking in recent share price rallies that were fuelled by anticipation of a dividend tax cut.

But the surge of selling could merely be a seasonal blip, says Goodman. "The old saying is, sell in May and then go away," she explains.

Energy sector insiders sold almost \$45.8 million worth of their companies' stock in May and bought \$4.2 million. This 10:1 ratio is on the surface far less bearish than the 28:1 sell/buy ratio across all U.S. industries, reflecting a much higher level of insider buying in the energy sector. But the high purchase figure is deceiving because **Donald Hintz**, president of **Entergy**, accounted for nearly three quarters of utility purchases last month, with 60,000 shares bought in a one-week period.

"It seems that one investor really affected the data," says **Lon Gerber**, director of insider research at Thomson Financial,

"and one guy is not an industry signal."

The three month sell-off ending in May was the greatest sell-off by gas and electric executives since April of 2002 when insiders sold \$69.99 million worth of stock in one month alone.

## PPL Sees Strong Loan Demand

**PPL Corp.** is looking to wrap syndication of \$600 million in loans this week and late last week the deals were already oversubscribed to the tune of \$100 million, according to market sources. The loans, which consist of two \$300 million loan facilities, one for its competitive trading arm **PPL Energy Supply** and the other for **PPL Electric Utilities**, were launched last month (PFR, 5/18).

**Wachovia** and **Barclays Capital** are leading a three-year revolver for **PPL Energy Supply**, and Wachovia and **Citibank** lead a \$200 million 364-day revolver and \$100 million three-year revolver for **PPL Electric Utilities**. The Allentown, Pa., company will use the loans to replace commercial paper.

## Exelon Eyes Bonds To Fund Sithe Stake Call

Exelon will tap the debt markets to finance the acquisition of the remaining 50.1% stake in **Sithe Energies**, most likely via the bond market, if it presses ahead with the \$650 million deal. The Chicago-based company, which already owns 49.9% of Sithe, has been looking to restructure or sell its entire stake and will continue to pursue that route within the six months before the deal has to close, says **Mary-Beth Slater**, an investor relations official at Exelon.

**Exelon Generation** last week served notice that it would exercise a call for the remaining shares in **Sithe Energies** that it doesn't already own, giving it six months to buy the stake from **Apollo Energy** and subsidiaries of **Marubeni Corp.** Slater says under an existing agreement with the shareholders, the stake could have been put back to Exelon June 1 and the deal would have had to have been funded within 30 days. The call option gives Exelon more time to sell or restructure its entire investment in **Sithe Energies**, she says. The exact form of the financing for the purchase hasn't been decided because of the existing plan to sell, she adds.

Exelon Generation bought its initial 49.9% in New York-headquartered **Sithe Energies** in December, 2000, and set up long-term financing for that stake via \$700 million in notes issued the following June. It also bought a 4,400 MW bundle of New England assets from **Sithe Energies** last November for \$543 million.

If the call is funded, Qualifying Facilities owned by Sithe will have to be restructured or sold, according an Exelon press release. This is because the Public Utilities Holding Company Act restricts Exelon's ownership stake in QFs to 50%.



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April 29, 2003

Keyword Search:

**Whistleblower  
Former Exec Files Unfair  
Dismissal Suit Against TXU**

A former senior executive at TXU has filed a lawsuit against the Dallas energy giant under the whistleblower provision of the Sarbanes-Oxley Act, claiming he was unfairly dismissed for questioning TXU's financing and disclosure practices, including the alleged massaging of earnings and misguidance of shareholders. The suit, filed in the Dallas Division of the U.S. District Court on April 28, seeks compensation under the Sarbanes-Oxley legislation, which was enacted just last year by Congress to prevent Enron-type scandals being repeated across corporate America. Hal Gillespie, an attorney at Gillespie, Rozen & Watsky, the Dallas-based law firm representing the plaintiff, William (Jim) Murray, says to the best of his knowledge this is the first suit filed under the Sarbanes-Oxley law.

Joan Hunter, director of media relations at TXU, says the company has yet to be notified of the lawsuit, but strenuously denies the charge. "The severance of this employee was of an overall reorganization and consolidation within the business," Hunter says. "We regret it had to happen and understandable that an employee affected by a job loss would be disappointed, but this was not because of any wrongdoing or whistleblowing. It was a necessary part of the reorganizing and resizing to e

**DOW JONES**

Saturday 3 May, 2003

## TXU Corp Faces Financial Fraud Suit From Ex-Employee

LONDON - A former executive of energy company TXU Corp. (TXU) has filed a lawsuit against the company, claiming he was unfairly dismissed after bringing questionable accounting practices to the attention of his supervisors, according to copies of court documents obtained by Dow Jones Newswires Saturday.

William Murray, who was senior vice president for capital management of TXU Energy from Dec. 6, 2000 to Aug. 1, 2002, is seeking compensation for "denial of bonuses and discriminatory termination" under the whistleblower provision of the Sarbanes-Oxley Act, according to the court papers, which were filed in U.S. District Court in Dallas.

**DallasNews.com**  
The Dallas Morning News

Monday 5 May 2003

Ex-TXU executive sues firm

## Utility denies claim that firing stemmed from his questioning of practices

A former TXU Corp. executive has sued the Dallas-based energy firm, alleging that TXU manipulated its earnings and fired him for speaking out about what he said were illegal financial practices.

William J. Murray, a senior vice president of capital management at TXU's energy-trading arm until last August, said in a court filing that numerous company officials - including chairman and chief executive Erle Nye and former chief financial officer Mike McNally - violated federal securities laws through their actions and statements to shareholders.

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## Corporate Strategies

### Calpine Floats ABS Pricing

Calpine is expected to start floating expected pricing this week on a planned \$800 million bond backed by power contracts, according to financiers. The San Jose, Calif., player last week formally signaled its intention to sell the notes via **Power Contract Financing, L.L.C.**, a stand-alone subsidiary of **Calpine Energy Services**. The notes will have a seven-year tenor and are secured by fixed cash flows from one of CES' fixed-priced, long-term power sales contracts with the State of California's **Department of Water Resources** and a new fixed-priced, long-term power purchase agreement with a third party. **Katherine Potter**, a Calpine spokeswoman, says the company is not commenting further on the 144a deal.

**Morgan Stanley** has been lined up to lead the note offering (PFR, 5/19), which forms the lion's share of Calpine's program to raise cash against power contracts. With Calpine in the middle of tense negotiations over the renewal of a \$1 billion revolver (see story, page 4), some observers believe completing the contract securitization may be an important factor in getting the loan done as well.

### Northeast Utilities Installs Funding For Competitive Unit

Northeast Utilities is using a \$150 million note issue to provide long-term working capital for its competitive gas and power arm, **Select Energy**. The Hartford, Conn., holding company has been funding Select via a bank revolver and also directly from the parent's balance sheet, says **Jeff Kotkin**, an investor relations official. He adds NU started to look at the idea of long-term funding for Select earlier this year given the favorable interest rate environment.

The five-year, 3.3% senior unsecured notes were placed by **Morgan Stanley** at 99.767. Kotkin says the ability to lock in that funding rate was what drove the deal. "We basically were able to fund the working capital fixed for five years," he says, adding that while floating rates are lower at the moment, there is always the question of how long they will remain so.

**Morgan Stanley** has a strong relationship with NU, Kotkin says, and has been involved in numerous deals over the years.

Select provides electricity, natural gas and other energy commodity supplies in 11 Northeastern U.S. states from Maine to Maryland. **Fitch Ratings**, which marked the notes as BBB, has a negative outlook on NU. The agency cites the marginal profitability and capital needs of Select, among other factors, in a report on the five-year note issue.



## Middle East & North Africa

### AES Seen Eyeing Saudi Bid

**AES Oasis**, the Middle Eastern arm of Arlington, Va.-based **AES**, is reportedly readying a bid for Saudi Aramco's quartet of cogeneration projects that the Saudi oil giant put out for tender late last year. The U.S. IPP joins London-based **International Power** and Japanese developer **Mitsubishi Power** in prepping bids for the Third Party Cogeneration Program, says one London financier. He adds bids are due by the end of the month.

Aramco, the world's largest crude oil producer, is looking for one bidder to build four 250 MW inside-the-fence combined heat and power plants that will primarily be used to power Aramco's petrochemical business. However, it is also considering splitting the BOOT project into two 500 MW mandates (PFR, 11/18).

### Omani Gov't Launches IWPP Tender...

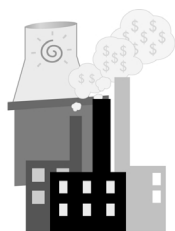
The Omani government and its financial advisor **Société Générale** have launched a tender process to find a developer or developers to build, own and operate the 500 MW and 30 million gallons of water per day Sohar independent power and water project. An official involved in the IPP says a preliminary information memorandum was sent out in May and that a formal request for qualification offer will be sent out by the end of this month. A final request for proposal offer will be launched in the third quarter.

### ...Seen Selecting Banks For \$1B Refinery

The Omani government is set to award a consortium of 10 international banks the mandate to lead arrange financing for the construction of the 75,000 bpd Sohar refinery in the northeast of Oman, says bankers close to the deal. The roster comprises **ANZ Investment Bank**, **Arab Bank**, **Bank of Tokyo Mitsubishi**, **BNP Paribas**, **Credit Agricole Indosuez**, **GIB**, **HSBC**, **Mizuho**, **Société Générale** and **Sumitomo Mitsui Banking Corp**. The financing will consist of a \$960 million long-dated non-recourse loan, says one banker. Calls to Oman's financial advisor **Bank of America** were not returned.

The Sohar refinery project is part of a broad-based oil, power, gas and aluminum smelting expansion at Sohar (see story above). The refinery is being built by a Japanese consortium of **GC** and **Chiyoda** and is expected to come on line in 2006.





## 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](mailto: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.
	Ferry 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 Fifoots Point	Fifoots 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	Cinergitika	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	BofA	Ongoing.
	Shady Hills	Fla.	474	Gas		
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538			Looking for advisor to assist with sale
	Wichita Falls	Texas	77			
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 (Europe)	CEEP	Poland	10 (10% stake)	-	Goldman	Has already sold two Eastern European plants. Awaiting further bids.
	Enfield	U.K.	380 (25%)	Gas-fired		
	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	-	-
	Karpatalism	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 Pozpnanskie	Poland		CHP	-	Ongoing.
Reliant Resource	Argener	Argentina	160	CHP		
Rosecote	Lakeland	U.K.	220	Gas	KPMG (Administrator)	Edison Mission placed plant in administration.
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.

## 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.*

### Europe & Middle East

- The U.K.'s largest power generator, **British Energy**, reported a pre-tax loss after plant write-downs and other balance sheet write-offs of GBP4.292 billion (\$7.12 billion) for the year to March (*Reuters*, 6/3).
- **Enel** is in advanced talks with Spanish utility **Union Fenosa** to acquire a controlling stake in its renewable energy unit **Union Fenosa Energias Especiales**, says a person familiar with the deal. Analysts have valued the unit at around EUR270 million (*Dow Jones*, 6/3).
- The **European Parliament** has passed a law liberalizing energy regulation and guaranteeing that consumers and companies alike can shop freely for power and gas in the E.U. by 2007 (*Reuters*, 6/4).
- Italian regulators have given the go-ahead for **Hera**, a Bologna-based municipal utility, to make an initial public offering that could value the business at about \$1.2-1.4 billion. Shares will begin trading on the **Milan Stock Exchange** on June 26 when an estimated 42% of the company is expected to be floated. **ABN AMRO**, **Rothschild** and **UBM** are managing the IPO (*Financial Times*, 6/5).

### U.S. & Canada

- Governor **Gray Davis** of California said for the first time that he favors abandoning the state's experiment with deregulated electricity amid efforts in the state legislature to tighten regulation by the end of the year (*Reuters*, 5/31).
- Seattle has filed suit in federal court against 11 power marketing and trading companies, charging them with manipulating the market to run up the price of electricity during the West Coast power crisis in 2000 and 2001 (*Seattle Post Intelligencer*, 5/31).
- **TECO Energy** said its power projects in Arizona and Arkansas began commercial operations in May, reducing the amount of credit the company needs to post to comply with obligations triggered when its credit rating was slashed to junk status (*Reuters*, 6/2).
- The **Federal Energy Regulatory Commission** has questioned eight long-term power supply contracts signed by

New Orleans-based **Entergy**, saying that the utility may have given improper preferential bidding treatment to its affiliates (*Reuters*, 6/2).

- **FPL Energy** has begun full operations at its new 668 MW Calhoun natural gas-fired power plant in northeastern Alabama (*Reuters*, 6/2).
- Federal authorities arrested former **Enron** executive **John Forney** for devising several illegal schemes to drive up California's energy prices between 1999 and 2001. He is the third former Enron executive to be arrested (*Associated Press*, 6/3).
- A New York bankruptcy judge ruled that **NRG Energy** could reject its supply contract with **Connecticut Light & Power** as it reorganizes under Chapter 11 protection, but NRG will have to keep energy flowing to CL&P until further notice (*Hartford Courant*, 6/3).
- **CMS Energy** has sold its one-third interest in **Guardian Pipeline** to **Wisconsin Energy**, a unit of **WPS Resources**, for \$26 million. CMS says it plans to use the proceeds from the sale to reduce debt (*Dow Jones*, 6/3).
- **Institutional Shareholder Services**, a shareholder advisory company, recommended that **El Paso Corp.** shareholders support investor **Selim Zilkha's** nominees for the company's board, throwing control of the company into dispute (*Wall Street Journal*, 6/4).
- **TransAlta** said a clerical error caused it to submit an erroneous bid on contracts that hedge the cost of electrical transmission in New York. The error will cost the company \$24 million (*Wall Street Journal*, 6/4).
- North Carolina-based **Cogentrix Energy** has scrapped plans to build a \$600 million power plant in Columbiana County, Ohio, as the project is no longer economically viable (*Vindicator*, 6/4).
- Residents and environmentalists in San Diego filed a request in federal court for a temporary restraining order to stop the flow of electricity from two plants in Mexico to California. The two power plants are run by **Sempra Energy** and **InterGen** (*San Diego Union-Tribune*, 6/4).



# EDISON TO

(continued from page 1)

the situation. Another \$808.3 million falls due 12 months after that and there is also some debt related to a sale leaseback that falls due next year, he adds. **Kevin Kelley**, spokesman at Edison International in Rosemead, Calif., declined to comment and calls to CSFB were not returned.

The exact scope of the refinancing is not yet clear, say bankers, because the deadline is still some way down the track. CSFB and Edison have not yet started talking to creditors, they add. As a result, bankers say predicting the eventual outcome is proving difficult. However, one financier says the sectoral track record is in Edison's favor, given that other power players, such as **Reliant Resources**, ultimately secured extended loan financing.

Edison signaled in its latest 10Q that the \$911 million

## Financing Record (MAY 30 - JUNE 5)

### Bonds

Issue Date	Maturity	Issuer	Amount (\$ mil)	Offer Price	Type of Security	Coupon (%)	Spread to Benchmark	Moody's	S&P	Bookrunner(s)
5/29/03	6/1/08	Northeast Utilities	150	99.767	Notes	3.3	105	Baa1	BBB	Morgan Stanley
5/30/03	5/30/06	Kospo	83.1	100	Fxd/Straight Bd	4.78	-	-	-	Hana Sec
5/30/03	6/7/27	London Power Networks	163.6	109.301	MTNs	6.125	-	A2	A	BNP/HSBC
6/3/03	-	Fortis	91.6	25	Preferred Shs	-	-	-	-	Scotia Capital
6/4/03	6/12/13	ENEL	873.7	99.9	Fxd/Straight Bd	4.25	-	A1	A+	Caboto/Citi/Deutsche Bank
6/4/03	6/12/18	ENEL	873.7	99.369	Fxd/Straight Bd	4.75	-	A1	A+	Caboto/Citi/Deutsche Bank
6/4/03	6/1/33	Entergy Arkansas	100	99.681	Fst Mtg Bonds	5.9	155	Baa2	BBB+	BoNY/JP Morgan
6/4/03	6/18/10	RWE	36	100	Fxd/Straight Bd	4.89	-	A1	A+	Deutsche Bank

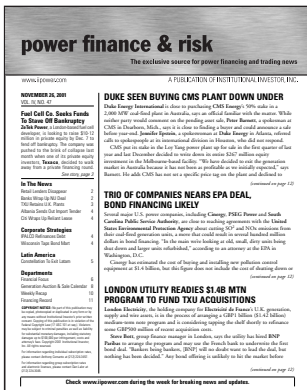
### M&A

Date Announced	Date Effective	Target	Target Advisors	Target Country	Acquiror	Acquiror Country	Rank Value of Deal (\$mil)
5/29/03	-	Hebei Xibopo Power Generation	-	China	Shijiazhuang Intl Bldg	China	74.551
5/29/03	-	United Heavy-Electric Flux Div	-	Russian Fed	Shareholders	Russian Fed	-
5/30/03	-	ZEO-Co-Generation Plant A	-	Poland	Interzell Ostroleka	Poland	-
6/2/03	-	Beijing Xinao Jinggu Gas Co	-	China	Xinao Pinggu I	Hong Kong	0.24
6/2/03	6/2/03	Guardian Pipeline LLC	Merrill Lynch & Co Inc	United States	WPS Resources	United States	26
6/2/03	6/2/03	NRGenerating Hldg	-	Switzerland	Genting Sanyen Power	Malaysia	27.58
6/3/03	6/3/03	Ekamil	-	Slovak Rep	Dgaz	Hungary	1.056
							Source:

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

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facility will need to be extended or refinanced. "Edison Mission Midwest Holdings is not expected to have sufficient cash to repay the \$911 million debt due in December 2003, and there is no assurance that Edison Mission Midwest Holdings will be able to extend or refinance its debt obligation on similar terms and rates as the existing debt, on commercially reasonable terms," according to the filing.

Edison Mission Midwest is the parent of **Midwest Generation** the Chicago-based unit running a 11,171 MW generation portfolio which was formed in 1999 to manage assets acquired from **Commonwealth Edison**.

—Peter Thompson

## EL PASO

(continued from page 1)

directors, and **Shane Litts**, v.p. Harland, Yeager and Litts, all former **Cinergy Capital & Trading** originators prior to joining El Paso in 2000, will work out of Rockland's Houston's office and focus on acquiring contracted U.S. qualifying facilities, explains Harlan, adding they may also look at investing in merchant plants. Yeager referred calls to Harlan.

Pickard, former head of European origination at **National Power** before joining **El Paso Europe** three years back, is focusing on the U.K. market. He says the boutique is already chasing several assets, declining to elaborate.

Market watchers argue that what sets the Rockland venture apart from many of the other start-up shops circling the embattled generation industry is the caliber of management and their experience in originating power deals. Primary financial backer and real estate veteran **Gerald Crotty** says the experience and track record of the team drew him to help bankroll Rockland. He declined to detail how much seed capital he and other investors had put in the company, but says it's sufficient to fund operations. Rockland is presently courting private equity investors for acquisition financing.

Other senior managers include **Michael Del Giudice**, chairman, and **Joseph Lambert**, senior managing director, who will manage the company from New York. Del Giudice, a former managing partner at **Lazard Freres** and chief of staff to New York Governor **Mario Cuomo**, is also a board member of **Consolidated Edison** and **Barnes & Noble** and a senior managing director at **Millenium Capital Markets**. Lambert, a seasoned real estate investor, also is senior managing director at Millenium, a boutique that acquires and restructures energy swap contracts.

Former El Paso originators have formed the nucleus of new efforts to acquire and restructure generation assets at **Goldman Sachs**, **AIG** and most recently, **Bear Stearns** (PFR, 5/26).

—Will Ainger

## INNOGY SEEN

(continued from page 1)

declined comment.

City financiers say Innogy launched the selection process late last month, have set a bid deadline of June 17, and wants to reach financial close in July. He predicts the U.K. utility is unlikely to meet this tight timeframe.

The deal marks the second leg of Innogy's attempt to refinance and leverage its U.K. wind power business, the largest wind farm portfolio in the U.K. with a 26% market share.

Early this spring Innogy, the U.K.'s largest wind farm generator, sought bids from private equity investors to buy into an equity wind fund that would own Innogy's existing wind farms and future wind projects post construction. **John Wilkinson**, a spokesman at Innogy, said at the time that the move should give the utility the financial muscle to grow its wind farm business following the recent introduction of the U.K. government's Energy White Paper, "which made it clear that massive investment is needed to meet the Government's targets for renewable energy."

Bankers say Innogy is still talking to several private equity investors to take an equity stake in its wind farm portfolio. "It's still a work in progress," notes one lender, adding Innogy intends to announce the winning debt and equity investors concurrently.

Innogy owns, operates and develops wind farms through its National Wind Power subsidiary. It owns 13 on-shore wind farms with a combined capacity 159 MW and is developing a further 200 MW of on-shore capacity and over 120 MW at sea. The 60 MW North Hoyle farm, off the coast of Wales, is likely to come online before year-end.

—W.A.

## Quote Of The Week

"One guy is not an industry signal." —**Lon Gerber**, director of insider research at **Thomson Financial**, explaining how significant share purchases from one **Entergy** executive skewed Thomson's three-monthly power sector insider buy/sell ratio data (see story, page 4).

## One Year Ago In Power Finance & Risk

**Brian Bird**, treasurer at **NRG Energy**, resigned from the company following the completion of a buyback of the IPP by its former parent, **Xcel Energy**. [Bird and several other transatlantic power officials recently established a Chicago-based boutique, **Insight Energy**, to acquire generation assets.]