

# power finance & risk

The exclusive source for power financing and trading news

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## Web Exclusive

The weather derivatives market has boomed over the past year, thanks primarily to growth in Europe, according to a new survey.

**Moody's Investors Service** latest paper on the merchant energy market has been criticized for downplaying the worth of using models to value power contract portfolios.

The wind farm industry is beginning to witness frenzied consolidation as players look to build their development portfolios.

For the full stories go to *PFR's* Web site ([www.iipower.com](http://www.iipower.com))

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## IBERDROLA LOOKS TO MONETIZE WIRES BIZ

Spanish utility Iberdrola is considering securitizing its domestic transmission business after a recent attempt to divest the high-voltage network floundered, say bankers familiar with its plans. They note the Madrid-based utility is working with **Banc of America Securities** to structure the off-balance sheet deal, which, if successful, would likely be the first transmission-backed bond offering in Europe and probably the world. Iberdrola is Spain's third largest transmission concern with a 15% share of the network. Calls to **Fernando Becker**, cfo, and **Ignacio Cuenca**, head of investor relations at Iberdrola, were not returned and a BofA official declined to comment.

*(continued on page 8)*

## AMEREN EYES ILLINOIS POWER

St. Louis, Mo.-based Ameren is looking to acquire Illinois Power, the transmission and distribution subsidiary of **Dynegy**, according to New York bankers. They say the companies have held preliminary discussions, but add Dynegy has not yet decided whether it is amenable to Ameren's advances. A likely sale price could not be determined by press time, nor could it be ascertained whether either party has retained an advisor. Officials at Illinois Power referred calls to **Steve Stengel**, a Dynegy spokesman in Houston, who declined comment. **Susan Gallagher**, an Ameren spokeswoman, also declined comment. Calls to **Charles Mueller**, president, chairman and ceo of Ameren, were not returned.

*(continued on page 8)*

## Back To Basics

## EL PASO AXES MEZZANINE FINANCE GROUP

Embattled energy company El Paso axed its Houston-based mezzanine funding group May 29 and let go all seven of its remaining staff. The group, formed two years ago and named **EP Power Finance**, had a portfolio of six deals with a total value in excess of \$100 million, according to a market official. The business was profitable, but El Paso was no longer willing to provide the capital to support it, he says. "All energy companies are retreating to the core," he notes, adding that the move is in response to tumbling share

*(continued on page 8)*

## Headline Risk?

## WILLIAMS LAUNCHES \$1.8B REVOLVER; HARD RIDE EXPECTED

Tulsa, Okla.-based **Williams Companies** last Monday launched a \$1.8 billion, 364-day revolving credit facility, and while bankers say the company story is a strong one, persistent questions about the propriety of its trading operations may make for a rocky syndication. "If they continue to be in the headlines every day, whether it is fair or not, it is going to make it tough," says one official, who attended the Houston bank meeting. The **Federal Regulatory Energy Commission** last week said the company had failed to cooperate with information

*(continued on page 7)*

Check [www.iipower.com](http://www.iipower.com) during the week for breaking news and updates.

## Bloomberg Mulls Weather Role

Financial news and data company Bloomberg has begun talking to weather derivative players about how it can become an intermediary in the weather market. One Wall Street official, who has met with Bloomberg representatives, says the company is looking at ways it can tap into the market by providing price quotes, or build a platform to aid the brokering of trades. He adds that he got the sense that the project was in its formative stage and no game plan has been set. Calls to **Richard Derico**, a Bloomberg staffer in New York who has been involved in the meetings, were not returned by press time.

Another marketer, who was unaware of the meetings, was skeptical that Bloomberg could play a significant role on the broking side. He adds the data and news service already provides a quote service based on CME's Globex trading system. "[Bloomberg] has normally wanted to be the quote provider for markets," he reflects.

## Xcel Faces \$1B Collateral Call, Warn Analysts

Xcel Energy is facing a potential collateral bill of some \$1 billion if newly-reacquired subsidiary NRG Energy is downgraded. Minneapolis-based Xcel wrapped the buyback of NRG at the end of last month and the expectation is that **Moody's Investors Service** will make a move by mid-summer, says **Daniele Seitz**, analyst at **Salomon Smith Barney** in New York. Moody's has had NRG on credit watch since December when a \$1.5 billion acquisition of generation assets from **FirstEnergy** was announced. That deal is expected to close this month.

A **Lehman Brothers** research report puts the total accelerated

collateral at \$1.02 billion, in the event of an NRG downgrade from its Baa3 rating. Some \$200 million relates to project finance, \$420 million would be required to support its \$2 billion construction/acquisition revolver and \$400 million would be soaked up by NRG's power marketing activities, the note states. That headline number may come down quickly, according to **Lehman**, and **Seitz** agrees, pointing out that the plan is for trading and marketing arms at the companies to be combined under the Xcel banner. This will eliminate the \$400 million collateral that would have to be posted on that side of NRG's business, she explains. **Paul Adelmann**, spokesman at Xcel, did not respond to questions by press time.

## TECO Issues Stock To Pay Down Debt

**TECO Energy** plans to use the proceeds from a secondary share offering due to close today to help pay down \$545 million in short-term debt. As *PFR* went to press late last week, **Laura Plumb**, spokeswoman, said the Tampa, Fla.-based energy concern, was in the process of selling 13.5 million common shares at \$23 per each.

Plumb says **TECO** has decided to issue stock to reduce its debt-to-total capital ratio from 55% to 48% and maintain its investment-grade credit rating. She says **TECO** will not need to issue any more equity until 2004, at the earliest, after it completes the offering.

Joint lead underwriters on the deal are **Credit Suisse First Boston** and **UBS Warburg**. Commenting on the selection of the firms, Plumb says that **TECO** has strong relationships with both firms and has done numerous deals with them in the past. Bankers at **CSFB** and **UBS** did not return calls.

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## Morgan Stanley Appoints Trading Head

Morgan Stanley has appointed **Charlie Rankin** as head of European power trading following the recent departure of **Andy McMillan** to U.S. hedge fund **Tudor Investments** (PFR, 5/27). Rankin says he has been promoted from deputy head of the power desk. Rankin, a seasoned oil derivative trader, was previously McMillan's boss when both traded the oil market for the bulge bracket firm.

Separately, market officials say McMillan will officially take up his position at Tudor in Epsom, England, this week and has been given the remit to trade both the European and U.S. power and gas markets. One official familiar with Tudor's plans says growing liquidity and the emergence of clearing houses that can reduce counter-party credit trading risk prompted Tudor to enter the market.

**Brian Senior**, head of trading at U.K. utility **Innogy**, also notes that hedge funds have begun trading the power and gas markets to diversify their investments. "The risks are uncorrelated with equities and bonds so it's a sound investment strategy," he notes. Another factor drawing funds into the power and gas markets is the sluggish performance of equities over the past couple of years. However, "It remains to be seen if hedge funds will still be as committed when the equity markets take off again," says Senior.

## NRG Loses Treasurer ...

**Brian Bird**, treasurer at **NRG Energy**, has resigned following the completion last Monday of the buyback of the independent power producer by its former parent and majority shareholder **Xcel Energy**. Bird, who spent five years with the company, has a reputation among bankers as a knowledgeable and hands-on deal maker. A number of bankers say Bird was instrumental in NRG achieving strong financing terms on its jumbo \$2 billion construction loan last year.

The departure of Bird and the resignation of **Leonard Bluhm**, cfo at NRG, which was announced last Monday, is a signal of the end of an era, says one banker. "NRG was a very nimble company," he says, adding that Bluhm was one of the first power officials to see the potential value in spinning out IPP operations from utility parents. Xcel's top finance man **Jim McIntyre** is taking responsibility for all financial aspects of NRG, along with Xcel Energy, according to a company announcement.

Bird says he is taking a break over the summer, adding that he enjoyed his time in the power sector and will look at opportunities there again. He declined to comment on specifically why he resigned, except to say he parted on good

terms and felt that under the new combined entity structure he wanted to look elsewhere. An NRG spokeswoman confirmed Bird's departure, adding it was a personal decision and declining to comment further.

## ... Seen Wooing German Bidders

**NRG Energy** is considering dividing its 1.1 GW portfolio of mainland European generation assets into two blocks of German and non-German assets in order to entice Germany's two deep-pocketed utility giants **E.on** and **RWE** into the auction, say London bankers. They add the tactical change—being pushed by its advisor **Goldman Sachs**—represents a U-turn for the IPP. Originally it was looking to sell its international businesses in four distinct units of Latin American, Asian-Pacific, U.K. and mainland European assets (PFR, 3/18).

At present neither E.on nor RWE has bid for the mainland European portfolio, says bankers. The German utilities likely have shied away because buying a portfolio including German assets would raise competition red flags, reason bankers. Calls to NRG were not returned and **Richard Morse**, head of power at Goldman in London, declined to comment.

## RBC Structured Finance Chief To Depart

**Graeme Hutchison**, managing director and head of structured finance for the U.S. at **RBC Capital Markets**, will leave the firm at the end of this month. He says he is leaving because of differences with the firm over the direction of the group.

Rival bankers say the Canadian bank's focus in the post-**Enron** world is somewhat unclear, as providing off-balance sheet financing structures was a core activity of the group. Since Enron's demise the firm has been seen pitching for some traditional project finance deals, but hasn't made a huge mark in the U.S. market, says one official.

RBC's structured finance effort was augmented by landing the highly-rated ex-**Greenwich NatWest** structured finance team, says one banker. However, last November, RBC sought the resignations of three top ex-**Greenwich** structured finance bankers—**Gary Mulgrew**, **Giles Darby** and **David Bermingham**—who had worked closely with Enron on off-balance sheet transactions. Published reports say the bank found no improprieties but it engineered the resignations to avoid being tarnished by the Enron scandal. **Alun Williams** and **Stephan Sayre**, the co-heads of global structured finance in London, were out of the office and unavailable for comment Thursday as *PFR* went to press.

## Corporate Strategies

### Panamanian Generator To Pay Down Debt

**Empresa de Generacion Electrica Fortuna** plans to use the proceeds from an upcoming \$170 million U.S. dollar-denominated offering of 10-year senior notes primarily to refinance \$138 million of long-term and short-term debt and to finance a \$12 million loan to a shareholder, **Americas Generation Corp.** (AGC). **Jason Todd**, an analyst at **Fitch Ratings** in Chicago, says the notes will carry a fixed coupon after an 18-month grace period. He declined all comment on the expected terms and pricing of the notes or name banks involved in the deal. Calls to officials at Fortuna were not returned.

Todd says the bond offering has been given the relatively high rating of BBB minus to reflect Fortuna's position as the largest hydroelectric generator in Panama and because of its lack of foreign exchange risk. However, he says the rating also takes into account such negatives as Fortuna's exposure to commodity price risk, a new regulatory framework in Panama and ongoing competitive pressures.

The \$12 million loan to AGC will be used to repay the outstanding acquisition debt AGC incurred in acquiring a 49% interest in Fortuna. It bought the stake for \$118 million during a privatization auction in 1998. AGC is owned jointly by **Hydro Quebec** (50.1%) and **El Paso** (49.9%).

Fortuna is a hydroelectric generating company located in the western region of Panama. It has 300 MW of installed capacity and it owns concessions to operate the plant until 2048.

### Ameren GenCo Taps Private Market

**AmerenEnergy Generating**, the non-regulated generation arm of St. Louis, Mo.-based **Ameren**, is in the process of tapping the 144a market for \$275 million mostly to refinance the cost of adding generating capacity in Illinois. Among the plants are facilities at Kinmundy, Ill., and the re-powering of the Grand Tower plant in Jackson County, Ill., says **Barbara Eiseman**, credit analyst at **Standard & Poor's**, which has given the notes a BBB plus rating. **Susan Gallagher**, spokeswoman at Ameren, declined all comment on the deal, citing the private nature of the placement.

The coupon on the notes could not be determined, but the bonds are expected to have a 30-year tenor. The deal is being led by **Lehman Brothers** along with **Banc One Capital Markets**, **Bank of New York** and **Credit Suisse First Boston**. Eiseman notes the additional capacity should all be on line by year-end. The Kinmundy project involves adding two combustion turbine

generators, each with 117 MW of generating capacity, and the Grand Tower project took capacity from 202 MW to 528 MW, according to the company's Web site.

S&P has **AmerenEnergy Generating** on credit watch with positive implications, because of Ameren's planned acquisition of **CILCORP** from **AES**. Eiseman explains the agency took the view that the subsidiary was a non-core operation and so notched it down to below the holding company rating. However, the \$1.4 billion acquisition of **CILCORP** sends a signal that subsidiary operations will become more important to the holding company, she adds. As a result, S&P expects the corporate ratings of Ameren and its subsidiaries to be in the single-A rating category, when the acquisition is completed.



## Latin America

### PSEG Hires Citi For \$200M Chilean Offering

**PSEG Global** has retained **Citibank** to lead a \$200 million bond offering that it's arranging to refinance debt associated with its acquisition of Chilean distribution company **Sociedad Austral de Electricidad** (SAESA). An official at Miami-based **PSEG Americas**, a subsidiary of **PSEG Global**, says the U.S. dollar-denominated offering will be executed in the Chilean bond market this September or October.

The official says \$150 million of the bond sale proceeds will be used to pay down a similarly sized senior loan arranged by Citi to fund PSEG's acquisition of SAESA. The remaining \$50 million has been earmarked to repay some of SAESA's short-term debt, he adds.

### Iberdrola, Petrobras Seek Bank Financing

Joint sponsors **Iberdrola** and **Petrobras** are looking to line up bank financing for the construction of a \$290 million, 340 MW combined-cycle plant in Rio Grande, Brazil, dubbed **Termoacu**. Market officials say the pair are seeking a \$150 million loan from the **Inter-American Development Bank** and \$140 million in loans from commercial banks.

One official says the sponsors' financing proposal already has been presented to the IDB's board of directors, but that a decision is unlikely to be made before the last quarter or the beginning of next year. **Termoacu** is scheduled to come on line in 2004.

Calls to officials at **Iberdrola**, which has a 70% stake in the project, and **Petrobras**, were not returned.

## Banking Trio Close Brazilian Project Loan

Lead arrangers **Banco Bilbao Vizcaya Argentaria**, **Banco Nacional de Desenvolvimento** and the **Inter-American Development Bank** closed \$290 million of non-recourse financing late last month for the construction of a 502 MW natural gas-fired power plant in northeastern Brazil, says **Sylvia Larrea**, an investment officer at the IDB in Washington.

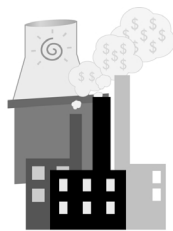
The plant, dubbed Termopernambuco, is being built in Pernambuco state, and is being financed with a \$40 million loan from the IDB, \$90 million in loans from BNDES and a \$160 million syndicated loan led by BBVA. Larrea says syndication has been launched and should close by the end of this month. Six banks already have informally committed to the deal, says Larrea.

Local utility **Compahnia Energetica de Pernambuco**, whose

investors include **Iberdrola**, **BB Banco de Investimento**, and **Previ**, is developing the gas-fired plant (PFR, 4/8). Iberdrola will operate the plant once it comes on line.

## PSEG To Refinance Peruvian Loan

PSEG Global is looking to refinance within the next couple of months a \$100 million bank loan that was set up last December to partly finance its \$227.1 million acquisition of **Electroandes**, a Peruvian generation concern. A Peruvian banker involved in the deal says PSEG Global plans to either take out a U.S. dollar-denominated bank loan or tap the local capital markets with a nuevo sole denominated bond offering. He declined comment on why PSEG is looking to refinance the deal, but says **Bank of Boston**, **Banco Espanol de Credito** and **Banco Bilbao Vizcaya Argentaria**, which arranged the original acquisition loan, would likely lead the refinancing as well.



## 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
American Electric Power/ Central and Southwest Corp.	Northeastern units 3 & 4	Okla.	300	Coal	N/A	Reviewing sale strategies.
	Lon C. Hill	Texas	546	Gas		
	Nueces Bay	Texas	559	Gas		
	Ennis S. Joslin	Texas	249	Gas		
ADWEA	Um Al Nar	Abu Dhabi	1,100	Gas & Water Desalination	CSFB	Looking to sell plants in 2003.
AES Fifoots Point	Fifoots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant by end of April
BP	Great Yarmouth	U.K.	400	Gas	JP Morgan	Looking to sell plant this summer.
Central Hudson Gas & Electric	Syracuse	N.Y.	100	CHP	Navigant	Final bids due by late Nov.
	Beaver falls	N.Y.	100	CHP		
	Niagara falls	N.Y.	52	Coal		
Cinergy	Cinergitika	Czech Rep.	230	CHP	J.P. Morgan	Expects to sell assets this summer
	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 J.P. Morgan J.P. Morgan J.P. Morgan	Announced intention to sell.
	Ensenada	Argentina	128	Gas-fired		
	CT Mendoza	Argentina	520	Gas-fired		
	El Chocon	Argentina	1,320	Hydroelectric		
DPL	All plants	Ohio	3,500	N/A	Morgan Stanley	
Enel	Eurogen	Italy	7,008	Various	-	Having sold Elettrogen it will sell one of two other generation portfolios shortly.
	Interpower	Italy	2,611	Various	-	
Enron	Nowa Sarzyna	Poland	116		PwC (administrator)	Intention to sell.
	Sarlux	Italy	551			
	Trakya	Turkey	478			
	Chengdu Cogen	China	284			
	Northern Marianas	Guam	80			

Continued



## Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status	
Enron	Bantagas	Philippines	110		PwC (administrator)	Intention to sell.	
	Dabhol	India	2,184				
	Subic Bay	Philippines	116				
	Teesside	U.K.	1875				
	Wilton	U.K.	154		Gas	Looking to refocus in Nordic region.	
	IVO Energy	Brigg	U.K.	240			
	Grangemouth***	U.K.	130	Gas			
	Edenderry	Ireland	120	Peat			
Mirant	Canal	Mass.	1,109	Gas & Oil	-	Part of \$1.6B restructuring	
	Kendall	Mass.	100	Gas & Oil			
	Martha's Vineyard	Mass.	12	Gas & Oil			
Niagara Mohawk Power	Nine Mile Point 1	N.Y.	1,614	Nuclear	N/A	Awaiting bids.	
	Nine Mile Point 2	N.Y.	1,140	Nuclear	N/A		
NRG	Gladstone Power	Australia	1,500 (37.5% stake)	Coal	ABN AMRO		
	Flinders	Australia	760	Coal			
	Loy Yang A	Australia	2,000 (25% stake)	Coal			
	Hsinchu	Taiwan	400 (60% stake)	Gas-fired			
	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil	Deutsche Bank		
	Collinsville	Australia	192 (50% stake)	Coal			
	TermoRio	Brazil	1040 (50% sake)	Gas			
	COBEE	Boliva	220 (98% stake)	Hydro/Gas			
	Itiquira Energetica	Brazil	160 (98% stake)	Hydro	-		
	Cementos Pacasmayo	Peru	66	Hydro/Oil			
	Bulo Bulo	Bolivia	90 (60% stake)	Gas-fired			
	Cahua	Peru	45	Hydro			
	Big Cajun II	La.	2,400 (90%)	Coal			
	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	-	-	
	Ghubratt	Oman	507	CHP			
	Wad Al-Jazzi	Oman	350	Gas			
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch & Scotia Capital-	Expects to sell Lennox and Lakeview shortly.	
	Lakeview	Ontario	1,140	Coal			
	Atikokan	Ontario	215	Coal			
	Thunder Bay	Ontario	310	Coal			
	Mississagi River	Ontario	490	Hydro			
Pacific Gas & Electric	68 Plants	Calif.	3,800	Hydro	Morgan Stanley	Awaiting PUC approval. Expect sale to close shortly.	
Polish Treasury	Elektroncieplownie Pozpnanskie	Poland	-	CHP	-	Bids due in June.	
Reliant Resource	Argener	Argentina	160	CHP	-	-	
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				
Wisconsin Energy	Bridgeport	Conn.	1,100 (combined)	-	-	Has put up for sale following collapse of NRG deal.	
	New Haven	Conn.	1,100 (combined)	-			

# WILLIAMS LAUNCHES

(continued from page 1)

requests related to its investigation into power trading in the western U.S. The move followed a published report that Williams tried to manipulate gas prices in California two years ago. Kelly Swan, a company spokesman, denied both charges.

The facility replaces a \$2.2 billion facility maturing July 23 and forms a key part of the company's liquidity cushion. The current liquidity position is made up of \$700 million in cash, a \$700 million term loan and the \$2.2 billion commercial paper backstop, says Swan. The renewed facility is also earmarked as a commercial paper backstop.

There are a number of positives to the deal, including the fact that the Citibank-led facility is being downsized from the current \$2.2 billion, according to bankers considering taking part. They

say there is also a feeling that Williams has a good grip on its trading operations, unlike some utilities that have headed into the merchant trading sphere. "Williams has always traded and generally people feel that Williams' finance department understands the trading operations and the cash flow," says one veteran lender.

On the flipside, Williams is looking for a term out provision and that may be a tough sell to some bank credit committees. Term outs allow a company to extend the maturity of the revolver by drawing down the credit line without going back to the banks. The precise conditions of the term out could not be determined, but in order to use that provision the covenants outline asset sales and an equity issuance that need to be executed, says one financier, declining to give details. "They have to perform to get the flexibility," he reflects. Fees on the facility could not be determined.

—Peter Thompson

## Financing Record (MAY 27 - JUNE 6)

### Bonds

Issue Date	Maturity	Issuer	Amount (\$mil)	Offer Price	Type of Security	Coupon (%)	Spread to Treasury	Moody's	S&P	Bookrunner(s)
05/30/02	06/01/05	Connectiv	250	99.823	Sr Unsecured Nts	5.3	165	Baa1	BBB	Morgan Stanley
05/30/02	-	TXU	440	50.000	PRIDES	-	-	Baa3	-	Merrill
05/31/02	02/15/08	PSEG Energy Holdings	135	99.864	Notes	8.625	428	Baa3	BBB-	Lehman
06/03/02	06/01/32	Ameren Energy Generating	275	99.628	Notes	7.950	235	Baa2	BBB+	Lehman
06/04/02	06/15/12	El Paso	500	99.575	Notes	7.875	290	Baa2	BBB	CSFB
06/04/02	06/15/32	El Paso Natural Gas	300	99.889	Notes	8.375	275	Baa1	BBB+	CSFB
06/04/02	09/11/12	Jersey Central Power 2002-1	52.5	99.935	Transition Bds	5.39	27	Aaa	AAA	Goldman
06/04/02	12/11/15	Jersey Central Power 2002-1	76.7	99.892	Transition Bds	5.81	35	Aaa	AAA	Goldman
06/04/02	06/11/19	Jersey Central Power 2002-1	101.3	99.921	Transition Bds	6.16	43	Aaa	AAA	Goldman
06/04/02	12/11/09	Jersey Central Power 2002-1	89.5	99.945	Transition Bds	4.19	14	Aaa	AAA	Goldman
06/04/02	06/01/12	Public Service Electric & Gas	600	99.803	Senior Notes	6.95	195	Baa1	BBB	JPM/SSB

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

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## IBERDROLA

(continued from page 1)

Iberdrola originally hired Madrid-based **Banco Bilbao Vizcaya Argentaria** late this spring to shop its high-voltage wires business in an attempt to free up capital to deploy elsewhere. Five companies, including Spain's dominant transmission owner **Red Eléctrica de España**, took part in the auction last month, but none of their bids reached Iberdrola's price floor for a sale, note bankers.

Bankers say BofA approached Iberdrola about securitizing the assets following the auction failure. They add BofA is currently seeking high-yield debt and equity/mezzanine tranche investors to commit capital to the deal.

While transmission assets have not been securitized in the past, they are an obvious candidate because of their stable and secure cash flow, reasons **Adrien Fourcade**, a utility debt analyst at **BNP Paribas** in London. However, he notes that regulatory risks—primarily a concern that Spain could cut transmission tariffs to levels comparable with Portugal—could spook investors. —*Will Ainger*

## AMEREN EYES

(continued from page 1)

Ameren has sidestepped the trading scandals and loss of confidence that have shaken many other U.S. power companies and as a result is relatively unusual in that its in a position to buy assets, notes **Joe Coyle**, a utilities analyst at **Edward Jones** in St. Louis. "It hasn't gotten caught up in all of the round-trip trading chaos and is generally a conservative company that has hard assets backing up its trades." Ameren has already signaled its intentions as a serious M&A player by recently agreeing to purchase Illinois utility **CILCORP** from **AES** for \$1.4 billion.

**Mark Easterbrook**, a utilities analyst at **RBC Capital Markets** in Dallas, says a sale would make sense for **Dynegy**, as it has historically chosen to focus on unregulated businesses and so might be willing to divest the regulated wires assets.

However, one Wall Street investment banker rejects this view. He argues **Dynegy** would likely resist selling Illinois Power as it is the "crown jewel" of the trader's hard assets. "The transmission and distribution business provides **Dynegy** with a steady cash flow so it's unlikely that it would want to part with it," he says.

The resignation last month of **Dynegy's** chairman and ceo, **Chuck Watson**, could also scupper any potential deal, argues **Edward Metz**, an analyst at **SNL Securities** in Charlottesville, Va. **Glenn Tilton**, **ChevronTexaco** vice chairman and a **Dynegy** director, is serving as the interim chairman and **Dan Dienstbier**, president of **Northern Natural Gas** and a **Dynegy** director, is the interim ceo. "Seeing as how there is a new man in charge, it's difficult to say what will happen. Who knows what he'll want to do with the company," **SNL's Metz** reasons. Calls to **Tilton** and

**Dienstbier** were not returned.

Ameren has a \$6.35 billion market capitalization. It serves 1.5 million electric customers and 300,000 natural gas customers in Missouri and Illinois. Illinois Power's networks serves 650,000 gas and electricity customers in a 15,000 square-mile territory across Illinois. —*Amanda Levin Arnold*

## EL PASO

(continued from page 1)

prices, lowered credit ratings and an erosion of investor confidence across the sector. In a statement e-mailed to *PFR*, El Paso spokesman **Mel Scott** said: "The EP Power Finance group was a very young business with a small group of employees that we didn't want to continue with."

"El Paso has got religion," says a recruiter in Houston who is familiar with the company. The Texas outfit has fallen back on its core natural gas business and is getting as far away as possible from speculative trading and other activities that it considers non-core, he explains. "They are jumping through every hoop the financial community puts up," he continued. El Paso recently announced a major restructuring plan to reduce its exposure to energy trading and increase its investment in its core natural gas business.

EP Power Finance's portfolio consists of several development loans, including one for a project in New York City, some venture capital investments and some operating assets, including one in California, the official notes. It could not be determined by press time whether El Paso plans to sell the portfolio.

The official notes there is strong demand for mezzanine financing now because there are a large number of assets up for sale but many of the traditional equity investors are sitting on the sidelines because of uncertainty in the wake of **Enron's** collapse and the round-trip trading scandal. —*Victor Kremer*

## Quote Of The Week

*"It remains to be seen if hedge funds will still be as committed when the equity markets take off again."* —**Brian Senior**, head of trading at **Innogy**, reflecting on hedge funds new interest in power trading (see story, page 3).

## One Year Ago In Power Finance & Risk

**Aquila** was set to make its first foray into the U.K. generation market through a joint venture with domestic IPP **Acorn Power** to build a roughly \$690 million, 800 MW plant near Southampton. [Aquila has taken full ownership of the project and has retained **Credit Lyonnais** to advise on financing. A Lyonnais banker says **Aquila** is still looking to develop the project but has not put in place a definitive financing timetable.]