

power finance & risk

The exclusive source for power financing and trading news

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Web Exclusives

Investors' thirst for high-yield utility debt remains undiminished despite a sharp tightening in yield, say portfolio managers.

HypoVereinsbank's New York office has been given the green light to hunt for new project finance business.

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

Plant Owners Set To Lead Consolidation Push

Consolidation in the U.K. IPP market is likely to be led by incumbent plant owners, rather than the banks that control many of the distressed plants.

See conference coverage, pages 5-6

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AQUILA LOOKS TO OFFLOAD \$2B CANADA PORTFOLIO

Kansas City-based Aquila has put its **Aquila Network Canada** business on the block in its latest effort to refocus and boost liquidity. The Midwest utility holding company hired **Credit Suisse First Boston** last month to auction the portfolio and is seeking initial bids by tomorrow. One banker familiar with the sale calculates the portfolio could fetch between \$1.5-2 billion. Officials at Aquila did not return calls.

The ANC portfolio consists of a transmission company in Alberta and a vertically

(continued on page 2)

Homeward Bound

DUKE ENERGY LOOKS TO EXIT EUROPE

Duke Energy is looking to exit Europe by year-end and has appointed Anglo-French investment bank **Rothschild** to manage the sale. **Duke Energy International's** 70-odd European staff were told earlier this month that the Charlotte, N.C.-based energy giant is looking to divest the European business within six months, say market watchers. **Petrina Fahey**, a Duke spokeswoman in London, confirms that Duke is looking to sell its European assets, but declined to comment on whether it has set a timetable for executing

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IPP READIES BIG APPLE FINANCING

Astoria Energy, a subsidiary of Concord, Mass.-based **SCS Energy**, and its advisor **Credit Suisse First Boston** are set to launch a \$900 million equity and non-recourse debt financing package this week to fund the construction of a 500 MW gas-fired plant in Queens, New York City. Officials at CSFB and SCS, a boutique specializing in renewable energy and cogeneration projects, declined to comment.

CSFB will begin pitching the equity component of the financing this week when it sends out a private equity sale proposal to strategic and institutional investors, note

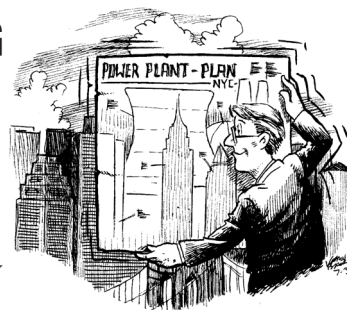
(continued on page 11)

Four Pack

NEG PLANT AUCTION SAID TO DRAW DEEP BENCH OF BIDDERS

The auction of a 3,700 MW quartet of power plants developed by **PG&E National Energy Group (NEG)** has reportedly drawn around 10 bidders, a development that has surprised some industry players given that the so-called 'four pack' portfolio consists entirely of out-of-favor merchant units. A **Société Générale**-led creditor group is looking to sell the portfolio because NEG, which last week filed for Chapter 11

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

AQUILA

(continued from page 1)

integrated transmission, distribution and retail business in British Columbia. ANC also owns four regulated hydroelectric plants situated along the Kootenay river in British Columbia. Corra Linn (51 MW), Upper Bonnington (59 MW), Lower Bonnington (42 MW) and South Slokan (53 MW) are part of ANC's rate-based utility business. ANC is also selling an unregulated hydroelectric IPP, Walden (16 MW), situated in Lilloet, British Columbia.

Canadian utilities Terasen Gas and TransCanada are showing interest in the portfolio, as are private equity shops Kohlberg Kravis Roberts, Arclight Capital Partners, The

Blackstone Group, JP Morgan Partners and Madison Dearborn Partners, say market watchers. Officials at these firms declined comment or did not return calls.

"Someone will buy this," says **Dot Matthews**, a fixed-income analyst at **CreditSights** in New York. "The electric distribution business should sell and hydro is always good." Matthews adds that publicly traded Aquila, which is also selling a generation portfolio in the U.S. (PFR 6/15) is hungry for cash. "They are in desperate straits, and I mean desperate. The only problem is they are running out of stuff to sell."

Aquila's management chose **Lehman Brothers** to sell its U.S. assets, but reverted to its biggest lender, CSFB, for the Canada sale. —*Nina Sovich*

Goldman & ConEd To Square Up In FERC QF Hearing

The **Federal Energy Regulatory Commission** has scheduled a hearing in a dispute between a unit of **Goldman Sachs** and **Consolidated Edison Co. of New York** over the regulatory status of a New Jersey qualifying facility that Goldman is buying from **El Paso Corp.** ConEd, the off-taker of the Linden plant, alleges that **GS Linden Power Holdings** refuses to respond to a motion calling for Goldman to provide information on Linden's status as a QF. An official at Goldman declined comment. A ConEd spokesman was unable to provide comment by press time.

David Harfeld, an administrative law judge at the FERC who will preside over the hearing, says he expects the issue to be resolved in about two hours. The hearing is set for 10am tomorrow at the FERC's offices at 888 First Street, NE, Washington, D.C.

The dispute relates to a FERC investigation into whether the

QF status of several plants currently or previously owned by **Enron**—including Linden—lapsed when the Houston trader merged with Oregon utility **Portland General** in 1997 because QFs cannot be wholly owned by utilities (PFR, 7/7). The QF status underpins Goldman's \$1.5 billion acquisition of the Linden plant. ConEd has a long-dated power purchase agreement with Linden, but it is unclear whether the contract would still be valid if the FERC rules that Linden's QF status has lapsed. However, all parties have reportedly asked the FERC for a postponement of the Linden investigation to allow them to hash out a settlement, according to a FERC official. It could not be determined by press time why ConEd has agreed to a settlement yet is pressing ahead with its demand that Goldman release documents related to Linden's QF status.

ConEd filed a motion with the FERC on July 3 to compel GS Linden to provide "all analyses, evaluations, or assessments of whether the Facility was in QF compliance as of or after July 1, 1997."

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EDITORIAL

TOM LAMONT Editor
STEVE MURRAY Deputy Editor
VICTOR KREMER Executive Editor [London] (44 20) 7303-1748
WILL AINGER Managing Editor [London] (44 20) 7303-1735
PETER THOMPSON Senior Reporter [Chicago] (773) 525-6978
NINA SOVICH Associate Reporter [New York] (212) 224-3226
ARADHNA DAYAL Hong Kong Bureau Chief (852) 2912-8009
STANLEY WILSON Washington Bureau Chief (202) 393-0728
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JANA BRENNING, KIERON BLACK Sketch Artists

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ELAYNE GLICK Director of Marketing & Circulation
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ADVERTISING

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NAZNEEN KANGA Publisher, Director of Ancillaries
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GROUP SUBSCRIPTIONS/ELECTRONIC LICENSES

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REPRINTS

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For further information, please contact us at:
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Aquila, Calpine J-V Default Snuffs Out Lease Financing

Project sponsors Aquila and Calpine are looking to restructure a \$280 million project loan for a completed 580 MW combined-cycle plant in Pleasant Hill, Mo., after depressed revenue and forward curve projections stopped the conversion of the construction loan into a leveraged lease financing. Conversion, or full repayment of the loan, didn't take place triggered a default on the construction loan. Al Butkus, spokesman at Aquila, says there is no specific timeline for the talks with lenders, but adds the company expects to be able to rework the loan in the near future. He declined to elaborate.

The original \$280 million facility was led by **Union Bank of California**, with **Credit Lyonnais** and **DZ Bank**, says one financier. The deal was launched in 2000 (PFR, 7/11/00). Officials at UBoC could not be reached for comment by press time. The construction loan had a three-year tenor, after which a 15-year bank tranche and an 18-year institutional tranche was lined up, says a market official. UBoC was due to provide the equity in the lease transaction, but with sagging revenue projections, the lease financing won't happen, he adds. Lenders think a restructured deal should be worked shortly, the official says, declining further comment.

The combined-cycle plant, known as the Aries Power

Project, became fully operational in January last year. Observers say the plant is running efficiently and the downscaled revenue projections reflect the wider market malaise. In response to the default, the lenders have drawn on letters of credit totaling \$37.5 million pledged by Aquila to support the loan, according to a release by Aquila.

RBC Adds Ex-CIBC I-Banker In Houston

RBC Capital Markets has hired Mike Casey, a former executive director in **CIBC World Markets'** New York investment banking group handling the power and utilities sector.

Casey recently joined as a managing director in RBC's Houston office where he will also cover the power and utility sector, according to an industry official. Casey declined comment. RBC spokesman **Chris Pepper** in Toronto says Casey joined July 1. It could not be determined if the position is a new one, though another industry official says it's a good sign when people with solid reputations, such as Casey, resurface in the market.

Casey left CIBC as part of its restructuring which cut staff and shifted coverage of the energy market to its Toronto headquarters (PFR, 3/17).

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- Power plants
- Pipelines
- Transmission and distribution assets

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- Loans of \$150 million or more
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NEG To Sell Ohio Peakers To Muni

PG&E National Energy Group is selling three natural gas-fired 49.5 MW peaking facilities in Ohio to **American Municipal Power-Ohio** for \$7 million. **Kent Carson**, director of member relations at the non-profit power provider in Columbus, says the deal was inked June 30 and regulatory approval is expected August 31. He adds AMP-Ohio is not discussing the terms of the deal. It therefore could not be determined whether the non-profit will assume debt in the transaction.

The plants are located in the cities of Bowling Green, Galion and Napoleon, all of which are served by AMP-Ohio member munis. The organization was buying power from the facilities and so became aware they were potentially up for sale, Carson says. The Galion and Napoleon sites carry with them initial approvals for expansion, but AMP-Ohio has not made a decision on whether to expand them. Carson referred questions on how the acquisition will be financed to finance staffers who were not immediately available.

The Federal Energy Regulatory Commission is scheduled to review the deal next month, and AMP-Ohio expects to close the deal shortly thereafter. Calls to **Natalie Wymer**, spokeswoman at PG&E NEG, were not returned. PG&E NEG last week filed for Chapter 11 bankruptcy protection.

Former PaineWebber Chief Seen Eyeing Power Foray

A New York-based private equity shop run by former PaineWebber ceo, **Donald Marron**, is nosing around the power market for investment opportunities, say financiers close to the company. **Lightyear Capital** is looking to spend between \$150-200 million on leveraged investments in the power sphere, note financiers, adding the fund typically looks to finance 90% of investments through debt. Calls to Marron were not returned and **John Henderson**, a spokesman for Lightyear, declined to comment on the fund's strategy.

Over the last few weeks Lightyear has analyzed several qualifying facilities, merchant plants and pipelines that are up for sale but has yet to settle on a preferred purchase, notes one banker. "It is like many new entrants out there, interested in finding distressed assets."

Marron left PaineWebber in 2000 following its merger with **UBS Warburg** and founded Lightyear the following year. In March 2002 Marron launched the \$750 million Lightyear fund backed by seven limited partners including **Caisse de Depot et Placement du Quebec**, **GE Equity**, **Trust Company of the West**, **UBS** and **Yasuda Life Insurance Company**.

AEP Loses Emissions Trader

Robert Delarm, head of emissions trading, resigned from **American Electric Power** last Monday to take up a new position in Chicago. Delarm declined to comment on where he is heading or why he resigned. AEP spokeswoman **Melissa McHenry** says Delarm's last day at AEP is July 25.

Delarm ran AEP's emissions trading desk for three years following a stint trading power at the Columbus, Ohio, power giant. Last October AEP announced it was scaling back its trading desk but as one of the largest coal generators in the country, it is unlikely the company will retreat from emissions trading, say a company insider. McHenry confirms that the company plans to hire someone to replace Delarm, adding **Chuck Zebula**, senior v.p. of asset and production optimization, is responsible for recruiting a replacement.

Innogy Recruits Wind Loan Syndicate

U.K. utility Innogy is set to select six or seven mandated lead arrangers to underwrite some GBP350 million (\$560 million) in non-recourse debt financing for a portfolio of U.K. on and off-shore wind farms. **ABN AMRO**, **Bank of Tokyo-Mitsubishi**, **BNP Paribas**, **Fortis** and **HypoVereinsbank** attended a bank meeting in London last week to discuss the financing with Innogy's advisor **Royal Bank of Canada**. **RBC** and these five bidders are set to ink top-tier underwriting tickets, notes one financier. He adds **Bank of Scotland**, which did not attend the meeting, also is likely to land a lead arranger role.

The financier says the banks are broadly supportive of the wind deal's structure, but he adds there is some concern at the size of the financing and the likely underwriting risk. He also argues Innogy's deadline for reaching financial close—mid August—is likely unworkable.

The debt financing marks the second leg of Innogy's attempt to refinance and leverage its U.K. wind power business, the largest wind farm portfolio in the U.K. with a 26% market share (PFR, 6/9). Early this spring Innogy sought bids from private equity investors to buy into an equity wind fund that would own Innogy's existing wind farms and future wind projects post construction. One banker notes two or three private equity players are looking to invest in the fund.

John Wilkinson, a spokesman at Innogy, said at the time that the move should give the utility the financial muscle to grow its wind farm business following the recent introduction of the U.K. government's Energy White Paper. Wilkinson could not immediately be reached for comment late last week.

Houston Shop Teams Up With Fund On ERCOT Plant

Canam, a newly minted Houston-based energy investment boutique, has taken over management of a 85 MW former **American Electric Power** peaker in ERCOT on behalf of an undisclosed fund that recently acquired the plant and is bankrolling the startup.

Riaz Siddiqi, managing director at Canam and a former senior **Cinergy Capital & Trade** staffer, says Canam assisted the private equity fund with the acquisition of the Bowling, Texas-based power plant. He adds the facility is being upgraded to make it more efficient. A spokesman at AEP confirmed the May 1 sale of the plant.

The fund and Canam are on the lookout for other generation assets. "Capital is not an issue. It is finding the right assets," says Siddiqi. He declined to name the fund or put a figure on the size of the backing.

Siddiqi, who left Cinergy to form advisory shop **Capstone Global Energy** (PFR, 7/13/99), says several other Capstone officials are in the new venture with him.

Allegheny Seen Rebuffing Bids

Dominion Resources' attempt to acquire some of Allegheny Energy's coal-fired generation fleet appears to have stalled over price. Bankers say Dominion filed two separate bids in mid-June but has yet to hear back from Allegheny. This wall of silence seems to indicate Allegheny's lack of enthusiasm for the offer prices, they add. **Janice Lantz**, and **Hunter Applewhite**, spokespeople for Allegheny and Dominion, respectively, declined to comment.

One of Dominion's bids targeted three aging plants in Pennsylvania—Hatfield's Ferry (1,600 MW) **Armstrong** (356 MW) and **Mitchell** (442 MW)—that are being auctioned by **J.P. Morgan**. The other bid targeted the Beth County pump storage facility in Virginia as well as a baseload coal asset being sold by **Goldman Sachs**, note the bankers.

Allegheny's failure to divest generation is prompting it to market the assets to the new breed of toward private equity investors, such **Madison Dearborn Partners**, **Bain Capital** and **Kohlberg Kravis Roberts**, says one banker, noting these companies have ready cash and are less constrained by initial earnings expectations.

Opportunities In The Distressed Power Sector

Some 40 industry investors, bankers and analysts attended IBC Global Conferences' Opportunities In The Distressed Power Sector conference at the Dorchester, London July 9-10. Managing Editor Will Ainger filed the following stories:

Banks Seen Dragging Their Heels On U.K. Genco

Consolidation of the U.K.'s embattled independent generation market is likely to take place in the second half of this year, but the banks that now own many of the IPPs are unlikely to be at the vanguard of change, argues one senior City investment banker.

Read Gomm, managing director and co-head of utilities at **Citigroup** in London, told delegates that the banking syndicates that now control many of the U.K.'s merchant plants, such as **DRAX**, **Damhead Creek** and **Killingholme**, are too large and divided to agree to any pooling of interests in the near term. Instead, Gomm predicts that those plants in which equity stakeholders still retain control are likely to lead the way in consolidating the IPP market. These stakeholders retain sole management and thus will be able to move quicker to set up a consolidated genco, argued Gomm.

These players are likely to include **International Power** and **AEP**, which together own more than 5 GW of capacity in the U.K., noted one delegate at the conference.

Royal Bank of Scotland announced last week that it had

hired **Lazard** and **Greenhill** to advise on the establishment of a bank-owned generation company.

Staff Shortages Hit M&A Activity

Merger & acquisition dealflow in the U.S. generation market is being hamstrung by distressed sellers not having sufficient qualified staff to conduct a sale process, argues one private equity investor.

Mark Miles, a principal at **AIG Highstar**, told the conference that senior management at many of the distressed IPPs have apportioned most of their time so far this year to debt restructurings rather than on divestitures. As a result, "There is no one to talk to us when we call," said Miles. He added the problem has been exacerbated by many senior IPP executives being fired as part of the industry downturn.

However, now that many of the largest IPPs recently have completed large scale debt refinancings, the focus is moving to asset sales and the pace of divestitures should pick up. "Last year was the year of pipeline sales. This could still prove the year of contracted generation sales," argued Miles. He also expects to see transmission sales flourish going forward.

Wholesale Prices Rise On Shortage Fears

U.K. wholesale power prices have rallied sharply in recent months as concerns of overcapacity have turned to fears of a supply shortage next year. **Ciara Ryan**, a partner at **Deloitte & Touche Energy Markets**, told attendees, that a fall in generation capacity margins to 16% has caused forward prices for next winter to climb to well over GBP20 per MWh. Summer 2005 prices have jumped almost 20% to over GBP18 per MWh. "It's unbelievable. Was overcapacity just a myth," she questions?

However, not all market watchers believe the rally can be sustained. **Paul Lund**, an analyst at **Standard & Poors**, says mothballed plants will weigh on sentiment even though they're out of action. "Most of these plants can be brought back to activity within three months."

AIG Investor Slams Auction Process

The use of widely touted auctions to sell small generation assets such as qualifying facilities is discouraging private equity firms from filing bids, according to **AIG Highstar** Principal **Mike Miles**. "It's an impediment to the sale process," he asserted.

Miles argues the glut of assets on the block relative to the small number of serious bidders means that sellers would be better advised conducting a more narrowly focused asset sale process. "When you have an imbalance of buyers and sellers conducting an auction is the wrong way to sell an asset."

Furthermore the plethora of auctions can make bidding prohibitively expensive. Miles noted AIG can spend \$1-2 million on due diligence when it looks to acquire an asset. Such an investment doesn't make sense when so many competitors are bidding on a single small asset, he argues.

Corporate Strategies

Alliant Raises Equity To Fund Utility Build Out

Alliant Energy has raised \$318.4 million via the equity mart to fund generation and distribution upgrades in its utility business and also bolster its balance sheet. **Chris Schoenherr**, spokesman in Madison, Wis., says the offering has been in the cards since November when Alliant unveiled a plan to cut leverage. "Market conditions have improved since last year for the industry," he says of the deal's timing. He also notes Alliant was able to show investors it had delivered on other aspects of the strategic plan, such as selling assets and cutting costs.

The offering of 17,250,000 shares, priced at \$19.25, was lead by co-bookrunners **Banc of America Securities** and **Merrill Lynch**. Schoenherr says that when Alliant selects leads, it generally looks at such things as the success of previous deals, adding Merrill has worked on equity deals for the company in the past. Co-managers were **Robert W. Baird**, **Lehman Brothers**, **Wachovia Securities** and **Williams Capital**.

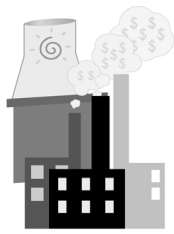
The chief beneficiary of the equity funds will be utilities **Wisconsin Power and Light** and **Interstate Power and Light**, which primarily serves Iowa and Minnesota. Schoenherr says specific generation and distribution additions are still to be determined, but notes IPL has already started work on a 500 MW plant in Mason City, Iowa. That facility will soak up \$290 million of capex over the next two to three years and a further \$790 million has been penciled in for IPL over that time frame. WPL is slated to spend \$570 million by 2005 on generation and distribution.

Calpine Taps Scotia For \$500M Revolver

Amid a recent flurry of financing Calpine has tapped **Scotia Capital** to arrange a \$500 million working capital facility. The loan will have first lien over the assets that back the **Goldman Sachs**-led \$3 billion secured note and loan deal that was expected to price last week as *PFR* went to press. Calls to **Bill Highlander**, spokesman for Calpine, and officials at Scotia were not returned. A spokesman at Goldman declined comment.

The Scotia loan is likely to be a two-year facility and split between a term-loan and a revolver, says one financier. Pricing could not be determined, but the financier says it will likely be in the 350-400 basis points over LIBOR range.

The loan component in the Goldman deal is priced around 575 basis points over LIBOR, says one banker. That financing is split between \$2 billion in fixed-rate notes and the remaining \$1 billion will likely be split between floating-rate notes and a term loan, according to market officials. Calpine will use the proceeds of the Goldman deal to pay down a \$950 million term loan B that matures next May and \$450 million outstanding under working capital revolvers. It also wants to take out "outstanding public indebtedness in open-market purchases," according to a release from the company. **Lehman Brothers** analysts take that reference to mean the company will take out part of the \$1.2 billion of convertibles that become puttable to Calpine in December 2004, according to a research note.



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	N/A	Intention to sell.
	Ferry Bridge	U.K.	2,000	Coal		
American Electric Power	Barney M. Davis	Texas	697	gas/oil	CSFB	Launched sale process in June as part of deregulation of Texan market
	E.S. Joslin	Texas	254	gas/oil		
	J.L. Bates	Texas	182	gas/oil		
	Laredo	TEXas	178	gas/oil		
	Lon C. Hill	Texas	559	gas/oil		
	Victoria	Texas	491	gas/oil		
	La Palma	Texas	255	gas/oil		
	Nueces Bay	Texas	559	gas/oil		
	Coleto Creek	Texas	632	Coal		
	Oklaunion	Texas	54 (7.8%)	Coal		
	Eagle Pass	Texas	6	Hydro		
	South Texas	Texas	630 (25%)	Nuclear		
AES	Yarra Power Station	Australia	510	Gas	-	Has appointed an advisor.
	Jeeralang	Australia	449	Gas		
	Mt Stuart	Australia	288	Gas		
AES Barry	Barry	U.K.	250	Gas	N/A	Centrica has tabled a bid
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		
	Mitchell	Penn.	442	Coal		
Alliant Energy	Southern Hydro	Victoria, Australia	500	Hydro	N/A	Intention to sell.
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	Watsonville	Calif.	30	gas	Citigroup	Is looking to sell portfolio of contracted QFs
	Greenleaf I	Calif.	50	gas		
	Greenleaf II	Calif.	50	gas		
	Agnews	Calif.	29	gas		
	Parlin	N.J.	118	gas		
	Morris	Ill.	177	gas		
	Bethpage	N.Y.	54	gas		
	KIAC	N.Y.	105	gas		
	Stony Brook	N.Y.	40	gas		
	Auburndale	Fla.	153	gas		
	Grays Ferry	Penn.	148	gas		
CenterPointEnergy	Texas Genco portfolio (12 plants)	Texas	14,175	Variety	-	Reliant Resources has option to purchase portfolio in early 2004
Cinergy	Cinergitika	Czech Rep.	230	CHP	J.P. Morgan	Expects to sell assets shortly.
	Energetika Chropyne	Czech Rep.	48	CHP		
	EPR Ely	U.K.	36	Straw		
	Moravske Teplamy	Czech Rep.	410	CHP		
	Pizenska Energetika	Czech Rep.	406	CHP		
	Redditch	U.K.	29	Gas		
	Teptama Otrokovice	Czech Rep.	349 (11%)	CHP		

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
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		
	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		
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		
	Double C*	Calif.	46 (26%)	Gas		
	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%)	Ga		
	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		
Mirant	Kendall	Mass.	270	Oil	CSFB	Ongoing.
	Shady Hills	Fla.	474	Gas	BofA	Ongoing.
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538	Gas		Looking for advisor to assist with sale
	Wichita Falls	Texas	77	Gas		Looking for advisor to assist with sale
NRG/Xcel (Asia)	Gladstone Power	Australia	1,500 (37.5% stake)	Coal	ABN AMRO	Awaiting bids.
	Flinders	Australia	760	Coal		
	Loy Yang A	Australia	2,000 (25% stake)	Coal		
	Hsinchu	Taiwan	400 (60% stake)	Gasfired		
	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil		
	Collinsville	Australia	192 (50% stake)	Coal		

* 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
NRG/Xcel (Latin America)	TermoRio	Brazil	1040 (50% stake)	Gas	Deutsche Bank	Awaiting bids.
	COBEE	Boliva	220 (98% stake)	Hydro/Gas		
	Itiquira Energetica	Brazil	160 (98% stake)	Hydro		
	Cementos Pacasmayo	Peru	66	Hydro/Oil		
	Bulo Bulo	Bolivia	90 (60% stake)	Gas-fired		
	Cahua	Peru	45	Hydro		
NRG/Xcel (Europe)	CEEP	Poland	10 (10% stake)	-	Goldman	Has already sold two Eastern European plants. Awaiting further bids.
	Enfield	U.K.	380 (25%)	Gas-fired		
	MIBRAG	Germany	238 (50% stake)	Coal		
NRG/Xcel (U.S.)	Big Cajun II	La.	2,400 (90%)	Coal	-	Has shortlisted three bidders.
	Pike	Miss.	1,192	Gas		
	Batesville	Miss.	1,129	Gas		
	Brazos Valley	Texas	633	Gas		
	Kaufman	Texas	545	Gas		
	Big Cajun	La.	458	Gas		
	McClain	Okla.	500 (77%)	Gas		
	Bayou Cove	La.	320	Gas		
	Sabine River	Texas	420 (50%)	Gas		
	Sterlington	La.	202	Gas		
	Mustang	Texas	485 (25%)	Gas		
	Pryor Cogen	Okla.	88 (20%)	Gas		
	Timber	Fla.	13.8	Biomass		
	Power Smith	Okla.	80 (9.6%)	Gas		
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	-
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch & Scotia Capital	Ongoing.
	Lakeview	Ontario	1,140	Coal		
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
PESG Global	Tanir Bavi	India	220 (74%)	Naphtha	-	-
	Karpatalism	India	330 (20%)	Naphtha		
PG&E National Energy Group	Bear Swamp	Mass.	599	Hydro	Lehman	Ongoing.
	Masspower	Mass.	267	Gas		
	Salem Harbor	Mass.	745	Coal & Oil		
	Pittsfield	Mass.	173	Gas		
	Brayton Point Station	Mass.	1,599	Coal		
	Manchester Street Station	R.I.	495	Gas		
	Lake Road	Conn.	840	Gas		
Polish Treasury	Elektroncieplownie Pozpnanskie	Poland		CHP	-	Ongoing.
Reliant Resource	Argener	Argentina	160	CHP		
SG-led bank group (NEG developed plants)	Athens	N.Y.	1,080	Gas	Blackstone	Bids due July
	Covert	Mich.	1,170	Gas		
	Harquahala	Mass.	1,092	Gas		
	Millenium	Mass.	360	Gas		
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	Merrill Lynch	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.

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

- The owners of Australia's 2 GW Loy Yang Power plant, including **CMS Energy** and **NRG Energy**, have agreed to sell the asset for AUD3.5 billion (\$2.38 billion) to a consortium including **Australian Gas Light Co.**, **Tokyo Electric Power Co.** and **Commonwealth Bank of Australia**. The partners invested some AUD1.3 billion in equity when they acquired Loy Yang in 1997, but will get back just AUD150 million (*WSJ.com*, 7/17).

Europe & Middle East

- Germany's third-biggest utility **Energie Baden-Wuerttemberg** will slow down its investment program after discovering its financial situation is worse than previously thought. A review of its accounts highlighted problems at its Salamander, Thermoselect and Stadtwerke Duesseldorf subsidiaries. **Dresdner Kleinwort Wasserstein** estimates charges at EUR300-400 million (*Dow Jones*, 7/17).

U.S & Canada

- **NRG Energy**, the bankrupt subsidiary of Minneapolis-based **Xcel Energy**, is again asking federal regulators to let it out of a contract to supply power to **Connecticut Light & Power** that costs \$500,000 a day (*Reuters*, 7/17).
- **Allegheny** named a former treasurer with IBM, **Jeffrey Serkes** as its new CFO, filling a vacancy left by **Bruce Walenczyk**, who retired in June (*Reuters*, 7/17).
- Power marketers allegedly manipulated energy prices earlier this year, effectively forcing **Texas Commercial Energy** into bankruptcy. The Plano, Texas, electricity retailer alleged in a federal antitrust lawsuit filed Monday that units of **American Electric Power**, **Mirant**, **Reliant Resources** and **TXU** violated state and federal laws by fraudulently inflating power prices (*Houston Chronicle*, 7/17).
- **FPL Energy** began operation at the 54 MW dual fuel Jamaica Bay Energy Center power plant in Queens, N.Y. Power from the plant is sold to the **Long Island Power Authority** under a long-term contract (*Dow Jones*, 7/17).
- A power plant operator jointly owned by **Aquila** and **Calpine** has defaulted on \$270 million of loans, causing lenders to draw

on letters of credit totaling \$37.5 million. The joint venture **MEP Pleasant Hill** operates the Aries power plant south of Kansas City. Aquila said the \$37.5 million letter of credit was pledged by Aquila in full and it is confident it can restructure the financing (*Reuters*, 7/17).

- **Reliant Resources** has agreed to sell its 550 MW Desert Basin power plant in Arizona for \$288.5 million to **Salt River Project Agricultural Improvement and Power District of Arizona** (*Reuters*, 7/19).

- European Union energy regulators agreed to abolish a EUR0.5 per MW charge on cross-border electricity sales within the EU starting next year (*Dow Jones*, 7/19).

- **AES** launched \$1 billion in loans to refinance existing bank debt as part of an effort to cut interest expense, extend debt maturities and boost liquidity. The company began marketing a \$750 million five-year term loan and a \$250 million four-year revolving credit facility with initial price talk of 375 basis points over the LIBOR. **Citigroup**, **Bank of America** and **Deutsche Bank** are the arrangers on the term loan, while Citigroup and **Union Bank of California** are arranging the revolver (*Dow Jones*, 7/19).

- **Duke Energy** and **Fluor** are ending their 14-year-old **Duke/Fluor Daniel** power contracting partnership because of a dramatic falloff in demand for construction of new power generation. The partners are developing a plan to dissolve the business over the next two years (*Dow Jones*, 7/19).

- **PG&E National Energy Group** sought Chapter 11 bankruptcy-court protection in the U.S. Bankruptcy Court for the District of Maryland, listing \$7.6 billion in assets and \$9 billion in liabilities (*Wall Street Journal*, 7/19).

- **Black Hills Corp.** has agreed to sell its stakes in seven hydroelectric power plants in upstate New York with 80 MW of capacity to Montreal-based **Boralex** for about \$186 million in cash. Black Hills said the sale would help it pay down debt and focus its efforts in the western U.S. The total generating capacity of the plants is about 80 megawatts (*Reuters*, 10/7).

IPP READIES

(continued from page 1)

bankers. SCS Energy is looking to fund roughly \$300 million of the Big Apple plant's construction costs through equity. The size of SCS Energy's own equity contribution could not be determined by press time.

The debt tranche won't be launched until after Labor Day, by which time the equity financing should have closed. The structure of the debt, which could consist of a bank loan, institutional loan or a bond offering, has yet to be determined.

Astoria inked a 10-year PPA with **Consolidated Edison Co. of New York** in early May covering the plant's output. The plant and its associated financing should prosper as it is in the most "transmission constrained and capacity short market in the country," reasons another banker.

Astoria is one of several power projects under development in New York City. Others include **Keyspan Energy's** 275 MW addition to its Ravenswood plant in Long Island City and **Orion Power's** proposed 1,842 MW cogeneration plant, also in Queens. —N.S.

Financing Record (JULY 4 - JULY 10)

Bonds

IssueDate	Maturity	Issuer	Amount (\$ mil)	Offer Price	Type of Security	Coupon (%)	Spread to Benchmark	Moody's	S&P	Bookrunner(s)
7/8/03	7/22/08	National Grid Transco	566.3	99.698	Fxd/Straight Bd	3.75	-	Baa1	A-	Deutsche Bank HSBC/RBoS
7/8/03	1/15/14	Ohio Power	225	99.918	Notes	4.85	110	A3	BBB	Barclays/Morgan Stanley
7/8/03	7/15/33	Ohio Power	225	99.18	Notes	6.375	168	A3	BBB	Barclays/Morgan Stanley

M&A

Date Announced	Target	Target Advisors	Acquiror	Acquiror Advisors	AcquirorCountry	Deal Value (\$mil)
7/3/03	Lakeside Energy Corp	-	Investor Group	-	U.S.	335
7/3/03	Loy Yang Power Plant & Coal	ABN AMRO/ Macquarie Morgan Stanley	Investor Group	JP Morgan	Australia	2,382.42
7/3/03	North Lake Energy Corp	-	Investor Group	-	U.S.	-
7/3/03	Portside Energy Corp	-	Investor Group	-	U.S.	-
7/4/03	Eneco Energie NV	-	Electrabel SA	-	Belgium	-
7/8/03	Primary Energy Inc	Credit Suisse First Boston	Private Power LLC	-	U.S.	335
7/9/03	Black Hills Power-Hydro Plant	-	Boralex Inc	-	Canada	186

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DUKE SEEN BUYING CMS PLANT DOWN UNDER
Duke Energy International has been awarded a 2,000 MW coal-fired plant in Australia, says an official familiar with the matter. While making plans to build the plant, the company says, Duke Energy is conducting a cost-benefit study with the Australian government to determine whether the plant should be built. The company is also conducting a cost-benefit study to determine whether the plant should be built. The company is also conducting a cost-benefit study to determine whether the plant should be built.

TRIO OF COMPANIES NEARS EPA DEAL
General Electric, Siemens, and Alstom are nearing a deal to build a 1,000 MW gas-fired power plant in the United States, says a source familiar with the matter. The companies are also conducting a cost-benefit study to determine whether the plant should be built.

LONDON UTILITY READIES \$1.4B MTR
London Electricity, the holding company for Electricity of London, is preparing to launch a \$1.4 billion program to build a new power plant in the United Kingdom, says a source familiar with the matter. The company is also conducting a cost-benefit study to determine whether the plant should be built.

PROGRAM TO FUND TXU ACQUISITIONS
Texas Utilities International is preparing to launch a \$1.4 billion program to build a new power plant in the United States, says a source familiar with the matter. The company is also conducting a cost-benefit study to determine whether the plant should be built.

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

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NEG PLANT

(continued from page 1)

bankruptcy protection, is in default (PFR, 6/16). Calls to **Roger Bredder**, managing director at SocGen, were not returned. **Raffiq Nathoo**, senior managing director at **The Blackstone Group**, which is conducting the sale, declined comment.

Firms that filed non-binding bids by the first round deadline last week include **Competitive Power Ventures**, a Silver Spring, Md., shop founded by ex-PG&E **Generating** staffers; New York-based energy acquisition and restructuring shop **Miller, McConville, Christen, Hutchison, & Waffel**; Boston private equity firm **ArcLight Capital Partners** and **U.S. Power Generating Co.**, a new firm formed by **Jacob Worenklein**, the ex-global head of project finance at SocGen. Officials at the three firms declined all comment.

Bankers and market players following the deal say Calgary-based **TransCanada Pipeline** has also reportedly bid. Calls to TransCanada were not returned. Other names in the frame are believed to include **BP**, **Constellation Energy Group** and the **Tenaska-Bain Capital** partnership. Officials

at these firms declined comment or did not return calls.

Market watchers say Blackstone is analyzing the bids and will present its thoughts to the banking syndicate this week. Blackstone released only limited operational details of the plants and bidders were required to prepare their own analysis of revenue projections, they add.

A successful bid likely will have to come close to the portfolio's almost \$1.5 billion of debt, the officials note, adding that non-recourse lenders seem unwilling to take a write-off on their exposure. If bids are too low, many expect the banks to hold on to the assets until the power market recovers.

NEG financed the four pack portfolio last year through a \$1.46 billion non-recourse loan. The company is passing control of the plants to its lenders because it is unable to finance the completion of construction on three of the units. For a full list of banks and allocations in the original financing, go to *PFR's* Web site (www.iipower.com).

The portfolio comprises plants in Athens, N.Y., Covert, Mich., and Tonopah, Ariz., which are under construction, and the operational Millennium plant in Charlton, Mass.

—Peter Thompson

DUKE ENERGY

(continued from page 1)

a sale or comment on whether it had hired Rothschild for advice. A banker at Rothschild also declined to comment.

Until now Duke has shied away from pulling the plug on the four-year old European operation in the hope that both it and the broader merchant energy market's fortunes would turn around, explains one Duke alumnus. "Management always argued that they should retain a foothold in Europe in case of a rebound. They said that if they were...to sell the business, it would be difficult to ever return," he explains.

Duke's European business consists of an oil and gas marketing operation in London, a 103 MW combined heat and power plant near Rouen in France and MEGAS, a gas marketing and gas supply business in the Hague, the Netherlands. The business could fetch \$100-200 million, calculate market watchers.

Duke's Fahey says the French power plant has been on the block for several months (PFR, 4/21). She adds the decision to sell MEGAS is an opportunistic response to inquiries from potential bidders.

Duke acquired the fully-contracted *Compagnie Thermiquedu Rougruy* cogeneration facility 11 months back for roughly \$100 million, say market watchers.

—Will Ainger

Correction & Amplification

Royal Bank of Scotland and **Scotia Capital** were the sole lead arrangers and bookrunners on a recent \$400 million non-recourse financing for **FPL Energy**. A list of the lead arranger group was mis-stated in an article dated June 30.

Quote Of The Week

"They are in desperate straits, and I mean desperate." —**Dot Matthews**, a fixed-income utility and power analyst at **CreditSights** in New York, commenting on **Aquila's** weak financial health and the company's need to divest assets (see story, page 1).

One Year Ago In Power Finance & Risk

Investment bankers were jockeying for position to win the lucrative privatization and initial public offering mandate for state-owned utility **Electricité de France**. [Last August the French government hired **Morgan Stanley** and **Credit Lyonnais** to advise on the sale of EdF. Later that month the French utility monopoly hired **BNP Paribas** and **Rothschild**. Market watchers says the French government is looking to privatize EdF in 2005, but add trade union hostility to the move and concerns over EdF's unfunded pension liabilities and huge nuclear decommissioning costs could push any privatization out to 2006 or 2007.]