

power finance & risk

The exclusive source for power financing and trading news

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Centrica Deal Underlines Falling U.K. Asset Prices

Centrica's recent acquisition of a 240 MW U.K. power plant for \$57 million underscores the deteriorating asset market.

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POLISH GRID OPERATOR PREPS \$1.5B STRANDED COST DEAL

Polish power grid operator Polskie Sieci Elektroenergetyczne (PSE) is looking to raise some \$1.5 billion in the international bond markets through the securitization of a new tax that will be tagged on to the bottom of consumers' electricity bills, say London bankers pitching for the deal. They add a decision on which banks are shortlisted for the lucrative advisory and underwriting mandate will be made at the end of this month.

Regina Wegnerowska, a spokeswoman in Warsaw, referred questions to officials in PSE's Treasury department, who did not return calls.

Proceeds from the asset-backed deal will be used to recapitalize some of Poland's myriad small generators that are forecast to become increasingly uncompetitive when the central European country joins the European Union and its power sector is fully

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MIRANT THREATENS TO DRAW DOWN \$1B REVOLVER IF RENEWAL FLOPS

Mirant is threatening to term out a \$1.125 billion one-year revolver that matures on July 17 in an attempt to get reluctant lenders to participate in a slimmed down renewal of the facility, say bankers approached by the Atlanta-based IPP and its lead arranger **Credit Suisse First Boston**. It is unclear whether the bludgeon approach will succeed, they add. So far some 10 lenders from a syndicate of 26 have agreed to commit to the new \$750 million

revolver, says an official close to the deal. Another official says at least \$575 million has

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ENTERGY PUTS U.K. PLANT BACK UP FOR SALE

Entergy Wholesale Operations, the unregulated power generation arm of Entergy, is considering divesting its Damhead Creek power plant in the U.K., less than a year after taking the 800 MW combined-cycle gas-turbine facility off the chopping block. The plant is located in Kent, southern England. Calls to **Geoff Roberts**, ceo of Entergy Wholesale Operations in Houston, and **Gareth Brett**, senior managing director for Europe, were not returned.

Officials at rival power companies that have looked over the plant in the past few weeks say Entergy is adopting a low-key sale process. "It is not trumpeting an auction from the rooftops. [Rather, Entergy] has invited a few likely bidders to look over the plant," notes one executive. He adds the softly-softly approach befits the moribund state of the U.K. generation market. If you make a big splash with a public auction you run the risk of

(continued on page 12)

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

E.on Remains On Track For Midwest Deal

E.on is on track to announce a tie-up in the U.S. Midwest shortly, having completed its \$8.1 billion acquisition of **Powergen** and its stateside subsidiary **Louisville Gas & Electric** last Monday, says a New York official who has held talks with the company's top brass. He adds the German energy giant continues to hold merger talks with Ohio energy concerns **Cinergy** and **DPL** and is considering either snapping up both utilities in one fell swoop or acquiring either company. E.on originally approached both companies this spring (PFR, 4/29).

Calls to **Josef Nelles**, an E.on spokesman, were not returned. However, the utility has stated publicly that it will seek out further stateside acquisitions once the Powergen takeover closes. **Steve Brash**, a Cinergy spokesman, declined to comment and **Elizabeth McCarthy** cfo at DPL, did not return calls.

An E.on, Cinergy and DPL tie up would create a global energy company with a market capitalization of some \$49 billion, given their current market valuations.

CSFB Buys Into Enron's Teesside Loan

Credit Suisse First Boston's distressed asset trading desk late last month snapped up a chunk of the non-recourse debt tied to Enron's 1,700 MW Teesside power plant, say project financiers in London. One banker says the seller was **Sanwa Bank**, which began winding down its London-based power project loan group this spring, but bankers are unsure if CSFB was taking a proprietary position or buying on behalf of a client. Financiers were also unsure of the exact size of the trade. The debt was trading at 55% of face value when the trade was executed, notes one City loan trader. **Mark Hoffman**, a

distressed loan trader at CSFB, declined to comment.

Bankers note a number of distressed asset trading desks, including both **Goldman Sachs** and CSFB, have begun making a market in European project loans since the collapse of Enron. This interest partly reflects increased volatility and opportunity for profit in the sector since the collapse of Enron, explain bankers.

Before filing for bankruptcy last December, Enron held a 42% holding in the Teesside plant in northern England.

Perryville Re-Launch Hits The Skids

KBC Bank's efforts to syndicate a re-launched \$120 million portion of the \$226 million Perryville non-recourse loan have been halted in their tracks because of lukewarm interest from prospective lenders. Financiers who looked at the reworked deal, and passed on it, say credit questions about Atlanta-based **Mirant**, which remains the off-taker for the plant, despite having sold its equity stake in the project to co-sponsor **Cleco**, were the key factors in the subdued interest. "Nobody wants to do Mirant [paper] and there is a taint to the deal," he says, referring to the drawn out syndication and the fact the deal had to be reworked (PFR, 4/8). An official at KBC declined comment.

One market official says the need for the re-launched funds became less pressing because of the juiced up equity investment in the project, which took the loan size down to \$226 million from \$300 million. The original fully underwritten non-recourse loan stalled in syndication last summer amid concerns of a flood of paper from the Atlanta-based IPP (PFR, 8/6). The four banks who signed up in the first round last summer have been left with the paper, along with KBC. They are **HypoVereinsbank**, **ANZ Investment Bank**, **Dexia Bank** and **Compagnie Financiere de CIC et de l'Union Européenne**.

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FPL Closes RISEP Funding, Finally

FPL Energy has closed the \$425 million financing backing construction of a 535 MW gas-fired plant in Johnston, R.I., ending a six-month syndication process. The process was drawn out because of general market concerns about merchant risk, which resulted in FPL guaranteeing 50% of the off-take contract (PFR, 2/26), and the complexity of the three-tranche non-recourse deal, says a banker.

Along with lead Citibank, Royal Bank of Scotland pledged \$70 million, J.P. Morgan wrote a \$60 million ticket, HypoVereinsbank and Mizuho Financial committed \$50 million, CIT Group, Bayerische Landesbank and Bank of Nova Scotia each came in for \$35 million. Rounding out the deal, Bank One wrote a \$25 million ticket and Arab Banking Corp. came in with \$15 million. The banker declined to give final allocations for the slightly over-subscribed deal, which closed last week.

Centrica Deal Highlights Plummeting Asset Values

The GBP37.3 million (\$57 million) price tag of Centrica's latest power plant acquisition in the U.K. highlights the rapidly deteriorating value of generation assets in the U.K., say market watchers. They add the news will be a body blow to the raft of companies that are presently trying to offload power stations in the U.K. and should prompt them to re-evaluate sharply downwards their expectations for sale proceeds. "This is the cheapest value I can ever remember for a modern gas-fired plant... It might be hard for other sellers to swallow such a hit," notes one London utility banker.

On June 28 Centrica, the U.K.'s largest gas and power supplier, announced it had reached a deal to buy Brigg, a 240 MW combined-cycle gas-fired plant in northeast England, from Finnish utility Fortum for a price equivalent to GBP155,000 per MW. "It's a drop off a cliff face compared to other recent sale prices," enthuses an official at Centrica. He adds Centrica's last two gas-fired power plant acquisitions, Peterborough/King's Lynn and Humber, cost GBP246,000 and GBP376,000 per MW, respectively. Centrica paid GBP298 million in cash and debt for a 60% stake in the 1.2 GW Humber power plant last June (PFR, 6/4/01).

Andrew Wright and Philip Green, utility analysts at UBS and Goldman Sachs, respectively, say the price paid is significantly lower than any recent deals. But Green questions whether the headline price reflects the true cost of the deal. He notes that Centrica was previously supplying Brigg with gas and held an in-the-money gas supply contract with Fortum. Green argues Centrica would have demanded good terms to terminate

this gas contract. The Centrica official says the gas supply contract only made a marginal difference to the sale price.

Brigg was commissioned in 1993 and as a first-generation CCGT plant does not have the efficiency to be run as a baseload generator and will likely be run as a mid merit facility, explains the Centrica official.

Neither counterparty retained an investment bank to advise on the sale. Valerie Kohler, an executive at Fortum in London responsible for divesting its U.K. generation assets, did not return calls.

Deutsche Bank Hires SG Marketer

Deutsche Bank has hired Bruno Valecon, an energy marketer at Société Générale in Paris, as a gas, oil and power marketer in London.

Valecon says he joined the German bank because of its ambitious plans to become a heavyweight player in the commodity industry. He notes that just as Deutsche Bank has built itself into a strong FX and interest-rate trader, so it is now looking to become a top tier commodities player. He says the firm has already developed an energy trading platform in London and is now looking to bolster its sales and marketing effort.

Valecon says his primary responsibility will be marketing Continental gas products to Deutsche Bank clients. He reports to Bruce Garner, head of commodity sales in London.

InterGen Halts Expansion Plan

InterGen has put the brakes on generation expansion plans and will focus instead on completing projects already in the works and maintaining its 20 existing power stations. A project financier at the Burlington, Mass.-based IPP says that adding additional capacity has become unnecessary with so many other projects already under construction. He adds, "We have looked at the market and we think that over the next one or two years, the best opportunities for us are either in maintaining or expanding our existing plants."

Sarah Webster, an InterGen spokeswoman, says, "We are not going to be cutting all of our development. However, we will be significantly pulling back on future development for the next couple of years and focusing on our 20 plants."

InterGen, a joint venture between Shell and Bechtel, currently has 15,940 MW of generating capacity on line and 5,575 MW under construction. The company has assets in the U.S., U.K., the Philippines, Colombia, Mexico, China, Egypt, Turkey, Brazil, Australia, Spain and Singapore and is presently in the process of raising funds for two gas-fired power projects in the U.K. and the Netherlands.

U.K. Renewable Co. Readies Financing

U.K. green energy and waste management outfit **Waste Recycling Group** plans to initiate fund raising later this month for a GBP100 million (\$152 million) plus project in southern England. An official close to the situation says the Doncaster-based company plans to send out an information memorandum shortly to interested banks inviting them to bid to arrange non-recourse financing for the construction of a waste incinerator and associated power plant at Allington, Kent.

WRG is being advised on the financing by **KPMG** (PFR, 5/6). **Hugh Etheridge**, finance director at WRG, did not return calls.

Deutsche Bank Axe Falls On Project Team

Deutsche Bank has laid off **Darrell Ho**, and **Jeff Stewart**, New York power project financiers focusing on Latin America and the U.S., respectively, and also handed pink slips to three other financiers in its 19-strong energy project finance group for the Americas, say bankers close to the matter. *PFR* could not ascertain the names of the other financiers by press time. The bank also released **Paul Naumann**, a one-time head of the Big Apple power project finance team, who flipped to a corporate finance slot at the tail end of last year (PFR, 2/4).

Mark Lingnau, a spokesman at the bank, declined to comment except to say the layoffs are part of a restructuring program announced on June 27 to cut 1,970 employees, of whom 1,025 are in the Americas. He adds that the bank does not expect to make any more staff reductions this year. **Craig Orchant**, head of the project finance group in New York, was traveling on business and could not be reached for comment.

While Deutsche Bank's commitment to the American project finance market has waned in recent years as it has become increasingly focused on fee-driven advisory business, it is still willing to lend capital to its most valued clients. Most recently, the group was working jointly with **Bank of Tokyo-Mitsubishi** to pull together \$400 million in financing for **Union Fenosa** to fund the construction of two combined-cycle gas turbine plants, Tuxpan III and IV, in Mexico (PFR, 5/20). The banks have been struggling to pull the deal together and will likely not close it until the fall because of some outstanding due diligence points that are taking longer than expected. Rivals says in the domestic U.S. market, the bank has maintained a low profile though it did scoop a lead role on the \$568 million Cottonwood

financing for **InterGen**, *PFR*'s project finance deal of the year (PFR, 4/15).

A project financier familiar with the matter says Deutsche Bank's decision to cut its Latin project finance effort is unsurprising given instability in Latin America. "Many energy companies are trying to unload their investments in the region so it makes sense that banks are pulling back on their resources as well," he says.

U.K. Waste Concern Shortlists Trio

Grundon Waste, an Oxford-based waste management and renewable energy concern, has shortlisted three banks, including **NIB Capital**, to arrange financing for the construction of a GBP90 million (\$130 million) 30 MW waste-fueled power plant near Heathrow Airport, say people familiar with the project. Grundon and its financial advisor **Ernst & Young** began the search process over a year ago and hope to select a lender shortly, says one official. He declined comment on why the process had dragged on for over a year, but says Grundon is looking to seal debt financing by year-end.

The Heathrow facility will comprise a 400,000 ton waste incinerator and a 40,000 ton recycling facility. Grundon Waste hopes to seal financing by year-end and break ground on the greenfield site next summer. **Jonathon Johns**, partner for renewable energy at E&Y in Exeter, did not return calls. An official at NIB declined to comment.

Corporate Strategies

El Paso Issues Notes To Maintain Rating

El Paso last week issued \$500 million of three-year equity-linked notes as part of a plan announced May 29 to maintain its Baa2/BBB credit rating and bolster its balance sheet. **Bruce Connery**, v.p. of investor relations, says the sale completes its plan to raise \$1.5 billion in equity capital. He adds that in mid-June the Houston-based energy concern sold 45 million shares of common stock valued at \$1.01 billion.

Connery says that the purchase contract of the new offering requires investors to purchase El Paso common stock based on a price range of \$19.95-23.94 on August 16, 2005. The price range reflects a 20% premium over the closing price of El Paso's stock on June 20.

The securities sale falls under the shelf it filed with the **Securities and Exchange Commission** to sell up to \$3 billion in equity. **Credit Suisse First Boston** and **J.P. Morgan** co-led

the deal. El Paso offered the banks a 15% overallotment option. The BBB plus rated notes offer a 9% coupon and were priced at 50 to yield 6.14%.

TransAlta Wraps 'Grueling' U.S. Bond Debut

Calgary, Alberta-based TransAlta has made its first foray into the U.S. fixed-income market with a \$300 million offering of 10-year senior unsecured notes, a process the company says involved probably the toughest financing due diligence it's ever had to deal with. **Frank Hawkins**, director and assistant treasurer, says aside from it being the company's first U.S. foray, the market focus on issues surrounding trading and accounting meant investors and lead banks fired in lots of questions. "It was grueling at times," he reflects.

The funds will repay short-term debt and the U.S. venue reflects the fact the non-regulated electric generation and marketing player wanted to tap the larger financing base south of the border, says Hawkins. TransAlta's growth strategy is primarily focused on expansion in the U.S., in addition to Canada and Mexico, so the issue provides a match on the asset side. **Stephanie Labowka-Poulin**, senior analyst in investor relations, adds the growth target is to reach 15,000 MW by 2005. The company currently has 9,000 MW of capacity in operation or under construction.

The BBB plus notes, which bear a coupon of 6.75%, mature July 15, 2012. **Merrill Lynch** and **Salomon Smith Barney** were the co-leads for the offering, which was issued via a \$1.0 billion base shelf set up May 14. Hawkins says both firms have had long standing relationships with the

company. Future financing plans off the shelf—which also covers equity issuance—will be driven in part by the goal of maintaining a solid investment-grade rating, he notes, adding that no new deals are imminent.

TransAlta's main U.S. assets are a 1,400 MW coal-fired plant in Centralia, Wash. This is also the location for a 248 MW gas-fired combined cycle facility due to come on line this month. The company also has a 55 MW combined-cycle peaker in Binghamton, N.Y.

Estonian Utility Eyes Bond Issue

Estonia's state-owned electric utility **Eesti Energia** is considering issuing a fixed-rate bond this month, according to **Sandor Liive**, cfo in Tallinn. The utility, which received its inaugural credit rating on Tuesday—A minus from **Standard & Poor's**—is considering issuing the bond to hedge against higher interest rate payments on a floating-rate loan it arranged recently. Liive indicated that the second week of July is a possible issue date, declining all further comment on this point.

Eesti Energia recently arranged a EUR150 million, 15-year floating-rate loan to finance modernizing its generation fleet. The loan was provided by **Nordic Investment Bank** and **Kreditanstalt fuer Wiederaufbau**. **Sonja Contzen**, press officer for KfW, says NIB provided EUR90 million while KfW provided EUR60 million. Officials at Nordic could not be reached for comment.

Liive adds that the interest rate on the loan is close to 100 basis points above Euribor, but is subject to an annual review of Eesti Energia's credit rating. Eesti Energia will repay interest only during the first five years of the loan.



Latin America

InterGen Selects Citi For Brazil Financing

InterGen has selected **Citibank** to advise on the arrangement and syndication of a \$510-\$512 million non-recourse loan, which will be used to finance the construction of an approximately \$700 million, 945 MW natural gas-fired power plant in Sao Paulo, Brazil, says a project financier at InterGen in Burlington, Mass.

Back in February, the project was stalled because of a delay in the Sao Paulo state government's environmental permitting process (PFR, 2/25), but InterGen recently received the permit after it agreed to modify the project's air cooling system, says the financier. The loan was originally supposed to be for \$470 million, but the deal was upsized as

the cooling system will add about \$30 million in construction costs.

The financier says that InterGen has received a binding commitment from the **Inter-American Development Bank** (IDB) and letters of interest from the **International Finance Corporation** (IFC) and **Banco Nacional de Desenvolvimento Econômico e Social** (BNDES) to participate in the financing.

The loan facility will likely be structured with two tranches: an A-tranche, that will incorporate IDB equity capital, and a B-tranche, which will consist of project level financing from commercial banks.

The plant, dubbed Carioba, will sell its output to regional utility **Compania Paulista Forca e Luz** under a 15 or 20-year power purchase agreement. It is expected to come on line later

this year or next year.

Officials at Citibank, IDB, IFC and BNDES did not return calls by press time.

Brazilian Creditor Seen Giving AES Breathing Space

Brazilian development bank **Banco Nacional de Desenvolvimento Economico e Social** is likely to give AES subsidiary **Eletropaulo Metropolitana Electricidade de Sao Paulo** an extension on some \$580 million of debt coming due in the third quarter, says an official familiar with the bank's plans.

"BNDES realizes that the drought and the electricity rationing in Brazil has had a tremendous impact on Eletropaulo. It's in the bank's best interest to give it more time to raise the capital," he says.

Barry Sharp, cfo of AES, told *PFR* last month that the Arlington, Va., IPP was looking to create a bridge facility to extend the maturity of \$470 million of debt due August and

\$110 million of debt due the following month (PFR, 6/24). He declined to discuss specific details of the refinancing.

Calls to officials at AES and bankers at BNDES last week were not returned.

Lehman Lays Off Latam Analyst

Charles Barnett, an equity research analyst covering Latin American utilities at **Lehman Brothers**, was laid off last month, say other analysts. They add Barnett, who worked out of the New York office, has yet to find a new position or been replaced at the Wall St. firm.

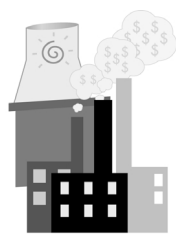
Barnett's departure effectively ends Lehman's equity research coverage of the Latin American utility market, say the analysts. "It's not surprising that Barnett was let go because the region is suffering terribly and the utilities down there are taking some of the hardest hits," notes one rival.

While at Lehman, Barnett reported to **Daniel Ford**, head of utility equity research. Ford did not return calls and Barnett could not be reached for comment.

Latin American Power Financing Calendar

*Following is a directory of upcoming projects and related financing in the Latin American power sector. To report new deals or provide updates, please call **Amanda Levin**, Reporter, at (212) 224-3292 or email: alevin@iinews.com*

Sponsor	Project	Project Type	Size (MW)	Cost (\$mil)	Country	Advisor/Financier	Status	PFR Issue
Alcoa	Santa Isabel	Hydro	1,087	700	Brazil	Citi	Has hired Citi to lead deal	2/11/02
Ceran	-	Hydroelectric	360	111	Brazil	BNDES	Will launch the loan shortly	10/8/01
Compahnia Energetica de Pernambuco	Termopernambuco	Gas-fired	520	403.5	Brazil	IADB/BBVA/BNDES	Syndication due shortly	12/24/01
Corporacion Venezolana de Guyana	Tocoma Dam	Hydroelectric	-	2,100	Venezuela	-	Expects to bring project on line by 2006	6/25/01
Duke Energy International	Pederneiras	Gas-fired	500	270	Brazil	-	Will finance with equity capital.	3/11/02
EdF, Mitsubishi	Altamira	Gas-fired	495	300	Mexico	Citi/Fuji	Expects to seal financing shortly.	7/1/02
Electricite de France	Rio Bravo III	Gas-fired	500	290	Mexico	SocGen	Arranging a \$217M project loan	3/4/02
El Paso	-	Gas-fired	200	200	Mexico	-	Expects to bring project on line by 2003	4/16/01
El Paso	Araucaria	Gas-fired	469	340	Brazil	Dresdner	Closing \$340M in financing	3/4/02
El Paso	Macaé	Gas-fired	400	700-800	Brazil	SocGen	Financing due shortly	7/1/02
Iberdrola	Vera Cruz	Gas-fired	800	700	Mexico	-	IADB has offered assistance to relaunch the stalled project	6/9/01
Iberdrola, Banco de Brazil, Previ	Termo Pernambuco	Gas-fired	540	350	Brazil	IDB, BBVA	Expects to bring project on line by 2002	3/26/01
InterGen	Carioba	Gas-fired	945	670	Brazil	-	Project delayed until Q1 of 2003	2/25/02
PSEG Global	SAESA	Distribution company	N/A	450	Chile	J.P. Morgan	Considering taking out a \$300M loan to fund the acquisition	9/24/01
PSEG Global	Electroandes	Hydroelectric	183	227	Peru	J.P. Morgan	Considering taking out a \$100M loan to fund the acquisition	9/27/01
Sempra Energy Resources	Mexicali	Gas-fired	600	350	Mexico	SocGen	In the process of arranging a corporate loan	3/11/02
Union Fenosa	La Laguna II		450	-	Mexico	-	-	7/2/01
Union Fenosa	Tuxpan III & IV	Gas-fired	938	600	Mexico	Deutsche Bank BOTM	Expects to bring plant on line by 2003	6/4/01



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
American Electric Power/ Central and Southwest Corp.	Northeastern units 3 & 4	Okla.	300	Coal	N/A	Reviewing sale strategies.
	Lon C. Hill	Texas	546	Gas		
	Nueces Bay	Texas	559	Gas		
	Ennis S. Joslin	Texas	249	Gas		
ADWEA	Um Al Nar	Abu Dhabi	1,100	Gas & Water Desalination	CSFB	Looking to sell plants in 2003.
AES Fifoots Point	Fifoots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant by end of April
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Looking to sell plant this summer.
Central Hudson Gas & Electric	Syracuse	N.Y.	100	CHP	Navigant	Final bids due by late Nov.
	Beaver falls	N.Y.	100	CHP		
	Niagara falls	N.Y.	52	Coal		
Cinergy	Cinergetika	Czech Rep.	230	CHP	J.P. Morgan	Expects to sell assets this summer
	Energetika Chropyne	Czech Rep.	48	CHP		
	EPR Ely	U.K.	36	Straw		
	Moravske Teplamy	Czech Rep.	410	CHP		
	Pizenska Energetika	Czech Rep.	406	CHP		
	Redditch	U.K.	29	Gas		
	Teptama Otrokovice	Czech Rep.	349 (11%)	CHP		
CMS Energy	Loy Yang	Melbourne, Australia	2,000	Coal	Not chosen	Announced intention to sell.
	Ensenada	Argentina	128	Gas-fired	J.P. Morgan	
	CT Mendoza	Argentina	520	Gas-fired	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydroelectric	J.P. Morgan	
DPL	All plants	Ohio	3,500	N/A	Morgan Stanley	
Enel	Interpower	Italy	2,611	Various	CSFB, Lehman, Merrill	Having sold Elettrogen and Eurogen it will sell one more generation portfolio shortly.
Enron	Nowa Sarzyna	Poland	116		PwC (administrator)	Intention to sell.
	Sarlux	Italy	551			
	Trakya	Turkey	478			
	Chengdu Cogen	China	284			
	Northern Marianas	Guam	80			
	Bantagas	Philippines	110			
	Dabhol	India	2,184			
	Subic Bay	Philippines	116			
	Teesside	U.K.	1875			
	Wilton	U.K.	154			
IVO Energy	Grangemouth***	U.K.	130	Gas	-	Looking to refocus in Nordic region.
	Edenderry	Ireland	120	Peat		
Mirant	Canal	Mass.	1,109	Gas & Oil	Merrill Lynch	Part of \$1.6B restructuring
	Kendall	Mass.	100	Gas & Oil		
	Martha's Vineyard	Mass.	12	Gas & Oil		
Niagara Mohawk Power	Nine Mile Point 1	N.Y.	1,614	Nuclear	N/A	Awaiting bids.
	Nine Mile Point 2	N.Y.	1,140	Nuclear	N/A	
NRG	Gladstone Power	Australia	1,500 (37.5% stake)	Coal	ABN AMRO	Awaiting bids.
	Flinders	Australia	760	Coal		
	Loy Yang A	Australia	2,000 (25% stake)	Coal		

Continued

Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
NRG	Hsinchu	Taiwan	400 (60% stake)	Gasfired	ABN AMRO	Awaiting bids.
	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil		
	Collinsville	Australia	192 (50% stake)	Coal		
	TermoRio	Brazil	1040 (50% sake)	Gas	Deutsche Bank	Awaiting bids.
	COBEE	Boliva	220 (98% stake)	Hydro/Gas		
	Itiquira Energetica	Brazil	160 (98% stake)	Hydro		
	Cementos Pacasmayo	Peru	66	Hydro/Oil		
	Bulo Bulo	Bolivia	90 (60% stake)	Gas-fired		
	Cahua	Peru	45	Hydro		
NRG/Xcel	CEEP	Poland	10 (10% stake)		Goldman	Awaiting bids.
	Csepel II	Hungary	389	Gas/Oil		
	ECK	Czech Republic	350 (44% stake)	Coal/Gas/Oil		
	Enfield	U.K.	380 (25%)	Gas-fired		
	Killingholme A	U.K.	680	Natural Gas		
	MIBRAG	Germany	238 (50% stake)	Coal		
NRG	Big Cajun II	La.	2,400 (90%)	Coal	-	Has shortlisted three bidders
	Pike	Miss.	1,192	Gas		
	Batesville	Miss.	1,129	Gas		
	Brazos Valley	Texas	633	Gas		
	Kaufman	Texas	545	Gas		
	Big Cajun	La.	458	Gas		
	McClain	Okla.	500 (77%)	Gas		
	Bayou Cove	La.	320	Gas		
	Sabine River	Texas	420 (50%)	Gas		
	Sterlington	La.	202	Gas		
	Mustang	Texas	485 (25%)	Gas		
	Pryor Cogen	Okla.	88 (20%)	Gas		
	Timber	Fla.	13.8	Biomass		
	Power Smith	Okla.	80 (9.6%)	Gas		
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch & Scotia Capital	Expects to sell Lennox and Lakeview shortly.
	Lakeview	Ontario	1,140	Coal		
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
	Mississagi River	Ontario	490	Hydro		
Pacific Gas & Electric	68 Plants	Calif.	3,800	Hydro	Morgan Stanley	Awaiting PUC approval. Expect sale to close shortly.
Polish Treasury	Elektroncieplownie Poznanskie	Poland		CHP	-	Bids due in June.
Reliant Resource	Argener	Argentina	160	CHP		
TXU	Lake Creek	Texas	323	Gas	Merrill Lynch	Reviewing sales strategy.
	Tradinghouse	Texas	1,340			
	River Crest	Texas	110			
	Mountain Creek	Texas	893			
	Parkdale	Texas	327			
	North Main	Texas	123		Merrill Lynch	Is looking to sell an undisclosed number of its coal assets.
	Monticello	Texas	1,900	Coal		
	Martin Lake	Texas	2,250			
	Big Brown	Texas	1,150			
	Sandow	Texas	545			
Wisconsin Energy	Bridgeport	Conn.	1,100 (combined)		CSFB	Has put up for sale following collapse of NRG deal.
	New Haven	Conn.	1,100 (combined)			

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

- **Bombay Suburban Electricity Supply** and **Tata Power** will take over power distribution in New Delhi on Monday. New Delhi's **State Electricity Board** began selling off parts of its business after losing nearly 12 billion rupees (\$250 million) a year because of rampant power theft. It will retain control of power generation (*Associated Press*, 6/30).
- **Australian Gas Light Co.** has signed a deal to buy Victorian utility **Pulse Energy** for AUD880 million (\$493 million). AGL was the only bidder following the withdrawal of **TXU** and **International Power**. Pulse, which has 560,000 electricity customers and 520,000 gas customers in Victoria, was sold by **United Energy**, **Shell**, **AMP** and **Aquila Energy Partnership** and **Woodside Petroleum** (*Reuters*, 7/2).
- Laos said it was talking to potential creditors to secure a \$100 million loan to invest in the \$1.2 billion 1,060 MW Nam Thuen II hydroelectric dam. Laotian Finance Minister **Soukan Mahalath** told a seminar of donors and creditors the government was committed to build the dam on time in order to use the power sales revenue for poverty reduction schemes. State-owned **Electricite du Laos** and Thailand's **Electricity Generating** each hold 25% of the project. **EDF International** holds 35% and **Italian-Thai Development** holds 15%. The plant is due to come on line in 2008 (*Reuters*, 7/3).

Europe, Middle East & Africa

- Shareholders in Italian power holding company **Italenergia**, including carmaker **Fiat** and **Electricité de France**, have approved a plan to merge the company into an affiliate of **Edison**. The plan was announced in May along with a capital increase and bond issue to strengthen Edison's role as Italy's number two power company. The merger will not take place before November. Fiat recently agreed to sell a 14% stake in **Italenergia** to creditor banks for about EUR580 million and offered its remaining 24% stake as a guarantee for EUR1.2 billion loan from **Citibank** (*Reuters*, 6/28).
- Germany's **Veag Vereinigte Energiewerke** is to be merged into the holding **Hamburgische Electricitätswerke** on August 21, to form the new company **Vattenfall Europe** (*FT World Media Abstracts*, 6/28).
- Belgian utility **Tractebel** has made an indicative bid for the Loy Yang power station in the Australian state of Victoria. Tractebel is in advanced negotiations with the three owners of Loy Yang, **CMS Energy** (50%), **Xcel Energy** (25%) and **Horizon Energy Investment Group** (25%) (*Reuters*, 6/30).
- German utility **E.on** has completed its EUR8.1 billion acquisition of **Powergen**. With the deal, E.on will gain access to the U.S. market via Powergen's U.S. subsidiary **Louisville Gas & Electric** (*Dow Jones*, 7/1).
- **TXU Nordic Energy**, has bought a small Norwegian electricity retailer **Forbrukerkraft** for \$5.14 million. TXU said in a statement that Forbrukerkraft, which has 43,000 customers, will help its expansion into the Nordic region's deregulated power market (*Reuters*, 7/1).
- **Fortum** has completed the sale of its 240 MW Glanford Brigg combined-cycle gas-fired power station in Lincolnshire, U.K., to **Centrica** for EUR60 million (*Dow Jones*, 7/1).
- **Suez** will take a EUR500 million (\$494.2 million) charge in its first half to cover its remaining foreign exchange and debt risk in Argentina. The charge also covers writing off its investment's equity value in Argentina. Suez blamed the continued devaluation of Argentina's peso and the deteriorating economic situation there for its decision (*Dow Jones*, 7/1).
- Egypt is planning to develop its first nuclear power plant, according to Energy Minister **Hassan Ahmed Yunes**. It will be on the Mediterranean coast northwest of Alexandria (*Ha'aretz*, 7/1).
- **Red Electrica Espana**, the owner of most of Spain's high-voltage electricity network, has completed the acquisition of a 69% stake in Bolivia's **Transportadora de Electricidad**, or TDE, held by **Union Fenosa**. No further financial details were provided, but TDE has been valued at \$88.3 million (*Dow Jones*, 7/2).
- German utility **E.on** has become the first foreign firm to team up with Russian power monopoly **Unified Energy System's** for its latest modernization plans. The companies have signed a memorandum for a feasibility study on a

450 MW combined-cycle gas turbine at Shchekinskaya, near Moscow (*Reuters*, 7/3)

- Turkey's privatization chief **Turgut Bozkurt** said the state aimed to begin the privatization of its energy sector in the first quarter of next year. Turkey has promised the **International Monetary Fund** to speed up its privatization program to raise much-needed revenues as it works to emerge from its deepest economic slump since 1945. Earlier this summer it transferred six power stations and nine distribution grids to the privatization administration in preparation for the sell-offs (*Reuters*, 7/3).

- Spain's **Latibex** exchange for Latin American companies said Brazil's **Companhia Energetica de Minas Gerais (CEMIG)** will soon be listed on the Spanish bourse. CEMIG is Brazil's second-largest electricity company with 41 generation plants and installed capacity of 5.5 GW. The company has a market capitalization of EUR1.8 billion. (*Dow Jones*, 7/3).

U.S.

- **Exelon** has agreed to buy **Sithe New England** for a \$543 million note plus debt to build its power business in the U.S. northeast. Chicago-based Exelon said it would assume about \$1.15 billion of debt as part of an acquisition that includes power plants at six sites in Massachusetts and Maine (*Reuters*, 6/27).

- The U.S. **Justice Department** has charged three former U.K. bankers with wire fraud in a \$7.3 million scheme involving **Enron**. **Gary Steven Mulgrew**, **Giles Robert Hugh Darby** and **David John Bermingham**, all former employees of **National Westminster Bank**, were charged in a criminal complaint filed in U.S. District Court in Houston (*The Washington Times*, 6/28).

- **Enron** is opening up its computer database to state Senate investigators after a state-hired electronics expert said he discovered gaps, erasures and altered and encrypted files in thousands of electronic records the company submitted under subpoena. **Peter Sorokin**, a computer-data specialist hired by a Senate select committee set up to investigate the wholesale energy market, told the panel the files Enron submitted on 10 compact disks had been cleansed, apparently to remove information sought by the committee (*The Orange County Register*, 6/28).

- **Raytheon** increased by about 50% the loss estimates on the last two power plants it will build to more than \$1.2 billion, blaming cost overruns on contractors who are not motivated to finish work on time. The defense contractor, which is building the plants in Massachusetts for **Sithe Energies**, expects the delays

to increase costs by \$400 million to \$450 million. The company estimated in March the loss on the plants to be \$813 million (*Reuters*, 7/1).

- **Dynegy** said it retained full ownership of the 16,600 mile **Northern Natural Gas Co.** pipeline after a repurchase option held by **Enron** lapsed June 30. Dynegy acquired the pipeline after investing \$1.5 billion in Enron last year as part of a \$9 billion deal to buy the bankrupt Houston trader, a deal which fell apart (*Reuters*, 7/1).

- **Mirant** will issue \$370 million in convertible debt securities, to increase liquidity after the collapse of energy trader Enron last year put the sector under increased scrutiny by investors and credit agencies (*Reuters*, 7/1).

- **Duke Energy**, Hong Kong's **CLP Holdings**, **Tractebel**, **International Power**, Malaysian company **Genting** and New Zealand power company **Contact Energy** have submitted indicative bids for **NRG Energy's** Australian assets (*Reuters*, 7/1).

- The Bush administration said its plan to cut pollution emissions at U.S. power plants, which has been widely criticized by green groups for being too industry-friendly, will save 12,000 lives by 2020 million (*Reuters*, 7/1).

- **Wisconsin Public Service** has signed an agreement to buy the 180 MW De Pere Energy Center in Wisconsin from **Calpine** for \$120.4 million. The Green Bay, Wis.-based utility, a unit of **WPS Resources**, also agreed to buy electricity from Calpine's proposed Sherry Energy Center in Marshfield, Wis. (*Reuters*, 7/2).

- **Florida Power & Light** has chosen its own proposal from a list of bidders to expand generation capacity and meet growing power demand. FPL picked its proposal to add 1,100 MW of natural gas-fired generation at its Manatee plant site northeast of Bradenton, Fla., and 800 MW of new gas-fired generation at its Martin site near Indiantown, Fla. by 2005. Merchant power producers said FPL and **Florida Power**, the state's two dominant utilities, have never chosen a project from an outside bidder since the two were required to ask for alternate proposals in 1994 (*Reuters*, 7/2).

- **Aquila** is selling its stake in a 180 MW gas-fired power plant north of Buffalo, N.Y., for \$37.5 million, as part of a plan to sell \$1 billion of assets. The sale of the Lockport facility to **Fortistar Capital** is expected to close before the end of the third quarter. The troubled Kansas City-based player owns a 16.58% stake (*Reuters*, 7/2).

* In Canada, please add US\$30 for postage. Other non-U.S., please add US\$75.

MIRANT THREATENS

(continued from page 1)

already been committed.

The term-out threat is part of an intricate negotiating tussle between Mirant and its lending syndicate to get the renewal afloat. **Ray Hill**, cfo, notes Mirant has trimmed back the size of the deal to \$750 million and sweetened fees by 100 basis points to drum up support, but in return is demanding that a material adverse change clause be kept out of the deal. "Obviously, the bank market is trying to reduce exposure to our industry, and we have proposed to reduce the bank facility by a third. We're also willing to pay higher fees, as long as we are granted the things we need." He adds, "The banks have realized MAC clauses are counter-productive."

If the syndicate does not agree to the refinancing, Mirant has the option to draw down the current revolver, a move that would undoubtedly create antipathy among its group of banks. Hill admits that terming out the revolver is a possibility. "We [can either] get everybody in by the [maturity date], term out for a few days until it is completed or term out for a few months," says Hill of the possible financing scenarios. Commenting on whether the term-out option could be used as a threat, he adds, "The threat of the term out exists whether we use it or not."

A financier close to the deal says banks could be comfortable without a MAC clause as pricing has risen and some credit-related protection has been built into the loan.

All-in pricing on the current deal is LIBOR plus 105 basis points. Calls to bankers at CSFB were not returned by press time.

—*Peter Thompson & Pierre Paulden*

POLISH GRID

(continued from page 1)

deregulated. More specifically the bulk of the \$1.5 billion is earmarked to compensate generators for the restructuring of power-purchase agreements with the PSE, notes one financier.

City bankers say that if the securitization is successful it will surely go down as a landmark transaction. It's both Poland's largest ABS offering to date and one of Europe's very few "stranded-cost" type transactions, notes one debt structurer. While the Spanish government issued the first ever stranded-cost ABS back in 1996 with a deal backed by revenue tied to the abandonment of its nuclear generation construction program, Europe has yet to witness any other stranded cost deals, say bankers. In contrast, the U.S. witnessed a slew of stranded-cost ABS in the late 1990s as individual states, such as Pennsylvania and Texas, began deregulating their power markets.

PSE sent out an initial request for proposals to 10 international and domestic investment banks last month and is expected to shortlist a small handful of players within the next

two weeks, notes one banker. "The company is not mucking around. It wants to get the ball rolling immediately."

Structurers say Poland has not proved fertile ground for asset-backed deals, in part because of a weak legal framework for such transactions. However, bankers remain upbeat that the stranded-cost deal will succeed. Since the deal has government support, it is likely that they will amend the law, if necessary, to suit the deal, argues one banker. He adds the sheer size of the transaction means that banks will do their utmost to get it done.

—*Will Ainger & Rachel Wolcott*

ENTERGY PUTS

(continued from page 1)

"getting egg on your face," he notes. The official says Entergy has not hired an investment bank to conduct the sale, but has set up a data room at a law firm in London's Canary Wharf.

Entergy put Damhead Creek and the 1,200 MW Saltend power plant up for sale in the first quarter of last year (PFR, 3/12/01) and hired **Schroder Salomon Smith Barney** to conduct the sale. Entergy took down the sale sign at Damhead Creek late last summer after agreeing to sell Saltend to **Calpine** for \$800 million.

It is unclear why Entergy has relaunched the sale process, but market watchers say it is not because of financial troubles. Unlike many of its U.S. rivals, Entergy does not need to shore up its balance sheet to keep rating agencies on side, notes one banker. One official says Entergy may be taking a directional view of the U.K. power prices.

Entergy's Roberts told *PFR* late last year that it treats its power plants like any other investments that can be bought or sold depending on the company's view of the power market.

—*W.A.*

Quote Of The Week

"It was grueling at times." —**Frank Hawkins**, director and assistant treasurer at **TransAlta** in Calgary, commenting on the Canadian power company's first U.S. bond issue (see story, page 5).

One Year Ago In Power Finance & Risk

The South African government planned to deregulate the country's power market and was looking to privatize some of its regional distribution assets by year-end. [**Francois Venter**, a treasury official at **Eskom**, South Africa's state-owned power utility in Pretoria, says the government is still working on the project. Eskom became a private entity, named **Eskom Holdings**, last Monday. It will pay tax and dividends to the current shareholder, the government, in a move seen preparing the way for privatization.]