# power finance & risk

The exclusive source for power financing and trading news

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## Web Exclusive

The company that runs the gas pipeline interconnector between the U.K. and the Netherlands, is considering securitizing future revenues via an asset-backed bond offering to fund pipeline acquisitions.

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

## Duo Pitches For Duke Asset Financing

**GE Energy Financial Services** and **Beal Bank** are reportedly pitching to buy the entire $150 million first-lien tranche of a B loan that's financing the acquisition of **Duke Energy**'s merchant portfolio.

*See story, page 2*





# EX-NYMEX CHIEF EMERGES AS FRONTRUNNER TO HEAD TRADING AT TXU/CSFB

***Bo Collins***

**Robert "Bo" Collins**, who recently resigned as president of the **NYMEX**, has reportedly emerged as the frontrunner to head the proposed energy trading joint venture between **TXU** and **Credit Suisse First Boston**. Prior to his three-year stint at the NYMEX, Collins was senior v.p. of natural gas trading at **El Paso Merchant Energy** in Houston. Collins could not be reached.

*(continued on page 16)*

# FIRST NEW YORK MAKES TRADING DEBUT

Big Apple investment bank **First New York Securities** has begun building a power, energy and metals trading operation and intends to expand the business to London and acquire physical assets to back the effort once it becomes established.

The push into commodities is being led by **Jeffrey Foose**, formerly head of energy trading at **PSEG,** who joined First New York this spring. He has already made several trading hires and expects more in the coming months. In recent weeks First New York has recruited **Matt Beck** and **Marcus Hancock**, two PSEG alumni who most recently

*(continued on page 16)*

# MMC, MORRIS ENERGY SEEN SWOOPING ON EL PASO MERCHANT PLANTS

A joint venture between power plant investment boutiques **MMC Energy** and **Morris Energy** is reportedly set to complete its first generation acquisitions before month-end with the purchase of three New Jersey merchant power plants from **El Paso Corp**. The deal comes almost two years after the two investment firms were formed by an assortment of IPP industry veterans and began scouring the U.S. for distressed asset

*(continued on page 16)*

<u>Tax Gravy On The Way</u>

# U.S. WIND FARM DEVELOPMENT STASIS EXPECTED TO FLIP TO FLOOD

Wind farm developers and financiers think horse trading on Capitol Hill will imminently lead to the reinstallment of the federal production tax credit, the all-important subsidy for U.S. wind farms that expired on Jan. 1 and put the kibosh on constructing new projects. On the table at the moment are two plans, one for a two-year 'extension' and the other for three years, both initiatives would be back-dated to the start of the year. When the PTCs are reactivated, a swath of projects will be fired

*(continued on page 15)*

At Press Time

## Ex-Aquila Merchant Chief Joins Boutique

**Ed Mills**, the ex-president and ceo of **Aquila Merchant Services**, has joined independent power asset management shop **Tyr Energy** to fill the new slot of executive managing director. **Brad Nordholm**, ceo of Tyr and himself a former Aquila official, says the move reflects strong growth at Tyr which over recent months has landed 3,800 MW of asset management mandates. "It positions us to continue to grow this company very rapidly," Nordholm says.

Mills will focus on day-day operations, allowing Nordholm to work more on client relationships, new business and the possible acquisition of other asset managers. Nordholm declined to specify the mandates, but they are believed to include mandates for foreclosed plants previously owned by **Exelon Generating** and also **Reliant Energy** (PFR, 5/10).

## GE, Beal Bank Vie For $150M Duke Asset Deal

**GE Energy Financial Services** and **Beal Bank** have reportedly made overtures to buy out the entire $150 million first-lien tranche of a B loan financing the acquisition of **Duke Energy**'s merchant portfolio. Both players have financed entire deals in the past, but normally by going straight to an issuer rather than through a lead bank, which gets to pocket underwriting fees. "Everybody is hungry for assets," says one financier on the rationale for the move by the two lenders. **Ken Koprowski**, a spokesman at GE, declined comment and calls to **Doug Sherman**, a staffer at Beal Bank affiliate **CSG Investments** who handles power deals, were not returned.

The LIBOR plus 400 basis point first-lien tranche is being pitched by **Credit Suisse First Boston** along with a $175 million much riskier second-lien slug priced at LIBOR plus 11.75% (PFR, 5/31). Whether either will get all the paper is open to question, reasons one CSFB alumnus. There is no real advantage to CSFB parceling all the paper out to one buyer, unless they start to bid on price. If hedge funds or active B loan investors want a piece, the investment bank is likely to give them some as these are the type of players that generate margins via secondary trading with the firm. **Pen Pendleton**, a CSFB spokesman, was unable to provide comment by press time.

Players are keen on the first-lien tranche because it is secured against the only contracted portion of the portfolio, a seven-year PPA between **Georgia Power** and the Murray plant. And with the lack of deal flow, that sort of paper is sought after. However, the second-lien tranche is much riskier because the rest of the portfolio is merchant and situated in the heavily overbuilt Southeast power market. Holders of second-lien paper will only get paid at maturity if an additional PPA can be signed, or if assets can be divested at a profit.

New York private equity shop **MatlinPatterson**, which was founded by CSFB staffers and is partly backed by the firm, is making the $475 million acquisition. The deal covers eight natural gas-fired plants with 5,325 MW of capacity in Arkansas, Georgia, Kentucky, and Mississippi.

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## Developer Eyes Project Financing For L.I. Plant

**Harbert Power** is likely to sponsor debt financing of around $80 million for a planned 79.9 MW generation facility that is set be commissioned on Long Island next summer.

**Pinelawn Power**, an offshoot of Harbert, was recently selected by the **Long Island Power Authority** as a preferred option for supplying additional generation capacity by next summer via its Babylon power station project. Financiers say a PPA still needs to be worked out and other LIPA approvals are needed, but if all proceeds according to plan, Harbert will likely tap the project debt market toward the end of this year or the beginning of 2005.

Birmingham, Ala.-based Harbert recently wrapped non-recourse financing for a 47 MW power plant in Freeport, Long Island. The plant is one of several facilities on the generation capacity constrained island whose relatively small size allows them to avoid the tortuous permit process that 100 MW and larger facilities have to go through (PFR, 6/7). That facility has a 13-year PPA with LIPA.

Pinelawn and **Calpine**'s similarly sized Bethpage project won out from a pool of 15 responses to a RFP issued by LIPA in February.

## Pike Electric Finds Takers For Acquisition Loan

**Pike Electric**, the largest electrical contractor in the Eastern U.S., has drawn in tickets of $350 million for a planned $300 million B loan that will fund the acquisition of a competitor. Financiers say the loan was floated at LIBOR plus 250 basis points, but this may tighten a little given the strong interest. The deal is sponsored by LBO shop **Lindsay Goldberg & Bessemer**, which bought Pike two years ago. It will fund the acquisition of **Red Simpson**, an Alexandria, La.-headquartered player that is the largest power line contractor in the south central U.S.

Along with the term B loan, lead arrangers **Barclays Capital** and **J.P. Morgan** are pitching a $70 million corporate revolver. The tenor of the loans could not be ascertained by press time. Commitments are due June 24 and it's possible the revolver may be downsized and the B loan increased if demand warrants it, says one banker. The aim is to close the financing by month-end.

Pike is one of the main infrastructure service players in the U.S. power sector, notes one industry official. It numbers **American Electric Power**, **Duke Energy** and **TXU** among its clients.

## Dresdner Appoints New Utility Chief

**Vittorio Perona**, managing director in **Dresdner Kleinwort Wasserstein**'s energy and utilities group in London, has been promoted to global co-head of power and utilities. The move follows the appointment of incumbent utilities chief **Mark Greenberg**, as head of U.K. corporate finance. The reorg came into effect at the beginning of this month, says a Dresdner official.

**Charles Morgan**, managing director, is the other co-head. Morgan's focus will continue to be utility sector corporate finance, while Perona will focus on M&A advisory work, says the official.

## Madrid Bank Inks Wind Farm Financing

**Caja Madrid** has sealed financing of the **Endesa**-sponsored Aldehuelas wind farm in Spain, and is presently syndicating the non-recourse term loan among several Spanish banks. **Isabelle Lopez**, a financier at Caja Madrid, says the Spanish bank acted as sole lead arranger on the EUR40 million renewable energy deal and is presently looking to sell down a portion of the loan to other banks. She declined further comment on the deal's pricing or structure or disclose details of the wind farm.

## Exelon Looks To Push Out Loan Maturities

**Exelon** is looking to seal a $1.5 billion package of corporate loan facilities by adding a new $1 billion five-year facility. "For a company like Exelon with strong relationship banks, the longer maturity market is open," says one financier. The other leg of the deal will be a three-year facility of $500 million, which effectively replaces a $750 million three-year deal inked last year, the banker adds.

Last year's iteration of the deal (PFR, 11/25) drew a healthy showing of investment banks looking to stay sweet with Exelon. One banker says investment banks are likely to be out in force for this year's deals as well. Commitments are due by July 7 on the **Bank One** and **Barclays Capital**-led deal and closing is penciled in for July 16.

The borrowers are **Exelon Corp.**, **Commonwealth Edison**, **PECO Energy** and **Exelon Generation**. Pricing is tied to the borrower, for the first two entities fully drawn pricing is 75 basis points over LIBOR, for the latter two, all-in pricing offers a 62.5 basis point margin.

## Calpine Rocky/Riverside B Loan Heads To Tighter Spread

**Calpine**'s $655 million B loan refinancing for its Rocky Mountain and Riverside projects is likely to close with spreads around the LIBOR plus 425 basis point mark, a severe haircut over the originally floated price talk of LIBOR plus 500-600 basis points. The seven-year institutional loan is refinancing a $250 million bank loan for the Rocky Mountain plant in Weld County, Colo., and a $230 million facility for the Riverside plant in Beloit, Wis. (PFR, 5/24).

One banker says the apparent spread tightening underlines B loan investors' still-strong appetite for power generation paper. He notes that he for one thought the deal might be tricky given the San Jose, Calif., company has been so active in the B market that many investors are full on the name and also because the deal will result in leverage around the 90% mark.

The new loan is expected to close imminently and some $160 million in equity from the projects will be up streamed to Calpine when it wraps. **Credit Suisse First Boston** is leading the financing.

## Energy Price Spike Casts Favorable Light On Renewables

The rising price of oil and gas combined with the pending renewal of clean energy tax breaks in Congress are for the first time making the cost of wind energy generation comparable with that of traditional fossil fuel-fired plant, say industry insiders.

Even without Federal government subsidies many renewable projects are almost economical, but they are still not quite competing with thermal generation, says **Keith Martin**, a partner at **Chadbourne & Parke** in Washington, D.C., who covers the wind sector. Martin predicts that renewables—of which wind power makes up the lion's share—will soon reach a point where they will stand on their own. With tax breaks taken into account, there are some places in the country where wind power is on par with gas, says **Phil Deutch**, managing director at **Perseus Capital**.

Far from being purely an environment-focused investment, renewable energy is fast becoming an important power source from an economics standpoint as well, says **Michael Zimmer**, partner at **Baker & McKenzie** in Washington, D.C. Growth in renewable energy is now driven by the need to bolster fuel diversity and move away from a reliance on natural gas, he says. "If it is examined in that manner, its future indeed is bright. It's a piece of the puzzle and part of the solution," says Zimmer.

But, simply comparing the economics of wind farms to gas-fired generation can create a false picture, says **Tom White**, partner at **Marathon Capital** in Bannockburn, Ill., who notes it's a case of comparing apples to oranges because wind is not a fully reliable energy source. Fossil-fired plants operate many more hours per year than a wind farm can, making wind farms a far riskier investment. Other firm sources of renewable energy—such as biomass—may be more attractive in terms of risk than wind but are not as easy to construct for utilities that need to quickly meet renewable generation quotas, says White.

## BNP Paribas Loses Head London Gas Trader

**Gavin Tait**, head of gas trading at **BNP Paribas** in London, has left the French bank, reportedly to take up a similar position at a financial institution. Market watchers say Tait left at the beginning of last week and is expected to resurface at a rival bank by the middle of next month. They add BNP has yet to appoint a successor. Tait was between posts last week and could not be reached. BNP staffers declined to comment.

Tait joined BNP less that a year back, following a four-year stint at **Aquila** in London, most recently as head of power, gas and energy convergence trading. He previously traded gas at **TXU Europe**.

## Private Equity Cautious On Renewables Front

U.S. private equity investors are looking to invest in renewable energy generation, but remain cautious about the risk of investing in new technology or exposing themselves to merchant price volatility. "Healthy skepticism leads to more clear-eyed investing," says **Phil Deutch**, managing director at **Perseus Capital** in Washington, D.C. Deutch says investors want to make sure that they are not blinded by the promise of clean energy technology without there being a solid business model in place. "What really matters is if you can build a successful business," he notes.

Deutch says private equity and venture capital firms typically get paid a percentage of the profits if a portfolio of wind farms performs well, and since investors need to be repaid before the firm can turn a profit, they can only invest in the most realistic of projects. Deutsch says some renewable energy ventures seeking capital make a pitch based on how wind energy will change the world, rather than focusing on how their plans will generate money.

Private equity investors also are focused on fully contracted assets, according to **Tom White**, managing director at **Marathon Capital** in Bannockburn, Ill., although some will consider projects that are partially contracted.

## Corporate Strategies

### ConEd Takes Down Longer-Term Debt

**Consolidated Edison Co. of New York** has tapped the bond market for $275 million allowing it to retire more expensive debt, a move that mirrors its last foray in fixed income earlier this year. The 4.7% notes due 2009 will refinance $275 million of 7.35% bonds due 2039, says **Jonathan Cho**, analyst at **Fitch Ratings** in New York. Last winter the utility issued $400 million of bonds in a two-tranche deal with coupons of 4.7% for 10-year paper and 5.7% for the 30-year notes (PFR, 2/23).

At the time of that last bond deal, **John Perkins**, director of financial administration at ConEd, told *PFR* the move was made, in part, because ConEd had recently called a $150 million series of 7 1/8% debt. He also said ConEd was likely to retire more tranches of expensive debt. Calls to Perkins last week were not returned.

The new five-year senior unsecured bonds priced at 99.991 offering a 62 basis point spread over comparable Treasuries. **HSBC Securities** and **J.P. Morgan** led the deal.

Fitch assigned an A plus rating to the bonds. "ConEd has a high capex budget, particularly for a non-generation utility," says **Ellen Lapson**, a senior analyst at Fitch. She adds this in part reflects continuing work related to the attacks on the World Trade Center. ConEd is expecting around $350 million in federal funding, but, as yet, none of this has materialized. To maintain a solid rating for the utility, its parent **Consolidated Edison Inc**. tapped the equity market for $512 million last month, Lapson says. Those funds were streamed downwards to bolster the utility.

### Westar Bond Issue Extends Refinancing Push

Kansas utility **Westar Energy** continued its refinancing push last week with a $250 million, 10-year bond offering, that was due to close last last Thursday as *PFR* went to press.

The 6% notes will refinance $125 million of 8.5% notes and $100 million of 7.65% notes due to mature in 2022 and 2023, respectively, says **Max Myer**, director of corporate finance at Westar.

Westar also recently refinanced $386 million in pollution control bonds, notes **Standard & Poor's** analyst **Barbara Eiseman**, as part of a push to lower their interest charges. Myers says Westar is refinancing debt presently to take advantage of the low interest-rate environment and reduce its debt burden. He declined to discuss future refinancing initiatives.

Westar will hang onto the $25 million balance of the $250 million issue as cash on hand, says Myers. Westar was happy with the pricing on the issue, which was underwritten by **Citigroup**, **J.P. Morgan** and **Credit Suisse First Boston**, he added.

# Assessing Wind Risk

*Financing the development of wind farms exposes lenders to many new risks, not least of which is unpredictable wind patterns.* ***Shane Bush****, director & head of renewable energy at* ***ANZ Investment Bank,*** *London / New York, discusses the most significant of these risks.*

## Introduction

Wind risk is the key uncertainty associated with the structuring of project finance debt for wind farms. Wind is a natural resource and like other natural resources, the assessment of the useful production is critical for a successful project financing. While most financiers are prepared to accept risk, the quantification of the risk is important to ensure the return or investment is acceptable.

Unlike traditional generation projects, straight power price risk may not be such an important risk for wind farms because of the structure of the markets within which wind projects operate. The vast majority of projects sell power pursuant to fixed-priced power-purchase agreements with tenors equal to or in excess of the tenor of the associated project finance debt.

Most countries that have established or growing renewable energy sectors are governed by either a government-set tariff, such as Spain and Germany, or a renewable energy portfolio standard, such as the U.K. and Italy, and an increasing number of states in the U.S., such as Texas. Therefore, offtaker credit risk and regulatory risk, rather than straight power price risk, is an important consideration when financing these projects. Power price risk could be assessed as a way of becoming comfortable with the consequences of long-term credit and regulatory risk. The other significant risk is technology, because it is the combination of the natural resource and the ability of the technology to turn that resource into useful production, which is so important.

One characteristic of wind as a natural resource, which differs from other natural resources such as oil, is that it can offer infinite supply at a given rate of production. Of course there is no proof for this, but for the purposes of project financing and equity investing where a 10- to 20-year time horizon is usually considered, this can be assumed.

Project financiers generally rely on third-party independent consultants to assess the useful production from a project that utilizes a natural resource, and wind farm developments are no exception. It is recommended that financiers devote time to understanding the work of the consultant because the interpretation of the consultant's useful production forecast and comprehensive error analysis is critical to structuring a project financing with the acceptable amount of risk.

"Unlike traditional generation projects, straight power price risk may not be such an important risk for wind farms because of the structure of the markets within which wind projects operate."

—**Shane Bush**, director & head of renewable energy

## Assessing Wind Risk

For a greenfield wind project, wind speed and direction data is gathered using anemometers on masts placed at appropriate locations and heights around the site. Wind can be seasonal and the resource may be impacted by local conditions so the more good quality on-site data that can be acquired, the better. On-site data is usually correlated with long-term wind data from a nearby meteorological station or from a reliable source such as an airport, which will typically have between five and 30 years of wind speed information. The resulting data set is extrapolated to each of the planned turbine locations, taking into account topographic effects, the differences in height between the anemometers and the turbine hubs (the centre of the blades) and other factors.

Wind speed frequency distributions are modeled and translated into energy output using information regarding the turbine's power curve. The power curve describes the energy output from a wind turbine for a given wind speed. This is where technology risk first becomes important. The ability of the turbines to convert wind to electricity depends on the power curve and the reliability of the machines over time, referred to as availability. The resulting energy output is then corrected for losses such as expected turbine availability, the proximity of other turbines, weather conditions such as ice, insect accretion, et cetera, which are determined from site-specific analysis. The result is the forecast useful production for the project. As mentioned, this is a forecast and subject to varying degrees of error.

The errors are usually assessed by the consultant and presented as a standard deviation from the forecast. The quality of the data used in the analysis is critical to the reliability of the analysis. We've all heard the expression "less than good in, less than good out," or some variation of it. It is the error analysis, which is so important for the financier. This is because structures for project financing require the risk assessment and correct calculation of probability default for the loans. This in turn ensures the credit spread is sufficient for the risk or indicates whether the project should be financed on a non-recourse basis.

It is recommended that the projected mean useful production in MWh is supplied with a standard deviation in MWh and percent and probability of exceedance in MWh over both a one-year and a 10-year period to allow effective interpretation. Wind behaves differently when assessed over different periods of time, but is generally less volatile over a longer period of time.

The sources of error and uncertainty are broadly as follows:

I Accuracy of data supplied by the project developer;

II Data-processing uncertainty, including inaccuracies in the anemometers, in correlating short-term site-specific wind data with long-term wind data from nearby meteorological stations, and in extrapolating wind data from the mast locations to the turbine locations;

III Long-term wind uncertainty i.e. the uncertainty inherent in using historical wind data as a basis for future projections;

IV Short-term wind volatility ie; the natural volatility in wind speed and direction from year-to-year.

## Quantifying wind risk

The uncertainty in a useful production forecast is described by the consultant through the standard deviation around the mean and probability of exceedance assuming a normal distribution:

| 1 year Standard Deviation | | |
|---|---|---|
| Projected Mean Output | | No. of standard deviations ("sd") |
| P50 | 50% probability of exceedance | P50 – (0 * sd) |
| P75 | 75% probability of exceedance | P50 – (0.67 * sd) |
| P90 | 90% probability of exceedance | P50 – (1.28 * sd) |
| P95 | 95% probability of exceedance | P50 – (1.64 * sd) |
| P99 | 99% probability of exceedance | P50 – (2.32 * sd) |

Ignoring all other project risks, if a project financing is structured with a P95 production level as its breakeven, there is a 5% risk of a default. If the breakeven is a P99, the probability of default is 1%. If other project risks such as financial, operating, offtaker credit and regulatory risk are included, the probability of default is likely to be higher.

Putting the risk into perspective, the international project finance market, across all sectors of the market from conventional power to mining to infrastructure to oil and gas, the typical risk rating on a **Standard & Poor's** or **Moody's Investors Service**'s scale is in the range of Baa2 (BBB) to Ba3 (BB-). It is interesting to compare the probability of default for these risk ratings, which range from 0.2% to 2%.

## Conclusions

In taking useful production risk, you are taking consultant risk and therefore a full understanding of the consultant's methodology should be obtained and a number of consultants operating in the sector should be explored to mitigate some risk. It is advantageous to the project financier and equity investor that the useful production risk for a wind power generation project is assessable, but it is important for risk assessors to understand the data and the analysis undertaken by the consultant so that it is properly incorporated in the structuring of the financing and/or investment.

Particular attention should be paid to the original data supplied by the project developer to the consultant, the quality and amount of on-site data collected, and the quality of the correlation. The better all these areas are covered, the lower the risk.

Used properly the useful-production analysis can result in a higher degree of understanding of the risk than in most other sectors, enabling financing structures to be created with more confidence.

Most banks are becoming more sophisticated in their risk analysis, especially in the era of Basle II. Those attempting to syndicate transactions and looking to fund will increasingly be looking at shadow rating transactions. The risk/reward profile resulting from this analysis will, therefore, become very important in delivering a successful project financing and/or investment.

## ANZ's Renewable Energy Finance Team

During the last two years ANZ has arranged project financing for over 700 MW of wind energy, representing an investment of approximately $800 million. Additionally ANZ has advised on in excess of 500 MW of projects.

*Shane Bush can be reached at bushs@anz.com*

# Generation Auction & Sale Calendar

*Following is a directory of ongoing generation asset sales. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes in the status of a sale, please call **Will Ainger**, managing editor, at (44-20) 7303-1735 or e-mail wainger@euromoneyplc.com.*

| Seller | Plants | Location | MW | Plant Type | Advisor | Status |
|---|---|---|---|---|---|---|
| AEP | Fiddler's Ferry | U.K. | 2,000 | Coal | Lexicon | Intention to sell. |
| | Ferry Bridge | U.K. | 2,000 | Coal | Lexicon | |
| | El Bajio | Mexico | 600 (50%) | Gas | WestLB | |
| AES | Wolf Hollow | Texas | 730 | Gas | N/A | Ongoing. |
| | Granite Ridge | N.H. | 720 | Gas | | |
| | Termomamonal | Colombia | 90 | Gas | | |
| | Ottana | Italy | 140 | Gas | None | Ongoing |
| AES Fifoots Point | Fifoots Point | U.K. | 363 | Coal | KPMG (Administrator) | Looking to sell plant. |
| Allegheny Energy Supply | Armstrong | Penn. | 356 | Coal | J.P. Morgan | Ongoing. |
| | Hatfield | Penn. | 1,600 (75%) | Coal | Citibank | |
| | Mitchell | Penn. | 442 | Coal | J.P. Morgan | |
| BP | Great Yarmouth | U.K. | 400 | Gas | J.P. Morgan | Intention to sell. |
| Black Hills Energy | Pepperell | Mass. | 40 | Gas | - | Intention to sell. |
| CenterPointEnergy | Texas Genco portfolio (12 plants) | Texas | 14,175 | Variety | - | Reliant has passed up option to purchase portfolio. |
| CMS Energy | Ensenada | Argentina | 128 | Gas | Not chosen | Announced intention to sell. |
| | CT Mendoza | Argentina | 520 | Gas | J.P. Morgan | |
| | El Chocon | Argentina | 1,320 | Hydro | J.P. Morgan | |
| Citi-led bank group (NEG developed plants) | Lake Road | Conn. | 840 | Gas | Lehman Bros. | Seperate auction for each plant. |
| | La Paloma | Calif. | 1,121 | Gas | Lehman Bros. | |
| ConocoPhilips | Ingleside | Texas | 440 (50%) | Gas | None | Looking to sell stake by June. |
| Damhead Power | Damhead | U.K. | 800 | Gas | E&Y | Banks looking To divest ownership. |
| Delta Power | Lowell Power | Mass. | 82 | Gas | None | Actively pursuing a sale. |
| Duke Energy North America | Hot Spring Energy Facility | Ark. | 620 | Gas | CSFB | Has agreed sale with MatlinPatterson. |
| | Murray Energy | Ga. | 1,240 | Gas | | |
| | Sandersville Energy | Ga. | 640 | Gas | | |
| | Marshall Energy | Kty. | 640 | Gas/oil | | |
| | Hinds Energy Facility | Miss. | 520 | Gas | | |
| | Southhaven Energy | Miss. | 640 | Gas | | |
| | Enterprise Energy | Miss. | 640 | Gas | | |
| | New Albany Energy | Miss. | 385 | Gas | | |
| | Lee Energy | Ill. | 640 | Gas | J.P. Morgan | - |
| | Bridgeport Energy | Conn. | 480 (67%) | Gas | | |
| | Grays Harbor (in construction) | Wash. | 650 | Gas | | |
| | Deming Energy (in construction) | N.M. | 570 | Gas | | |
| | Moapa Energy | Nev. | 1,200 | Gas | | |
| | Griffith Energy (50%) | Ariz. | 600 | Gas | | |
| | Maine Independence | Maine | 520 | Gas | | |

# Generation Auction & Sale Calendar (cont'd)

| Seller | Plants | Location | MW | Plant Type | Advisor | Status |
|---|---|---|---|---|---|---|
| Dynegy | Oyster Creek | Texas | 424 (50%) | Gas | N/A | Ongoing. |
| | Hartwell | Ga. | 300 (50%) | Gas | | |
| | Michigan Power | Mich. | 123 (50%) | Gas | | |
| | Commonwealth | Va. | 340 (50%) | Gas | | |
| El Paso Europe | Enfield | U.K. | 396 (25%) | Gas | No Advisor | Looking to exit Europe. |
| | EMA Power | Hungary | 70 | Coal | | |
| | Kladna | Czech Rep. | 350 | Coal | | |
| El Paso North America | Bayonne | N.J. | 186 | Gas | | Final bids due. |
| (Merchant assets) | Berkshire | Mass. | 261 (56.41%) | Gas | | |
| | Camden | N.J. | 149 | Gas | | |
| | CDECCA | Conn. | 62 | Gas | | |
| | Eagle Point | N.J. | 233 | Gas | | |
| | Fulton | N.Y. | 45 | Gas | | |
| | Milford | Conn. | 540 (45%) | Gas | | |
| | Newark Bay | N.J. | 147 | Gas | | |
| | Pawtucket | R.I. | 67 | Gas | | |
| | Rensselaer | N.Y. | 79 | Gas | | |
| | San Joaquin | Calif | 48 | Gas | | |
| El Paso North America | Midland Cogen | Miss. | 1,500 (44%) | Gas | Citigroup | Set to sell majority of QF portfolio to AIG. |
| (Contracted assets) | Prime | N.J. | 66 (50%) | Gas | | |
| Edison Mission Energy | Derwent | U.K. | 214 (33%) | Gas | CSFB/Lehman | Has received initial non-binding bids. |
| | Dinorwig | U.K. | 1,728 | Pumped-storage | | |
| | Ffestiniog | U.K. | 360 | Pumped-storage | | |
| | ISAB Energy | Italy | 512 (50%) | Waste | | |
| | ICPV4 | Italy | 312 (50%) | Wind | | |
| | Spanish Hydro | Spain | 86 | Hydro | | |
| | Doga Energy | Turkey | 180 (80%) | Gas | | |
| | CBK | Philipinnes | 728 (50%) | Pumped-storage | | |
| | Clyde | N.Z. | 432 (51% | Hydro | | |
| | Kwinana | Australia | 116 (70%) | Gas | | |
| | Loy Yang B | Australia | 1,000 | Gas | | |
| | New Plymouth | N.Z. | 464 (51%) | Gas | | |
| | Oakey | Australia | 300 (12%) | Gas | | |
| | Ohaaki | N.Z. | 104 (51%) | Gas | | |
| | Otahuhu A | N.Z. | 45 (51%) | Gas | | |
| | Otahuhu B | N.Z. | 372 (51%) | Gas | | |
| | Poihipi | N.Z. | 55 (51%) | Steam | | |
| | Roxburgh | N.Z. | 320 (51%) | Hydro | | |
| | Te Rapa | N.Z. | 45 (51%) | Gas | | |
| | Valley Power | Australia | 300 (60%) | Gas | | |
| | Wairekei | N.Z. | 165 (51%) | Steam | | |
| | Paiton | Indonesia | 1,230 (40%) | Coal | | |
| | Tri Energy | Thailand | 700 (25%) | Gas | | |
| Endesa | Conatillor | Chile | 172 | Hydro | N/A | Ongoing. |
| EnCana | Cavalier | Alberta | 106 | Gas | HSBC | Launched sale in April. Looking to |
| | Balzac | Alberta | 106 | Gas | HSBC | exit generation business. |
| | Kingston | Ontario | 110 (25%) | Gas | HSBC | |
| Energy Investors Fund | Multitrade | Va. | 79.5 (60%) | Biomass | None | Intention to sell. |
| | Crockett | Calif. | 240 (24%) | Gas | None | |
| Entergy Asset Management | Crete | Ill. | 320 | Gas | Deutsche Bank | ArcLight is set to acquire Entergy's 50% stake. |
| | Robert Ritchie | Ark. | 544 | Gas/oil | | Launched sale in September. |
| | Warren Power | Miss. | 314 | Gas | | |

# Generation Auction & Sale Calendar (cont'd)

| Seller | Plants | Location | MW | Plant Type | Advisor | Status |
|---|---|---|---|---|---|---|
| | Top of Iowa | Iowa | 80 | Wind | | |
| | RS Cogen | La. | 425 (49%) | CHP | | |
| | Roy S. Nelson | La. | 550 (20%) | Coal | | |
| | Harrison County | Texas | 550 (70%) | Gas | | |
| | Independence | Ark. | 842 (15%) | Coal | | |
| Ernst & Young Corporate Finance (representing secured creditors) | Bear Swamp | Mass. | 599 | Hydro | E&Y | Exploring sale. |
| Exelon | Mystic 8 | Mass. | 800 | Gas | Lehman Bros. | Has shortlisted bidders. |
| | Mystic 9 | Mass. | 800 | Gas | | |
| | Fore River | Mass. | 800 | Gas | | |
| Fife Power | Fife | U.K. | 115 | Coal | E&Y (Administrator) | El Paso placed plant in administration. |
| HSBC-led creditor group | Attala | Miss. | 526 | Gas | HSBC | Ongoing. |
| InterGen | El Bajio | Mexico | 600 (50%) | Gas | No Advisor | Ongoing. |
| Killingholme Power | Killingholme B | U.K. | 800 | Gas | N/A | Banks looking to divest ownership. |
| LG&E Power | Roanoke Valley | N.C. | 178 (50%) | Coal | N/A | Ongoing. |
| | Gregory Power | Texas | 550 (50%) | Gas | | |
| | Palm Springs | Calif. | 42 (50%) | Wind | | |
| | Tyler | Minn. | 27 (50%) | Wind | | |
| | Van Horn | Texas | 41 (33%) | Wind | N/A | Sent out RFP in April. |
| | Tarifa | Spain | 30 (46%) | Wind | | |
| Mirant | Kendall | Mass. | 270 | Oil | CSFB | Ongoing. |
| | Shady Hills | Fla. | 474 | Gas | BofA | |
| | West Georgia | Ga. | 640 | Gas | | |
| | Bosque County | Texas | 538 | Gas | | |
| | Wichita Falls | Texas | 77 | Gas | | |
| Morrow Power | Boardman | Ore. | 28 | Gas | Marathon Capital | Looking to select bidder by June. |
| National Energy Gas & Transmission | Cedar Bay | Fla. | 258 (64%) | Coal | Lazard | Ongoing. |
| | Panther Creek | Penn. | 80 (55%) | Coal | | |
| | Logan | N.J. | 226 (50%) | Coal | | |
| | Northampton | Penn. | 110 (50%) | Coal | | |
| | Indiantown | Fla. | 330 (51%) | Coal | | |
| | Carneys Point | N.J. | 245 (51%) | Coal | | |
| | Selkirk | N.Y. | 345 (42%) | Gas | | |
| | Altresco Pittsfield | Mass. | 173 (89%) | Gas | | |
| | Masspower | Mass. | 267 (13%) | Gas | | |
| | Scrubgrass | Penn. | 87 (51%) | Coal | | |
| | Colstrip Energy | Mont. | 40 (17%) | Coal | | |
| | Hermiston | Ore. | 474 (25%) | Gas | | |
| | Salem Harbor | Mass. | 745 | Coal & Oil | | |
| | Pittsfield | Mass. | 173 | Gas | | |
| | Brayton Point Station | Mass. | 1,599 | Coal | | |
| | Manchester Street Station | R.I. | 495 | Gas | | |
| Nations Energy | Bayport | Texas | 80 | N/A | | Considering liquiditing the company. |
| | Mungo Junction | Ohio | 32 | | | |
| | Southbridge | Mass. | 7 | | | |
| Oman (Ministry of Housing, Electricity & Water) | Rusail | Oman | 730 | Gas | CSFB | - |
| | Ghubratt | Oman | 507 | CHP | | |
| | Wad AlJazzi | Oman | 350 | Gas | | |

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

| Seller | Plants | Location | MW | Plant Type | Advisor | Status |
|---|---|---|---|---|---|---|
| Reliant Energy | Carr Street | N.Y. | 95 | Oil | Goldman | Ongoing. |
| | Astoria | N.Y. | 1,276 | Gas | | |
| | Gowanus | N.Y. | 549 | Gas | | |
| | Narrows | N.Y. | 281 | Gas | | |
| SG-led bank group | Athens | N.Y. | 1,080 | Gas | Blackstone | Assessing bids. |
| (NEG developed plants) | Covert | Mich. | 1,170 | Gas | | |
| | Harquahala | Ariz. | 1,092 | Gas | | |
| | Millennium | Mass. | 360 | Gas | | |
| STEAG | Iskenderun | Turkey | 1,320 | Gas | Morgan Stanley | Ongoing. |
| | Termopaipa IV | Philippines | 185 | Gas | | |
| TECO Energy | Gila River Power Station | Ariz. | 2,300 | Gas | N/A | Considering exiting the merchant energy business. |
| | Odessa Power Station | Texas | 1,000 | Gas | | |
| | Guadalupe Power Station | Texas | 1,000 | Gas | | |
| | Frontera Power Station | Texas | 477 | Gas | | |
| | Dell Power Station | Ark. | 540 | Gas | | |
| | Union Power Station | Ark. | 2,200 | Gas | | |
| | McAdams Power Station | La. | 599 | Gas | | |
| | Commonwealth Chesapeake | Va. | 315 | Gas | | |
| Tractebel North America | Chehalis | Wash. | 520 | Gas | N/A | Looking to sell or swap. |
| United Utilities | Landfill Generation Portolio | U.K. | 50 MW | Landfill | RBC Capital Markets | Set to launch sale in May. |

# 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.*

## Asia & Australasia

• India's second largest power producer, **Tata Power**, has won the country's first power trading license, allowing it to trade the excess power of state electricity boards, captive power plants and other generating utilities (*Bloomberg*, 6/14).

• New Zealand's largest electricity distributor, **Vector Ltd.**, is considering selling as much as $329 million of shares to expand its telecommunications business or to invest in Australia (*Bloomberg*, 6/15).

## Europe & Middle East

• **Centrica** has won an electricity contract from **BT** worth hundreds of millions of pounds. BT previously bought all its power, up to GBP200 million a year, from **RWE** unit **NPower**, but Centrica will supply part of it for the next three years (*Daily Mail*, 6/15).

• European gas and electricity prices are set to rise with the introduction of a Europe-wide emissions trading scheme, a survey of electricity generators says. A survey of 200 generating companies by Ernst & Young consultants suggested that gas prices could rise by 20% over the next two years as a result of the new scheme. Wholesale electricity prices are expected to rise by 15% (*The Times*, 6/17).

• Madrid-based utility **Endesa** has acquired an additional 34% stake in **Endesa Italia** from **Santander Central Hispano**. The EUR817 million purchase augments Endesa's previous 51% stake in the Italian utility (*Bloomberg*, 6/17).

• **Vattenfall Europe**, a unit of Swedish utility **Vattenfall**, said it expects to return to profit in 2004 after integrating four regional units and cutting costs to help save EUR550 million. Vattenfall Europe is considering building power plants in Saxony and Hamburg to help boost revenue and is cutting 5,000 jobs to trim costs (*Bloomberg*, 6/17).

• **British Energy**, fighting to avoid bankruptcy, posted a profit last year due to rising electricity prices. The company returned a profit of GBP234 million in the year ending March 31 (*Bloomberg*, 6/17).

## U.S. & Canada

• The **Snohomish County Public Utility District** in Everett, Wash., says it has uncovered more evidence that **Enron** manipulated electricity prices. The utility says it has tape recordings of energy traders that prove they used various schemes to create the appearance of shortages to justify hikes in short-term rates. The utility is asking the **Federal Regulatory Commission** to open a new investigation of Enron and it also wants relief from Enron's $122 million lawsuit against the utility for canceling a 2001 contract (*AP*, 6/14).

• **Allegheny Energy** expects to return to the 30% equity ratio required by the U.S. Public Utility Holding Company Act by the end of next year. CFO **Jeffrey Serkes** said Allegheny is considering issuing $150 million of equity at year-end and another $150 million by the end of next year to reach that goal. The utility has a 22% equity ratio (*Dow Jones*, 6/14).

• Two **Chubb Corp.** insurance units are seeking a temporary restraining order to stop **Aquila** from repaying debt using the proceeds from the sale of Canadian operations. Last month Aquila completed the sale of its Canadian utility operations to **Fortis**. Chubb has $550 million of gas forward purchase surety bonds with Aquila, according to an 8-K filing (*Dow Jones*, 6/11).

• **Westar Energy**, the largest electric utility in Kansas, will sell $250 million in 10-year notes. **Citigroup**, **J.P. Morgan** and **Credit Suisse First Boston** are managing the sale. The offering is rated Ba1 by **Moody's Investors Service** and BBB- by **Standard and Poor's** and will be used to pay debt and for general corporate purposes (*Bloomberg*, 6/14).

• Massachusetts Attorney General **Thomas Reilly** is challenging Governor **Mitt Romney**'s plan for an $85 million ratepayer-funded environmental bailout of the Salem Harbor power plant, calling it unfair to customers of **Massachusetts Electric Co.**, **NStar Electric**, and other utilities. The plant is owned by **PG&E's** former IPP **National Energy Gas & Transmission Group**. Reilly said federal regulators should wait to see whether high-voltage transmission-line upgrades now underway make it unnecessary to operate the 53-year-old Salem facility (*The Boston Globe*, 6/15).

• The U.S. House of Representatives has passed a Republican-backed energy policy bill that provides tax breaks for oil and natural gas producers and shields makers of the gasoline additive MBTE from product liability laws. The House postponed a vote on a measure that would allow the administration to waive clean air rules for gasoline during shortages (*Bloomberg*, 6/15).

• California Attorney General **Bill Lockyer** says federal regulators are heaping insult upon injury by demanding the state pay **Enron** and other energy players almost $270 million in refunds. In a motion filed with the **Federal Energy Regulatory Commission**, Lockyer said the refunds would reward "the sellers a second time for their market manipulation activities and predatory pricing." A May order says state buyers bought power at the high market price in 2001, then resold it at the state's cost. Some of the power sold into the ISO market was bought by other energy companies, such as Houston-based Enron. Those are the sales subject to the refund order (*AP*, 6/16).

• **Progress Energy** plans to sell a combined 49.8% interest in one of its synthetic fuel operations, **Colona Synfuel** through two transactions. The sale of the stake in the **Progress Fuels Corp.** unit will add incremental pretax income of $15 million to $20 million a year. Progress Energy subsidiaries will continue to operate the facilities and market the output on behalf of the partners (*Dow Jones*, 6/16).

• **MatlinPatterson** has received antitrust clearance from the **Federal Trade Commission** to acquire **Duke Energy**'s merchant power plants in the southeast. The Federal agency said it granted early termination of the waiting period required under the Hart-Scott-Rodino Antitrust Improvements Act on Monday (*Dow Jones*, 6/16).

• **We Energies** has asked Milwaukee regulators for permission to sell $490 million in bonds to pay for environmental cleanups at the company's operations in Oak Creek, Pleasant Prairie and Port Washington. The action would add about 2.2% to the cost of a monthly residential electric and 0.7% to the cost of an annual gas bill (*Milwaukee Journal Sentinel*, 6/15).

• **Duke Energy** is receptive to forming partnerships with financial institutions to bolster its energy and power trading operations, according to **David Hauser**, cfo. Bulge bracket firms **Morgan Stanley** and **Goldman Sachs** have stepped up energy trading recently and **TXU Corp.** has joined forces with **Credit Suisse First Boston** for a trading venture (*Dow Jones*, 6/14).

• A federal judge has ordered that ex-Enron CEO **Jeff Skilling** should receive what could amount to be about $1 million in annual interest from some of the $66 million in assets frozen by the U.S. Justice Department when he was indicted. The order , just made public, gives Skilling some 50% of the interest income from the bulk of his frozen assets. As part of the agreement that led to the order, Skilling will abandon his appeal of a decision upholding the government freeze of about $55 million in liquid assets, Skilling's River Oaks home and a Dallas condominium (*Houston Chronicle*, 6/15).

• **Williams Cos.** may expand its Transco gas pipeline system to meet rising demand for gas in the U.S. Northeast. The increased capacity would be between a storage and pipeline hub in Leidy, Pa., to New York and New Jersey. The company is beginning a 30-day open season to gauge demand from shippers for the project, which will costs around $180 million (*Houston Chronicle*, 6/15).

• A federal appellate court has upheld a two-year-old jury conviction of accounting firm **Arthur Andersen** for obstruction of justice related to its client **Enron**. In October 2002, Andersen received the maximum punishment of a $500,000 fine and five years' probation. Once a huge firm with 28,000 employees in the U.S. alone, Andersen now numbers about 250 people, most of them dealing with litigation and running a training center outside Chicago (*Houston Chronicle*, 6/17).

• **Avista Corp.** may have more power than it needs this summer. The Eastern Washington State utility started buying power elsewhere when forecasts indicated the spring would be dry in addition to the fact the snowpack which drives its hydro assets was below average. Rains in May and so far in June, however, have kept stream flows higher than projected for June (*Dow Jones*, 6/16).

# U.S. WIND

*(continued from page 1)*

up again. "The start-and-stop nature of the legislation tends to cause a peak and trough in development," says **Jay Godfrey**, director at **AEP Wind Energy**, a unit of **American Electric Power**.

PTCs apply to renewable energy sources, which accrue at the rate of $0.018 per KWh, and are seen as crucial because they fundamentally sweeten the economics of wind generation. An extension of between two and three years would allow farms supplying juice to the grid within the time window to use PTCs against other taxable revenues for 10 years. **Jan Paulin**, a veteran of the sector, who also heads San Diego green energy outfit **Padoma Wind Power**, says Capitol Hill staffers put the tab for that tax allowance at between $18-19 billion. With both the House and Senate now in agreement on a PTC extension in some form, the two proposals are expected to be reconciled and may be passed next month. "Everyone is [reckoning] on an extension and that looks like a good bet at the moment," says Paulin.

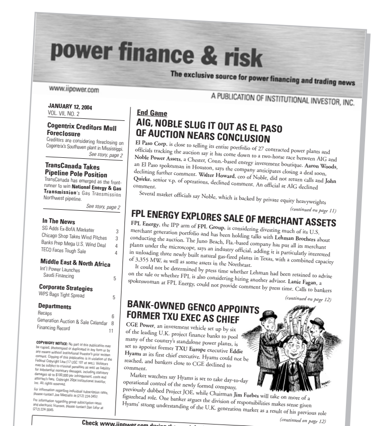
With the expiration of the PTC, developers have been continuing with low cost permitting, but avoiding any large capital investment. Officials say it's difficult to quantify how many projects will be reignited, but they are expecting a flurry of activity. AEP's Godfrey notes his company has recently stopped worked on a wind project, but will re-fire the initiative when the tax situation is resolved. He declined to identify the project, but says it is around the 100 MW mark.

One of the headline projects that also will likely be put back on the frontburner is **MidAmerican Energy**'s 310 MW wind farm development in northwest or north-central Iowa. That facility is slated to be the largest single wind farm in the U.S.

On the financing front, bankers say it'll take a while for the PTC extension to feed through. "It's pretty much dead for this year. It takes at least six months for ordering and sorting out turbines," says **Andrew Mathews**, head of project finance at **HypoVereinsbank** in New York. He envisages deal flows moving up toward the top of the cycle average of 2-3 GW next year, against the few hundred likely to be chalked up this year.

*—Peter Thompson*





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**Cogentrix Creditors Mull Foreclosure**
Creditors are considering foreclosing on Cogentrix's Southaven plant in Mississippi.
*See story, page 2*

**TransCanada Takes Pipeline Pole Position**
TransCanada has emerged as the front-runner to win **National Energy & Gas Transmission**'s Gas Transmission Northwest pipeline.
*See story, page 2*

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End Game

**AIG, NOBLE SLUG IT OUT AS EL PASO QF AUCTION NEARS CONCLUSION**

**El Paso Corp.** is close to selling its entire portfolio of 27 contracted power plants and officials tracking the auction say it has come down to a two-horse race between AIG and **Noble Power Assets**, a Chester, Conn.-based energy investment boutique. **Aaron Woods**, an El Paso spokesman in Houston, says the company anticipates closing a deal soon, declining further comment. **Walter Howard**, ceo of Noble, did not return calls and **John Quirke**, senior v.p. of operations, declined comment. An official at AIG declined comment.

Several market officials say Noble, which is backed by private equity heavyweights

*(continued on page 11)*

**FPL ENERGY EXPLORES SALE OF MERCHANT ASSETS**

**FPL Energy**, the IPP arm of **FPL Group**, is considering divesting much of its U.S. merchant generation portfolio and has been holding talks with **Lehman Brothers** about conducting the auction. The Juno Beach, Fla.-based company has put all its merchant plants under the microscope, says an industry official, adding it is particularly interested in unloading three newly built natural gas-fired plants in Texas, with a combined capacity of 3,355 MW, as well as some assets in the Northeast.

It could not be determined by press time whether Lehman had been retained to advise on the sale or whether FPL is also considering hiring another advisor. **Lanie Fagan**, a spokeswoman at FPL Energy, could not provide comment by press time. Calls to bankers

*(continued on page 12)*

**BANK-OWNED GENCO APPOINTS FORMER TXU EXEC AS CHIEF**

**CGE Power**, an investment vehicle set up by six of the leading U.K. project finance banks to pool many of the country's standalone power plants, is set to appoint former **TXU Europe** executive **Eddie Hyams** as its first chief executive. Hyams could not be reached, and bankers close to CGE declined to comment.

Market watchers say Hyams is set to take day-to-day operational control of the newly formed company, previously dubbed Project JOE, while Chairman **Jim Forbes** will take on more of a figurehead role. One banker argues the division of responsibilities makes sense given Hyams' strong understanding of the U.K. generation market as a result of his previous role

*(continued on page 12)*

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

## FIRST NEW

*(continued from page 1)*

traded energy for **TXU**, **Fred DiMaria**, also formerly with PSEG, and **Charlie Katz**, another TXU trader, says Foose, managing director. Foose will focus on trading power, Beck trades crude oil, Hancock, metals and DiMaria, natural gas. Foose has also hired PSEG's **Lee Higgins** to trade correlated energy equities, a position that will allow the firm to exploit the arbitrage opportunities between commodities and the capital markets.

First New York is planning three additional power trading hires within the next month, and may make additional appointments dependent on market conditions and the availability of talent. "This market is rife with available, experienced traders," Foose notes.

Foose describes the operation as similar in nature to a hedge fund, but with the back office support of a larger entity. He notes he had already received financial backing to launch a hedge fund, when the opportunity arrived to build the business within the infrastructure provided by First New York.

Acquiring physical energy assets is a key part of First New York's long-term strategy, says Foose, although the current focus is on building the trading operation, which encompasses proprietary trading as well as client business. He estimates that First New York may begin acquiring physical energy assets in about six months.

Initially, First New York will trade the domestic energy markets and will be looking to grow the business as it sees opportunities in the post-**Enron**, fragmented market, says Foose. It is looking to trade energy out of London and intends to have a London-based Brent crude trader in place by August and ultimately expects to trade power out of London as well. Foose is interviewing for the Brent position now.

## MMC, MORRIS

*(continued from page 1)*

investment opportunities.

MMC and Morris are thought to have formed a special-purpose entity, **Newmarket Power**, that on June 11 signed a private sales agreement with El Paso to acquire Bayonne (171 MW), Camden (150 MW) and Newark Bay (123 MW), three gas-fired merchant plants that came on line in 1988, 1993 and 1993, respectively. **Citibank** has been shopping the facilities along with six other El Paso merchant plants for the better part of two years. The transaction is slated to close this Friday, according to one market watcher. **Dennis Clarke**, a founding partner at Morris in Morristown, N.J., declined to comment. Calls to **Karl Miller**, president and coo of MMC in New York, went unreturned.

The likely closure of the deal provides further evidence that the once wide gulf between buyers' and sellers' valuations of merchant power plants in the U.S. has narrowed markedly, with sellers now accepting that they will have to take a sizeable write down on their books. Last month, for example, **Duke Energy** sold a portfolio of eight mostly merchant plants to **MaitlinPatterson**. Analysts said that deal seemed to value the merchant portion of the portfolio at close to zero.

One market watcher predicts that the three El Paso assets will be sold for little more than $20 million, again reflecting the lack of value tied up in merchant plants situated in oversupplied power markets. He notes that Newark Bay, a cogeneration facility, has not dispatched a single hour of power to the grid this year. A Citibank information memorandum published last summer says the plant ran at a 16% capacity in 2002. Calls to Citi and El Paso were unreturned.

## EX-NYMEX

*(continued from page 1)*

**Carol Peters**, a TXU spokeswoman, says a chief executive has not yet been named to run the joint venture, which is known internally as 'trade co.' She declined to confirm or deny that Collins is in the running, adding that the JV is expected to start operations in the late summer/early fall. Calls to CSFB were not returned.

***—Victor Kremer***

### Quote Of The Week

*"This market is rife with available, experienced traders."*—**Jeffrey Foose**, *head of commodities at* ***First New York Securities****, commenting on the bank's desire to build an energy trading business (see story, page 1).*

### One Year Ago In Power Finance & Risk

**Cargill**, along with investment partner **ArcLight Capital Partner**s, had agreed to buy a 633 MW gas-fired merchant power plant in Brazos Valley, Texas, from a group of bank lenders for $50 million in equity and $150 million in re-structured non-recourse debt. [The deal reportedley fell through after Cargill and ArcLight attempted to renegotiate the price of the sale, and the bank group lost patience (PFR, 9/29). **Calpine** agreed to buy the plant for $175 million, which some described as a clever move to defer tax liabilities and avoid paying down expensive debt at a premium to par (PFR, 2/29/04).]

 