

# power finance & risk

The exclusive source for power financing and trading news

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A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

JUNE 23, 2003

VOL. VI, NO. 25

## Web Exclusive

**Entergy-Koch Trading Europe**, one of Europe's largest power trading operations, last Wednesday released President **Uday Narang**.

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

## LG&E Readies Asset Sale Auction

**LG&E Energy** has set a mid-July deadline for receiving bids on a handful of mainly U.S. power plants it wants to sell

*See story, page 3*

## London Honcho Exits AIG

**Matthew Scrimshaw**, a recent hire at **AIG Energy's** newly minted London operation, left the firm earlier this month.

*See story, page 2*

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## CARGILL SET TO ACQUIRE TEXAS MERCHANT PLANT

Cargill, the largest privately owned company in the U.S., has agreed to buy a 633 MW gas-fired merchant power plant in Texas from a group of bank lenders. In its first foray into generation ownership, Cargill is injecting \$50 million in equity to take control of the Brazos Valley project and banks are attaching \$150 million in re-structured non-recourse debt, says one financier.

Aside from being a first for the commodity, agriculture and



*(continued on page 11)*

## CITIGROUP SEEN ESTABLISHING POWER TRADING DESK

Citigroup is looking to set up a U.S. electricity trading desk in New York and will shortly apply to the Federal Energy Regulatory Commission and The Office of the Comptroller of the Currency for regulatory approval, says a Citi official. He notes the New York-based banking leviathan already has begun putting in place the infrastructure to trade power and hopes to launch the business by year-end. **David Becker**, head of commodities, is leading the effort, notes the Citi official. Becker declined to comment.

*(continued on page 12)*

## KKR SETS SIGHTS ON GENERATION MARKET

New York-based private equity giant **Kohlberg Kravis Roberts** is looking to wade deeper into the electricity market with the acquisition of power plants now on its shopping list. The plans follow its purchase of **DTE Energy's** transmission grid for \$610 million earlier this year.

KKR partner **Scott Stuart** told delegates at a **Deutsche Bank**-sponsored luncheon earlier this month that the New York fund wants to buy contracted power plants and team up with an incumbent power company to make the push. He compared the strategy

*(continued on page 12)*

## AIG HIGHSTAR & DTE REPORTEDLY TEAM UP FOR NRG ASSETS

AIG's infrastructure and energy fund **AIG Highstar Capital** reportedly has teamed up with Detroit-based **DTE Energy** to buy four power plants in the Deep South from **Xcel Energy's** bankrupt IPP arm **NRG Energy**. A Wall Street banker says DTE will bankroll the deal with \$200 million in equity and assume some \$750 million in project level debt and AIG will provide \$200 million in subordinate financing.

*(continued on page 12)*

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

## FPL Revolver Commitments Top \$1B

Some 30 lenders have signed up to offer a total of \$1 billion in the syndication of a \$400 million non-recourse facility that **FPL Energy** will use to finance natural gas-fired plants in Pennsylvania and Alabama. The deal, which is being viewed as an acid test of commitment to the power project finance market, got off to a strong start earlier this month (PFR, 6/9). The deal has a debt-to-equity ratio of 44/56.

Lead arrangers **Bank of Nova Scotia** and **Royal Bank of Scotland** were shaving back allocations last Friday as *PFR* went to press, according to market officials. The target close for the deal is June 27. Officials at Scotia and RBS did not return calls.

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).

## AIG Departure Signals London Wind Down

**Matthew Scrimshaw**, head of AIG Energy's European operation, left the firm earlier this month, a move that many market watchers believe heralds a dismantling of the firm's nascent London-based power operation. Calls to Scrimshaw and AIG spokeswoman **Beth Cutler** were not returned.

Scrimshaw's departure follows fast on the heels of the resignation of his direct superior, **Tony Gordon**, managing director and head of Stamford, Conn.-based AIG Energy. Gordon left following the merger of AIG Energy into **AIG Financial Products** (PFR, 6/2).

AIG FP will continue to press ahead with plans to acquire

or restructure U.S. generation assets, say market watchers, but they add it has nixed plans to develop the business in Europe.

Since joining AIG in March Scrimshaw had hired two former **Enron Europe** veterans, **Harry Tefoglou** and **John Oliver**. It is unclear if they are remaining at the firm. Neither official returned calls.

## Edison To Draw Down Debt Ahead Of Restructuring Talks

**Edison International** has signaled to lenders it will draw down the unused portion of a \$275 million 364-day revolver that matures in September. Some \$80 million has already been drawn on the facility, according to a financier. The move looks like a tactic to strengthen Edison's hand ahead of a \$911 million loan at **Edison Mission Midwest Holdings** that comes due in December (PFR, 6/9), he adds. By drawing the loan, Edison reduces the possibility that its bank lenders curtail the credit at short notice, he explains. The identity of the lead banks could not be determined by press time. Calls to Edison were not returned.

What happens to the \$275 million facility may give some clues as to what will happen with the \$911 million deal, according to a recent research note from **Lehman Brothers**. Lehman analysts say there is substantial lender overlap in the two deals.

Edison has hired **Credit Suisse First Boston** as financial advisor for the restructuring. It has also served notice in filings that the \$911 million loan will have to be extended or refinanced, because Edison Mission Midwest is not expected to have sufficient cash to pay down the debt.

## power finance & risk

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## LG&E Sets Asset Sale Deadlines

LG&E Power Inc. (LPI), the unregulated generation arm of E.ON's LG&E Energy, has set a July 18 deadline for receiving bids on a portfolio of mainly U.S. generation assets that it's looking to divest, and hopes to execute a sale by the end of September, according to one official involved in the auction.

The package includes LPI's 50% ownership in the 550 MW Gregory Power plant in Gregory, Texas, as well as wind and coal-fired facilities in North Carolina, California and Spain. Calls to **Doug Bennett**, a spokesman in Kentucky, were not returned by press time.

LPI sent out an asset sale memorandum on the seven-plant portfolio this past April (PFR, 4/20). It is not employing the services of an investment bank to advise on the sale.

## German Player Adds NYC Staffer

HSH Nordbank, the new entity formed by the merger of Hamburgische Landesbank and LB Kiel, has added a project financier to its growing Big Apple team. **Tom Emmons**, an ex-Credit Suisse First Boston and KPMG staffer, has joined to cover energy lending, including power and project finance, says one industry official. Emmons confirms he has joined but did not provide further comment. HSH Nordbank, and its predecessor LB Kiel, have been conspicuous in the New York market over recent months (PFR, 3/10) because its expansion mode is in stark contrast to the rest of the beleaguered commercial banking community, says one banker.

## Credit Agricole Readies \$80M Financing For Midwest Wind Farm

U.S. renewable energy outfit enXco has retained **Credit Agricole Indosuez** to arrange project level financing for an 85.5 MW wind farm that it is developing. Industry officials say Palm Springs, Calif., headquartered enXco is looking to raise \$80 million. Officials at CAI declined comment, citing confidentiality arrangements as did enXco finance official **John Harper**.

The Chanarambie Wind Energy Project is located in Murray County and will consist of 57 **General Electric Wind Energy** 1.5 MW wind turbine generators. According to a release from enXco, construction is expected to start this month and wrap by November; a fast turnaround that is typical for the wind sector, notes one financier. **Xcel Energy** will purchase the entire output under a 20-year power-purchase agreement.

enXco operates 4,000 wind turbine generators in the U.S. and has ownership in various projects totaling some 178 MW of net generating capacity.

## Exelon Retains CSFB To Divest Sithe Plants

Exelon has retained **Credit Suisse First Boston** to divest 24 power plants the energy giant is set to acquire through its purchase of the 50.1% of **Sithe Energies** it didn't already own. "We have been dealing with [CSFB] since the first purchase in 2000 and intend to stay with them," says **Ben Armstrong**, a spokesman for Exelon.

Exelon will look to sell four gas-fired merchant plants in New York and Canada, through which it owns a combined net capacity of 347 MW, and 18 qualifying facilities scattered across Pennsylvania, Idaho, Colorado, New York, New Jersey, California and Mexico through which it owns a net 977 MW of capacity. It is also looking to unload two baseload projects under construction in Mexico. Armstrong says Exelon will retain Sithe's Massachusetts plants.

Exelon served notice on May 29 that it would exercise a call option to acquire the remainder of Sithe from **Apollo Energy** and **Marubeni**. Exelon exercised the call to preempt the sellers from exercising a November put option. The latter scenario would have given Exelon less time to meet regulatory requirements that they divest the plants.

## Sempra Funds Targets \$2B Acquisition Opportunity

**Sempra Energy Partners** (SEP), a newly formed private equity fund, could invest up to \$2 billion in the distressed U.S. generation market over the next few years. **Mark Snell**, cfo at SEP's parent, **Sempra Energy Global Enterprises**, says San Diego-based Sempra Energy has bankrolled the investment boutique for \$200 million over the next two years and is talking to other private equity investors about providing a further \$800 million. SEP intends to employ leverage to double its acquisition firepower.

The new fund primarily is on the lookout for coal-fired power plant investment opportunities in the ERCOT and PJM markets and is targeting annual investment returns in the 17-20% range. "If we cannot reach this hurdle, we'll lose interest," says Snell.

SEP joins a swathe of Wall Street banks and newly formed investment boutiques looking to acquire power plants, but Snell claims SEP differs from the crowd because it can tap into Sempra's existing energy trading desk and power plant asset management business to operate any acquisitions. Affiliates **Sempra Energy Trading**, and **Sempra Energy Resources**, will lend trading/marketing and operational expertise to the new venture, he explains. The skill sets they provide also will allow SEP to acquire both merchant generation and uncompleted power plants.

**Richard Vaccari**, a former managing director in **Credit Suisse First Boston's** utility group, has been hired to run SEP.



## SG Switches Americas Project Finance Chief

**Société Générale** has elevated **Roger Bredder**, managing director, to fill the slot of head of project finance for the Americas and replace incumbent **Michel Chatain**, who is heading to Paris.

Bredder is part of the core of ex-**Chase Securities** staffers that helped SG build its U.S. operation, say industry officials. Calls to Bredder were not returned. An SG spokesman says Chatain is heading to Paris to take up the position of head of global utilities within SG's corporate investment banking division.

Earlier this year, SG named **Bill Schmid** as global head of project finance in New York, in the wake of **Jay Worenklein's** departure to set up his own power plant acquisition boutique (PFR, 3/24).

## HVB Pulls Out Of Tractebel Texas Club Financing

**HypoVereinsbank** has dropped out of the \$100 million club loan refinancing **Tractebel North America's** 343 MW gas-fired plant in Ennis, Texas. The seven-year facility will proceed as planned, says one industry official, who notes the other banks all sought internal credit committee approval to execute the deal even if two banks drop out of the syndicate. HVB is open for new power business, but amid the restructuring of its portfolio, declined to pass on this deal, says another financier. HVB officials declined comment.

The facility is being arranged by **DZ Bank** along with **Bank of Ireland**, **Bank of Scotland** and **Export Development Credit** (PFR, 5/12). Ennis is a merchant plant with an offtake guarantee from Tractebel. Calls to DZ Bank were not returned.



### Latin America

## SG Sets Launch For \$400M EDF Mexican Deal

**Société Générale** is planning to launch syndication of a non-recourse loan financing two new Mexican power plants at month-end. The \$400 million deal for sponsor **EDF International** will have a two-tranche structure with the A tranche backed by the **International Finance Corp.**, say bankers. SG has been feeling out the market ahead of the launch (PFR, 5/12). Calls to SG officials were not returned.

Rio Bravo III (495 MW), and Rio Bravo IV (500 MW)

both have 25-year PPAs with Mexico's state-owned electricity utility, **The Comision Federal de Electricidad**. While some see that as a solid arrangement, one banker notes that some institutions are starting to look at whether they have too much concentration in CFE backed paper. The facilities are situated in Matamoros, a border city in northeastern Mexico, across the Rio Grande from Brownsville, Texas.

The deal marks the second time EDF has sought funding for Rio Bravo III. SG was set to launch a \$217 million, 16-year project loan last summer (PFR, 6/3). That was iced because of technical delays at the plant.

## Corporate Strategy

## TECO Takes Out Downgrade-Related Debt

**TECO Energy** will use the proceeds from a \$300 million bond offering to refinance a run-up of short-term bank debt over the last few months that was drawn because of credit downgrades by the rating agencies.

A downgrade by **Moody's Investors Service** in April initially triggered the need to post \$375 million in letters of credit for its Union and Gila River project financing. Completion of the plants in late May capped that L.C. requirement at \$172 million. **Bill Ferara**, credit analyst at **Standard & Poor's**, which rates the new notes BB plus, says the issue is positive in terms of liquidity. "They've proved the capital markets are not locked out to them," he says.

The seven-year, 7.5% coupon offering was led by **Citigroup**,

**Merrill Lynch** and **Morgan Stanley**. **Gordon Gillette**, cfo at **TECO**, was unavailable for comment, according to spokeswoman **Laura Plumb**.

Ferara cautions that while the deal is good for liquidity, **TECO** still needs to make progress on exercising its strategic reorganization plan. The gist of that plan is to divest assets, reduce exposure to merchant generation and concentrate on its core regulated utility **Tampa Electric**. Items on the block include the 295 MW Hardee Power Station in Hardee County, Fla., Guatemalan assets and **TECO Transport**, according to **Moody's**. Ferara adds the outlook is negative on the rating front because of the execution risk associated with the asset sale.

A 535 MW extension at the Gila River Power Station in Arizona began commercial operation in late May, a few weeks after a 550 MW addition at the company's Union Power Station in Arkansas went live.

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April 29, 2003

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**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 part of an overall reorganization and consolidation within the business," Hunter says. "We regret it had to happen and understand 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.

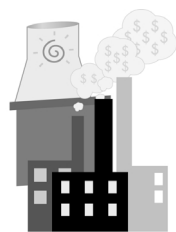
William J. Murray, a senior vice president of capital management at TXU's energy-trading arm until last August, said in a court filing that numerous company officials - including chairman and chief executive Erle Nye and former chief financial officer Mike McNally - violated federal securities laws through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

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## 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
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
	Hatfield	Penn.	1,600 (75%)	Coal		
	Mitchell	Penn.	442	Coal		
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		
Aquila	Koma Kulshan	Wash.	14 (49.9%)	Hydro	Lehman Bros.	Launched Sale in June
	Stockton Cogen	Calif.	60 (50%)	Coal		
	BAF Energy	Calif.	120 (23%)	Gas		
	Badger Creek	Calif.	50 (48.8%)	Gas		
	Lake Cogen	Fla.	110 (99.9%)	Gas		
	Pasco Cogen	Fla.	108 (49.9%)	Gas		
	Orlando Cogen	Fla.	126 (50%)	Gas		
	Rumford Cogen	Me.	85 (24.3)	Coal		
	Topsham	Me.	14 (50%)	Hydro		
	Selkirk Cogen	N.Y.	345 (19.9)	Gas		
	Onondaga Copgen	N.Y.	91	Gas		
	Mid-Georgia Cogen	Ga.	306 (50%)	Gas		
	Jamaica Private Power	Jamaica	65 (21.4%)	Diesel		
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention to sell.
Calpine	11 QFs	Calif. & East Coast	1,000	Gas	Citigroup	Ongoing.
Cinergy	Cinergetika	Czech Rep.	230	CHP	J.P. Morgan	Expects to sell assets shortly.
	Energetika Chropyne	Czech Rep.	48	CHP		
	EPR Ely	U.K.	36	Straw		
	Moravske Teplamy	Czech Rep.	410	CHP		
	Pizenska Energetika	Czech Rep.	406	CHP		
	Redditch	U.K.	29	Gas		
	Teptama Otrokovice	Czech Rep.	349 (11%)	CHP		
CMS Energy	Loy Yang	Melbourne, Australia	2,000	Coal	Not chosen	Announced intention to sell.
	Ensenada	Argentina	128	Gas-fired	J.P. Morgan	
	CT Mendoza	Argentina	520	Gas-fired	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydroelectric	J.P. Morgan	
Duke Energy North America	Lee Energy	Ill.	640	Gas	J.P. Morgan	
	Bridgeport Energy	Conn.	480 (67%)	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 (Merchant assets)	Barstrop	Texas	-	Gas	Citigroup	Launched sale in Jan. Looking to sell merchant assets as single portfolio
	Berkshire	Mass.	-	Gas		
	Milford	Conn.	-	Gas		
	Newark	N.J.	-	Gas		
El Paso North America (Contracted assets)	Ace	Calif.	100 (48%)	Coal	Banc of America	Launched sale in June
	Mt Poso	Calif.	50 (16%)	Coal		
	NCA 1	Nev.	86 (50%)	Gas		
	Front Range	Colo.	480 (50%)	Gas		
	Badger Creek*	Calif.	46 (26%)	Gas		
	Bear Mt*	Calif.	45 (51%)	Gas		
	Chalk Cliff*	Calif.	45 (51%)	Gas		
	Corona*	Calif.	50 (20%)	Gas		
	Crockett*	Calif.	240 (5%)	Gas		

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

Seller	Plants	Location	MW	Plant Type	Advisor	Status
El Paso North America (Contracted assets)	Double C*	Calif.	46 (26%)	Gas	Banc of America	Launched sale in June
	High Sierra*	Calif.	46 (26%)	Gas		
	Kern Front*	Calif.	46 (26%)	Gas		
	Live Oak*	Calif.	45 (51%)	Gas		
	McKittrick*	Calif.	45 (51%)	Gas		
	Cambria	Penn.	85	Coal		
	Colver	Penn.	100 (28%)	Coal		
	Gilberton	Penn.	80 (10%)	Coal		
	Panther Creek	Penn.	82 (50%)	Coal		
	Dartmouth	Mass	68	Gas		
	MassPower	Mass	252 (50%)	Gas		
	Midland Cogen	Miss.	1,500 (44%)	Gas		
	Prime	N.J.	66 (50%)	Gas		
	Mid-Georgia	Ga.	300 (50%)	Gas		
	Mulberry	Fla.	115 (46%)	Gas		
	Orange	Fla.	96 (50%)	Gas		
	Orlando	Fla.	114 (50%)	Gas		
	Vandola	Fla.	680 (50%)	Gas		
Endesa	Conatillor	Chile	172	Hydro	N/A	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		
LG&E Power	Roanoke Valley I	N.C.	178 (50%)	Pulverized Coal	None	Bids due in July
	Roanoke Valley II	N.C.	49 (50%)	Pulverized Coal		
	Gregory Power	Texas	550 (50%)	Gas		
	Palm Springs	Calif.	42 (50%)	Wind		
	Tyler	Minn.	27 (50%)	Wind		
	Van Horn	Texas	41 (33%)	Wind		
	Tarifa	Spain	30 (49%)	Wind		
Mirant	Kendall	Mass.	270	Oil	CSFB	Ongoing.
	Shady Hills	Fla.	474	Gas	BofA	Ongoing.
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538			Looking for advisor to assist with sale
	Wichita Falls	Texas	77			Looking for advisor to assist with sale
NRG/Xcel (Asia)	Gladstone Power	Australia	1,500 (37.5%)	Coal	ABN AMRO	Awaiting bids.
	Flinders	Australia	760	Coal		
	Loy Yang A	Australia	2,000 (25%)	Coal		
	Hsinchu	Taiwan	400 (60%)	Gasfired		
	Lanco Kondapalli	India	340 (30%)	Gas/Oil		
	Collinsville	Australia	192 (50%)	Coal		
NRG/Xcel (Latin America)	TermoRio	Brazil	1040 (50%)	Gas	Deutsche Bank	Awaiting bids.
	COBEE	Boliva	220 (98%)	Hydro/Gas		
	Itiquira Energetica	Brazil	160 (98%)	Hydro		
	Cementos Pacasmayo	Peru	66	Hydro/Oil		
	Bulo Bulo	Bolivia	90 (60%)	-		
(Europe)	Enfield	U.K.	380 (25%)	Gas-fired	Goldman	Has already sold two Eastern European plants. Awaiting further bids.
	MIBRAG	Germany	238 (50%)	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		

\* Looking to sell the California-located Jupiter portfolio as a single block



# Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch & Scotia Capital	Ongoing.
	Lakeview	Ontario	1,140	Coal		
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
PESG Global	Tanir Bavi	India	220 (74%)	Naphtha	-	-
	Karpatsalm	India	330 (20%)	Naphtha	-	-
PG&E National Energy Group	Bear Swamp	Mass.	599	Hydro	Lehman	Ongoing.
	Masspower	Mass.	267	Gas		
	Salem Harbor	Mass.	745	Coal & Oil		
	Millennium	Mass.	360	Gas		
	Pittsfield	Mass.	173	Gas		
	Brayton Point Station	Mass.	1,599	Coal		
	Manchester Street Station	R.I.	495	Gas		
	Lake Road	Conn.	840	Gas		
	Athens Generating	N.Y.	1,080	Gas		
Polish Treasury	Elektroncieplownie Poznanskie	Poland		CHP	-	Ongoing.
Reliant Resource	Argener	Argentina	160	CHP		
Tractebel North America	Ripon Cogeneration	Calif.	49	Gas	Navigant	Launched sale in May
	San Gabriel	Calif.	41	Gas		
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			
	Monticello	Texas	1,900	Coal		Is looking to sell an undisclosed number of its coal assets.
	Martin Lake	Texas	2,250			
	Big Brown	Texas	1,150			
	Sandow	Texas	545			
TXU Europe	Shotton	U.K.	229	CHP	PWC	Awaiting bids.

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**DUKE SEEN BUYING CMS PLANT DOWN UNDER**

Duke Energy has announced it is looking to purchase CMS Energy's 1,000 MW coal-fired plant in Australia, an asset it would acquire with the merger. While the plant would continue to be owned by CMS, Duke Energy, a subsidiary of CMS in Australia, will own it to share in the plant's future and would continue to sell the plant's output. Duke Energy, a subsidiary of CMS in Australia, will own it to share in the plant's future and would continue to sell the plant's output.

**TRIO OF COMPANIES NEARS EPA DEAL**

BOND FINANCING LINEUP

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**LONDON UTILITY READIES \$1.4B MTN PROGRAM TO FUND TXU ACQUISITIONS**

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## 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

- **Iberdrola** has opened preliminary discussions with labor unions over plans to slash around 2,100 jobs - or 23% of its workforce (*Dow Jones*, 6/16).
- **Matti Vuoria**, chairman and ceo of **Fortum**, has been appointed president and ceo of Finnish mutual insurer **Varma-Sampo**. He will take up the new position June 1 next year, and will continue as Fortum's chairman until the end of this year (*Dow Jones*, 6/16).
- The European Union passed a law to open the region's electricity and gas markets to full competition by 2007 after Italy removed its last-minute opposition (*Reuters*, 6/16).
- U.K. energy regulator **Ofgem** has pushed back the launch date for a U.K.-wide wholesale electricity market from October 2004 to April the following year (*Reuters*, 6/18).
- Spain's four largest utilities have sold a 28% stake in **Red Electrica de Espana**, the Spanish grid operator at EUR11 per share. The offering raised EUR420 million (*Financial Times*, 6/19).
- U.K. utility **ScottishPower** has sold \$700 million in perpetual convertible bonds, \$125 million more than originally expected. The deal pays 4% and has a conversion price of GBP4.60 pence per share, a 25% premium over ScottishPower's share price at the time of pricing (*Reuters*, 6/18).
- The Russian government has approved a plan to reform the electricity industry by 2005. **Andrey Sharonov**, first deputy Minister of Economic Development and Trade, says the plan envisages splitting the industry between infrastructure, supply and generation (*Asia Intelligence Wire*, 6/19).

### U.S. & Canada

- **Standard & Poor's** and **Fitch** each assigned a junk bond rating to **TECO Energy's** new \$300 million bond issue, the day after the notes went on sale (*Tampa Tribune*, 6/13).
- **NRG** says it has stopped sending power to **Connecticut Light & Power** after a U.S. District Court ruled it could exit the deal (*Reuters*, 6/13).
- **Pepco Holdings**, the parent company of **Potomac Electric Power** and **Conectiv**, plans to stop all new investment activity by its **Potomac Capital Investment** unit, which holds a range of investments including overseas power plants (*Reuters*, 6/16).
- **TransAlta** has agreed to sell its half stake in a major coal-fired power plant in Alberta to an affiliate for CAD315 million (\$233 million) to cut debt (*Reuters*, 6/16).
- **El Paso Corp.** narrowly defeated a dissident director slate with the company's own nominees for the board getting 52.5% of shareholder votes. The proxy challenge was launched by **Selim Zilkha** and **Oscar Wyatt**, two energy-industry officials who respectively led **Zilkha Energy** and **Coastal Corp.**, companies that are now part of El Paso (*Wall Street Journal*, 6/18).
- **The Federal Energy Regulatory Commission** may act on three long-term electricity contract complaints stemming from the 2000-2001 Western energy crisis at a meeting on June 25. FERC staff in March recommended that the agency uphold most of the contracts signed by California and Nevada utilities, collectively worth billions of dollars. The issue is on the agenda for the June 25 meeting (*Reuters*, 6/18).
- **Reliant Resources** priced \$225 million of convertible senior subordinated notes due 2010, raising cash to reduce debt or allow it to purchase power plant owner **Texas Genco Holdings** next year (*Reuters*, 6/19).
- **Dominion** CEO **Thomas Capps** said the company might buy assets from **Allegheny Energy**, a distressed energy company that serves Pennsylvania and a portion of Northern Virginia (*Newport News*, 6/18).
- **Exelon**, the largest U.S. nuclear plant operator, has agreed to sell its infrastructure services business, **InfraSource** to **GFI Energy Ventures** and **Oaktree Capital Management** for \$250 million in cash. **Merrill Lynch** advised InfraSource on the deal (*Reuters*, 6/18).
- **Dayton Power & Light** will supply **Buckeye Power** with wholesale electric transmission and distribution service across 11 counties in West Central Ohio (*Business Wire*, 6/18).

## Financing Record (JUNE 12 - JUNE 19)

### Bonds

Issue Date	Maturity	Issuer	Amount (\$ mil)	Offer Price	Type of Security	Coupon (%)	Spread to Benchmark	Moody's	S&P	Bookrunner(s)
6/12/03	6/15/33	Cincinnati Gas & Electric	200	99.764	Notes	5.4	119	Baa1	BBB	Barclays
6/12/03	6/15/33	Cincinnati Gas & Electric	200	99.396	Notes	5.375	119	Baa1	BBB	Barclays
6/12/03	6/3/30	RWE Finance	250.2	106.571	FSBs	6.25	133	A1	A+	Barclays/RBS
6/12/03	6/17/10	Severn Trent	12.8	100	MTNs	0.63	-	A2	A	RBS
6/13/03	-	Alinta	83.6	100	CPSs	-	-	-	NA	Macquarie
6/13/03	6/20/08	Sabesp	225	100	Notes	12	996	NR	B+	UBS
6/13/03	7/3/06	Iberdrola	118.7	99.868	MTNs	Floats	-	A2	A+	RBS
6/13/03	7/8/10	RWE	28.9	100	FSBs	2.3	-	NR	NR	SCPLC
6/17/03	6/15/33	Baltimore Gas and Electric	200	99.295	Notes	5.2	95	A2	BBB+	Lehman/Wachovia
6/17/03	6/24/15	GIE Suez Alliance	294.7	101.744	FSBs	5.125	-	A2	A-	Credit Agricole/SG/JP Morgan
6/17/03	4/15/06	Iberdrola International	176.8	101.885	FSBs	3.25	-	A2	A+	BSCH
6/17/03	Perpet.	ScottishPower	700	100	PCSB	4	-	Baa2	BBB	UBS
6/18/03	7/1/18	Entergy Arkansas	115	99.394	FMBs	5	170	Baa2	BBB+	McDonald/Wachovia
6/18/03	6/25/13	Korea South-East	150	98.833	FSBs	4.75	-	A3	NR	CSFB
6/18/03	8/15/10	Reliant Resources	225	100	Sr Sub Cvt Debt	5	-	B3	CCC+	Deutsche/Goldman/BofA

### M&A

Date Announced	Target	Target Advisors	Target Country	Acquiror	Acquiror Advisors	Acquiror Country	Deal Value (\$mil)
6/12/03	Musteq Hydro	-	Malaysia	Langkawi Batik Entrp	Aseambankers Malaysia	Malaysia	4.267
6/12/03	Transgas	-	Czech Republic	RWE Gas	-	Germany	48.8
6/13/03	SKS Power	-	Malaysia	Malakoff	Commerce Intl Merchant	Malaysia	-
6/16/03	Emte	-	Spain	Aguas de Barcelona	-	Spain	-
6/16/03	Union Fenosa Energias	Goldman Sachs	Spain	ENEL	Santander Investment	Italy	210.484
6/17/03	Alfa Metano	-	Italy	ASM Brescia	-	Italy	-
6/17/03	Gastecnica Reggiana	-	Italy	ASM Brescia	-	Italy	-
6/17/03	Sheerness Coal-Fired Power	-	Canada	TransAlta Cogeneration	-	Canada	234.55
6/17/03	Tidone Gas Energie	-	Italy	ASM Brescia	-	Italy	-
6/17/03	Tidone Gas	-	Italy	ASM Brescia	-	Italy	37.718
6/17/03	Union Fenosa Energias	-	Spain	ENEL	Goldman Sachs	Italy	-
6/18/03	-	Merrill Lynch	U.S.	Investor Group	-	U.S.	280

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

## CARGILL SET

(continued from page 1)

foodstuffs giant, financiers say the deal is also the first merchant plant to be sold by banks to a new entrant third-party player. **Bill Brady**, a spokesman at Cargill, says the company is interested in generation ownership, but adds Cargill does not comment on potential deals. Cargill is believed to have bid for Brazos in partnership with **ArcLight Capital Partners**, a private investment group in Boston. Calls to ArcLight and **Lehman Brothers**, which led the auction process, were not returned.

Industry officials see the deal as significant on two fronts: it marks the foray of a strong new entrant to the generation game and also sets a benchmark for the likely losses that project finance lenders may have to swallow on similar deals. The hit lenders will likely record on the Brazos financing is much lower than some observers had expected. Indeed, one banker estimates lenders will get away with a 10% haircut on the deal. "If I were a lender, I'd be totally pumped," adds another industry official. The acquisition is close to closing, with the lenders just needing to finalize the documentation

for the reworked loan.

**ABN AMRO** leads the bank group for the original seven-year loan to **NRG Energy** that backed the Fort Bend County, Texas, plant (PFR, 9/2/01). The embattled IPP walked away from the project earlier this year (PFR, 3/31), and banks subsequently injected more funds to finish construction of the project to take their exposure to \$243 million. In addition to the \$50 million from Cargill, lenders also expect to get some \$20 million from NRG in the form of equity guarantees. The ultimate write off for the lenders should be around \$20-25 million, a banker says. Calls to ABN were not returned.

Cargill beat out second-placed bidder **Tenaska** by offering more upfront equity, says an observer. He notes Cargill already has a power trading operation and will employ its trading expertise to maximize the merchant plant's revenues.

Another Texas market watcher notes that the Fort Bend location, just south of Houston, is a growing market and the plant will not face the transmission constraint issues that afflict some West Texas projects. On the flipside, however, there is strong oversupply in the Texas market, he adds.

—Peter Thompson

## KKR SETS

(continued from page 1)

to KKR's partnership with **Fleet Bank** in the early 1990s to buy up distressed financial institutions. Stuart did not respond to calls last week.

Despite KKR's size and status, **Gordon Howald**, an equity analyst at **Credit Lyonnais** in New York, questions whether it will be able to find a suitable industry partner. "The field is more crowded than people think....Who would they team up with?" he asks. "**Cinergy**, **Sempra [Energy]** and **Entergy** are all looking to buy assets but they have the money to buy. They don't need KKR...Maybe it would be better if they looked to employ a power [plant] operator."

KKR entered the transmission market in February, teaming up with **Trimaran Capital Partners** to buy 3,000 miles of high-voltage lines and transmission facilities from DTE Energy subsidiary **International Transmission Co.** It also owns a 24.8% voting stake in **DPL**, the parent of Ohio's **Dayton Power & Light** and **DPL Energy**.

—N.S.

## CITIGROUP SEEN

(continued from page 1)

Citi has been pondering entering the market for well over a year, says the official, noting that the firm considered buying **Enron's** trading book some 18 months back.

While the power market's diminishing liquidity since **Enron's** demise has heightened the risks associated with trading, it also offers banks more scope for profit, explains the Citi official. "There aren't that many [firms] buying or selling and customers, both contracted and merchant, are willing to pay a premium," he says.

The move puts Citi among the growing number of banks, such as **Bank of America** and **Deutsche Bank**, which are muscling into power trading in the U.S. on the heels of traditional players exiting the business. The move may be motivated by Citi's exposure to distressed power generation plants via its project finance business. The firm is looking to hire an asset manager to run two **PG&E National Energy Group** plants it recently assumed control over and may be anticipating assuming control of additional plants, according to power traders.

BofA recently received regulatory approval to trade physical electricity after a lengthy wait (PFR, 4/27). The Citi official suggests the process may be quicker for Citi now that BofA has paved the way. A spokeswoman at FERC says she is unaware of Citi's plan to trade power.

—Nina Sovich

## AIG HIGHSTAR

(continued from page 1)

**Scott Simons**, a spokesman from DTE, confirmed that the company had submitted a non-binding offer for the assets but would not speculate on when the deal would close. He declined comment on DTE's relationship with **AIG Highstar**. NRG officials declined to comment and calls to **AIG Highstar** were not returned.

The power plant portfolio, dubbed **South Central**, includes NRG's gas-fired **Big Cajun I** (458 MW) and coal-fired **Big Cajun II** (1,488 MW). The names of the other two assets could not be ascertained by press time.

**Dot Matthews**, an analyst at **CreditSights** in New York, says the plants are attractive to DTE because they have long-term contracts with local municipalities that serve 1.5 million customers in rural Louisiana. "DTE is a conservative company and I expect they probably got a decent price for them." Matthews' only caveat was the general oversupply of electricity in the south. "It's an area so awash in power, the plants could be floating."

The non-recourse bondholders that have liens over the **South Central** portfolio filed a lawsuit earlier this month, claiming NRG's corporate-level creditors were attempting to scuttle the deal in hopes of getting a better price. The plaintiffs asked U.S. bankruptcy judge **Prudence Carter Beatty** to appoint an independent mediator to negotiate the sale.

Last November **AIG Highstar** acquired the **Central Pipeline** from **Williams Co.s** for \$380 million in cash and the assumption of \$175 million in debt.

—N.S.

## Quote Of The Week

*"The field is more crowded than people think."*—**Gordon Howald**, an equity analyst at **Credit Lyonnais** in New York, commenting on **Kohlberg Kravis Roberts'** prospects for finding a suitable industry partner with which to acquire generation assets (see story, page 1).

## One Year Ago In Power Finance & Risk

**Reliant Resources** was considering combining two maturing non-recourse loans totaling \$1.93 billion into a single non-recourse facility, thereby ditching original plans to refinance the deals at the corporate level. [The **Orion Power Midwest** project loan and **Orion Power New York** facility were extended for three years in a structure that created a single collateral pool for the new \$1.33 billion financing. The pooling of the asset collateral allowed the stronger New York assets to support the weaker Midwest plants.]