

# power finance & risk

The exclusive source for power financing and trading news

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## Midwest Genco Eyes Project Debut

**Alliant Energy Generation** is looking to tap the project loan market for the first time to finance a significant chunk of its \$109 million acquisition of a 309 MW plant.

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## RELIANT OPTS TO TERM OUT \$800M REVOLVER

Houston-based **Reliant Resources** told bankers last week it will not try to replace an \$800 million facility falling due Aug. 15 and will instead term it out for one year. The move cuts out what would likely be a tough negotiation process that might have proved fruitless. Indeed, fellow troubled IPP **Mirant** last week had to term out a \$1.25 billion revolver. Lenders had proved reluctant to commit to the new deal for the Atlanta independent power producer (PFR, 7/8).

**Sandy Fruhman**, a spokeswoman for Reliant, declined comment, citing a company policy of not commenting on pending transactions and negotiations, beyond what has been disclosed in filings and investor presentations. The company's last update on debt refinancing was in a June 25 analyst conference. At that point, **Steve Naeve**, ceo, said "active discussions" were being held with lenders on refinancing a range of maturing bank debt.

*(continued on page 12)*

## BRITISH ENERGY SEEN ABORTING YANKEE DEBUT

The U.K.'s largest generator, **British Energy**, is reportedly close to ditching plans to make its debut in the U.S. bond market with a \$400 million offering because of a muted response from U.S. institutional investors.

Lead arrangers **Morgan Stanley** and **Deutsche Bank** began sounding out U.S. funds at the end of last month but have had such a lukewarm response that British Energy may have to look elsewhere for financing, says one analyst. **John Jackson**, treasurer at British Energy, did not return calls, and **David Wallace**, a company spokesman, was unable to provide comment by press time. Repeated calls to the lead banks also were not returned.

Some of the proceeds were earmarked to refinance a GBP110 million (\$175 million) 5.949% sterling bond series coming due next March. One market watcher

*(continued on page 12)*

## TECO PLOTS \$500M FINANCING FOR FORMER NEPCO PROJECTS

**TECO Power Services** and its lead bank are readying the launch of a roughly \$500 million non-recourse loan for the development of its 599 MW Dell power plant in Dell, Ark., and the 599 MW McAdams unit in Kosciusko, Miss. The deal represents a downsized dollar total from a planned \$647 million facility spiked at the end of last year, according to a banker.

Construction was delayed and the original loan pulled because the plants' engineering and procurement contractor was **Enron** affiliate **National Energy Production Corp.** (NEPCO) (PFR, 1/21). Enron's bankruptcy invalidated the guarantees TECO had inked with the construction contractor. **Gordon Gillette**, cfo at parent **TECO Energy**, referred calls to spokeswoman **Laura Plumb**, who did not respond by press time.

The delay has meant the Tampa, Fla., IPP has had to reckon with a much tougher market

*(continued on page 11)*

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

## Two More Lenders Sign For Conectiv

Two more lenders have signed on for the \$365 million, four-year non-recourse loan funding Conectiv's gas-fired combined-cycle power plant in Bethlehem, Pa. European lenders **Kreditanstalt für Wiederaufbau** and **Rabobank** have both signed on for \$25 million tickets, according to bankers. Leads **Credit Suisse First Boston** and **Scotia Capital** wrapped the oversubscribed deal with 11 banks a couple of weeks ago (PFR, 7/1), but a handful of other players were looking to come in after the deal closed. The new contributions allow underwriters to shave back their hold levels, a banker explains.

## SocGen Ices Securitization Plan

**Société Générale** has postponed a planned \$500 million securitization of a portion of its project finance portfolio. **Jay Worenklein**, managing director and global head of project finance, says structuring and rating work have been largely completed. However, the deal has been iced because capital constraints on the project finance book have eased and volatile market conditions have caused spreads to widen. Those spreads, at the moment, would result in pricing that SocGen doesn't think is consistent with the quality of assets being put into the structure, he explains. He adds that the capital constraints have eased because of renewed financing commitment from the parent bank.

Collateralized debt obligations—commonly known as CDOs—backed by project finance loans are few and far between, with only **Credit Suisse First Boston** and **Deutsche Bank**, out of the major players, seeing deals through to execution (PFR, 2/11). Worenklein notes that with the structuring and rating issues mostly wrapped up, SocGen will be ready to re-launch when market conditions calm down.

## Brummies Scalp Top Honors

**BNP Paribas'** **Marc Watton** has landed the top utility slot in *Institutional Investor's* inaugural All-Europe Fixed-Income Research Team. He was joined on the podium by fellow Brummie (a native of Birmingham, U.K.) **Neil Beddall** of **Barclays Capital**, who took third position with coworker **Andrew Moulder**. "Being brought up in the shadow of heavy industry makes us peculiarly suited to cover the utility industry," quips Beddall. **Morgan Stanley's Jeffrey Birch**, a U.S. expatriate, scooped the second position.

Watton, a former **Standard & Poor's** analyst, won kudos for correctly predicting at the beginning of this year that German utility **RWE** would take over **Innogy**. The two utilities announced a tie-up this spring. Calls to Watton were not returned.

## Down To the Wire Williams Edges Toward Revolver Target

Tulsa, Okla.-based Williams is slowly edging toward meeting a reduced \$1.2 billion target for a new revolver ahead of a Tuesday deadline when its current facility expires. Bankers say the deal, which was launched early June with a \$1.8 billion target, had commitments in the range of \$830-950 million as of last Thursday. The difficult syndication process—which was expected to be tough from the outset (PFR, 7/9)—has recently prompted Williams to divide the loan into four tranches that sit closer to operating companies, rather than the holding company, to make the security more attractive to potential lenders. **Kelly Swan**, a spokesman at Williams, says negotiations with its lenders are ongoing and an increase in expected asset sales prompted it to reduce the size of the revolver.

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## Morgan Lets Go Edinburgh Analyst

J.P. Morgan has let go one of its two U.K. utility equity analysts. Edinburgh-based **Adam Forsyth** left the U.S. firm on July 12, and will not be replaced. Another equity analyst at the firm says J.P. Morgan decided to cut back its coverage of the sector because consolidation in the U.K. utility market has meant there are simply not enough U.K. power, gas and water companies for two analysts to cover. J.P. Morgan is retaining London-based U.K. utility analyst **Caroline Randall**.

Over the past two years U.K. power companies **London Electricity**, **Powergen** and **Innogy** have all been swallowed up or agreed to be bought by larger European players, and **National Grid** has agreed to merge with fellow U.K. energy network operator **Lattice**. "Consolidation has brought down the number of companies from 10 or 11 to five. It means there are not enough big players to warrant having two analysts and our clients don't require us to cover smaller stocks such as **British Energy**," says the analyst.

## Aquila Spurns Approaches To Carve Out Weather Biz

Rival weather traders that have been considering bidding on Aquila's weather derivatives operation are being told the book isn't for sale, as the Kansas City, Mo.-based player is looking for a buyer, or partner, for its entire merchant trading and risk management operation. Last month Aquila signaled it was retrenching its trading operation and hired New York advisory boutique **The Blackstone Group** to identify potential transactions and partners for its wholesale energy business. Blackstone staffers have been telling interested weather officials that at the moment, Aquila won't be selling weather as a standalone business. Calls to **Raffiq Nathoo**, senior managing director at Blackstone, were not returned.

**Al Butkus**, a spokesman for Aquila, confirmed that the search is for a partner for the entire trading book. He characterizes the weather operation as a very profitable business and adds that amid the staff reductions at the company the weather team has let go only a couple of staff. According to industry officials, among the departed is **Valter Stoiani**, a weather derivatives marketer and structurer. The former **Enron** official, who joined Aquila early this year (PFR, 1/20), could not be reached for comment. Butkus declined comment on individuals and says the team now numbers around 20 staffers.

One weather rival says the market for the weather book as a standalone might be much wider than for the business as a whole, given the current trepidation about energy trading. He adds Aquila also has a series of strong joint-venture agreements on the weather side with players such as **Mitsui Sumitomo Insurance** and **Kemper Insurance Companies**. They are likely to be candidates to take on

the business, he adds. **Andrea Forman**, a spokeswoman at Kemper and **Yuji Ito** at Mitsui, declined to comment.

## CMS Readies \$250M Equity Issue

Dearborn, Mich.-based **CMS Energy** is looking to raise \$250 million via an equity or equity-linked securities offering, funds that will have to be raised following the agreement of new loan financing, otherwise it will not be able to pay dividends after Dec. 31.

**Al Wright**, executive v.p. and cfo, told an investor conference call last Monday that the timing of the issue will be dependent on completion of the internal investigation into round-trip trading and getting an auditor's stamp on the company's financial position. "We plan to do this security as soon as we have audited financials," he said. Calls to CMS for further details on the equity issuance were not returned by press time.

The lack of an audited financial statement scuppered CMS' effort to raise \$750 million in new loan facilities (PFR, 6/17) and led to a tougher set of financing conditions in the \$1.3 billion loan package the company unveiled last week. The facilities are secured credits with mandatory pre-payment conditions based on the proceeds from asset sales and capital market issuances. CMS Energy is also limited to quarterly dividend payments of \$0.1825 per share and must receive the \$250 million in net cash proceeds from the planned issuance of equity or equity-linked securities by year-end to pay dividends next year.

## DQE Seen Soliciting Buyers

Pittsburgh, Pa.-based **DQE** has been shopping itself for much of the past year, say Wall Street officials, and has received unsuccessful bids from a number of rivals including **Dominion** and **Equitable Resources**, a natural gas distributor, says one market watcher. **Joe Balaban**, a DQE spokesman, says the company is not for sale, but declined to comment on whether it has shopped itself at any time over the past year. Calls to officials at Dominion and Equitable Resources were not returned.

The market watcher, who claims to have spoken to DQE management about its sale strategy, says the Dominion and Equitable bids failed because they did not meet DQE management's own valuation of the company. He adds DQE is still willing to forego its independence, but only if it receives a high enough offer. However, an investment banker played down the likelihood of a deal being reached. Since DQE has had trouble finding a buyer thus far, it likely will end up having to go it alone, he argues.

DQE has agreed to forego independence once before. In 1997 it announced a tie-up with local rival **Hagerstown, Md.-based Allegheny Energy**. However, DQE terminated the merger shortly thereafter, citing a restructuring order of the

Pennsylvania Public Utility Commission that it claimed violated the merger approval process.

DQE, the parent of **Duquesne Light**, **DQE Energy Services**, and a handful of other energy, telecommunication and water concerns, has a market capitalization of \$957.28 million.

Balaban says DQE is currently looking to divest its roughly \$70 million propane business, \$20 million energy technology business and \$325 million water and waste management company.

## TransAlta Looks To Hedge Counterparty Trading Risk

Canadian generator, TransAlta, is considering buying credit derivative protection to cover the risk that some of its energy-trading counterparties might go belly up and default on contracts.

TransAlta, Canada's largest IPP with some 9 GW of generation capacity either on line or in construction in the U.S., Canada and Mexico, sees a greater need for credit protection because the number of energy shops willing to trade has been dwindling in recent times. This could leave TransAlta's trading exposure overly concentrated with a small number of rivals, explains a company official in Calgary. "Credit and finding available energy counterparties to deal with is an issue right now. There [are] fewer and fewer counterparties to deal with."

TransAlta has already executed one credit derivative contract, a credit-default swap, about a year ago, but may become more active going forward. "We haven't been in the market recently, but we may be in the future," says the Calgary-based official.

## Alliant Genco Readies First Non-Recourse Debt Foray

Oakbrook Terrace, Ill.-based **Alliant Energy Generation** (AEGen), the non-regulated generation subsidiary **Alliant Energy Resources**, will be looking for bids on its first project finance deal next month. **Mark Condon**, senior v.p. of finance, says the company will be looking to finance a significant chunk of its \$109 million acquisition of a 309 MW plant from **Mirant** with non-recourse debt, with the aim of wrapping the financing at the start of the fourth quarter. The deal for the Neenah, Wis., natural gas-fired plant was announced last week and is also expected to close in the fourth quarter.

AEGen is "cautiously optimistic" about getting strong bids from project financiers, Condon says, noting the plant's output is fully contracted under a power purchase agreement to Milwaukee-based **WE Energies** through June 2008. The company will determine the percentage of non-recourse debt needed to fund the acquisition after getting feedback from the bank market, says Condon, adding the equity component will come from Alliant Energy. There is also the carrot of more business to follow. **Mike Maley**, president of AEGen who came on board in October, says the unit is looking at a five-six year growth plan. The key driver of acquisitions will be profitability, but the company is looking ultimately to add a portfolio in the range of 5,000-10,000 MW.

The two-turbine, simple-cycle Neenah power plant is located 75 miles north of Milwaukee and began commercial operation in May 2000. The sale by Mirant is part of its strategy to improve liquidity, partly through an asset sale program that has raised \$1.5 billion this year.

## Corporate Strategy

### Northern States Goes Retail Amid Parent Rating Concerns

**Northern States Power** recently tapped the retail bond market for \$175 million of 40-year notes, a route that may have been triggered by the fact its parent Minneapolis-based **Xcel Energy** is on negative rating watch. Utilities will often reach out to retail investors, particularly when they have a strong reputation in their local service area, because they tend to be buy-and-hold investors, says **Ellen Lapson**, managing director at **Fitch Ratings** in New York. Institutional investors tend to be much more sensitive to the potential for downgrades and will trade more, she notes. **Ed Legge**, a spokesman for Xcel, declined comment about all aspects of the financing.

The deal, which was upsized from a planned \$150 million issue to \$175 million, was led by sole book-runner **Salomon**

**Smith Barney**. The notes—called public income notes, or PINES—have a coupon of 8% and are earmarked to repay short-term debt and for general corporate purposes.

Northern States is a regulated utility providing electric service to 1.3 million customers and natural gas distribution to 400,000 customers, primarily in Minnesota, and as a standalone entity would warrant a AA rating, says Lapson. However, the problems at parent Xcel have notched its ratings down. Fitch has a general policy capping the rating of a regulated utility unit of a troubled parent at a maximum of three notches above the top company. "The whole policy addresses the fact there is a linkage between the parent and the subsidiary," she notes.

Xcel, which is rated BB plus by Fitch, is on negative watch following its recent re-acquisition of its IPP unit **NRG Energy**. The agency is concerned about the near-term liquidity impact of the highly-leveraged subsidiary (PFR, 6/10).



## Emissions Reductions Conference

*Swiss Re held its Emissions Reductions: Main Street to Wall Street-The Climate In North America conference in New York City on July 17-18. Some 290 executives primarily from the utility, energy and insurance industries, attended. Reporter Amanda Levin filed the following stories:*

### Agency Homes In On Emission Risks

Richard Hunter, managing director in the global power group at Fitch Ratings, told attendees that the rating agency is increasingly looking at the impact of emissions obligations when rating the credit-worthiness of power companies.

Hunter explained that the standard Fitch review of a generation concern includes an analysis of its fuel diversity and its exposure to environmental costs. While the financial burden of emissions obligations remains modest compared to other costs it is expected to become increasingly onerous over time and thus needs to be evaluated.

The London-based analyst added Fitch does not necessarily look at a firm's emissions trading exposure when evaluating its credit worthiness. Even going forward, the value at risk of emissions trading is likely to prove small compared to energy companies' other trading activities, he forecast.

### AEP Shuffles Its Portfolio

American Electric Power, once almost exclusively a coal-fired power producer, has repositioned its generation mix away from fossil fuels and will continue to do so in an attempt to cut its greenhouse gas emission levels. "If you knew us five years ago you wouldn't be able to recognize us these days," claimed Bruce Braine, v.p. for strategic policy analysis at the Columbus, Ohio energy giant. "There have been a lot of changes. We've now become a major natural gas player."

According to Braine, coal-fired plants accounted for 90% of AEP's generating portfolio five years back. Coal-fired plants now make up 68% of its generation business. The remainder comprises

natural gas plants (22%), nuclear power (8%) and 2% or 900 MW allocated to wind, hydro and other renewable sources.

### Campaigner Attacks Green Trading

Author and environmental campaigner Ross Gelbspan warned conference delegates that the introduction of global emissions trading standards would do little to alleviate the rise in greenhouse gas levels and would likely prove an unworkable framework. Gelbspan, author of "The Heat Is On: The High Stakes Battle Over Earth's Threatened Climate," says the primary problem with such a global trading platform is that it's neither monitorable nor enforceable and is bound to be plagued by irreconcilable disputes between countries. "We simply can't finesse nature with accounting tricks," he concluded.

Rather, Gelbspan outlined a three-point plan that would allow the U.S. and other countries to meet the Kyoto Protocol's emission reduction targets. Firstly, Gelbspan proposed the U.S. government withdraw the \$30 billion it spends annually subsidizing fossil fuels and nuclear power. Instead, he said the capital should be used to retrain coal miners and help transform oil companies into renewable energy concerns. Secondly, he argued the U.S. should create a \$300 billion fund to help developing countries add renewable energy sources. Lastly, he advocated every country commit to increasing fossil fuel energy efficiency by 5% annually until a 70% reduction in global output is attained.

Gelbspan's comments drew a muted response from much of the audience, many of whom rejected the idea that government directives should determine how energy companies manage the fuel mix in their generation portfolio.



## Latin America

### Citi, Mizuho Wrap Brazil Syndication

Lead arrangers Citibank and Mizuho Financial closed syndication at the beginning of this month on a \$210 million long-term non-recourse loan to partly finance the construction of Altamira, a \$300 million 495 MW combined-cycle gas-turbine plant in northeastern Mexico. A New York project financier says final documentation should be sealed by the end of this month.

The financier says Bank of Tokyo-Mitsubishi and ING

Barings came on board as co-arrangers and that two or three banks signed up for junior syndication tickets. He declined to reveal the names of the banks and their commitment levels.

Project sponsors Electricité de France (51%) and Mitsubishi (49%) will jointly provide \$100 million in equity financing for Altamira (PFR, 7/1). The facility will sell all of its output to the Comision Federal de Electricidad, Mexico's national power company, under a 25-year power purchase agreement.

Bankers at Citibank declined to comment. Calls to bankers at BoTM, ING and Mizuho were not returned.

## Tractebel, Alcoa Land Brazilian Project ...

Tractebel and a consortium led by the Brazilian arm of Alcoa, the world's largest aluminum producer, jointly won a government auction July 12 to build and operate a 1,087 MW hydroelectric power plant in Brazil, dubbed Estreito, says a project financier close to the matter.

The financier says Citibank had been retained to advise on the project and is now planning to arrange \$650 million in bond and non-recourse bank debt financing to fund the construction of the project. Financing will take place once the sponsors have secured an environmental license project, says the financier. This is expected to take some six months.

The Alcoa consortium consists of Companhia Vale do Rio Doce, a Brazilian mining outfit, Alcoa Alumínio and Camargo Correa, a local contractor. The consortium is also developing a hydro scheme in the north of Brazil (see story, opposite). The project will cost about \$700 million to build and is expected to be operational by 2007.

Bankers at Citibank declined to comment. Neither members of the consortium nor Jacques Van Hee, a Tractebel spokesman, returned calls by press time.

## ... As Citi Delays Financing Hydro Deal

Citibank has iced plans to provide financing within the next few months for the Santa Isabel hydroelectric project in Brazil because of permitting delays at the Alcoa backed project. A banker close to the project said in May that it hoped to arrange up to \$700 million in debt financing imminently (PFR, 5/20), but now says that the second quarter of next year is a more probable deadline.

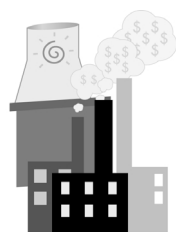
A delay in gaining an environmental license is the main factor holding back the deal. The project's sponsors Alcoa Alumínio, the Brazilian arm of Alcoa, Companhia Vale do Rio Doce, a Brazilian mining firm, and Camargo Correa, a local contractor, presently are hoping to receive an environmental permit this fall, but the financier warns it could take longer.

Proceeds of the debt financing are earmarked to construct a 1,087 MW hydroelectric power plant in northeastern Brazil. The plant is one of many projects that have been auctioned by the Brazilian government to solve the country's chronic shortage of power. Alcoa is building the plant to meet its aluminum smelting needs.

## 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](mailto: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	Financing delayed till 2003	7/22/02
Ceran	-	Hydroelectric	360	111	Brazil	BNDES	Will launch the loan shortly	10/8/01
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/Petrobras	Termoacu	Gas-fired	340	-	Brazil	IDB	IDB is evaluating the project	7/15/02
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
Tractebel/Alcoa	Estreito	Hydro	1,087	700	Brazil	Citi	Waiting for environmental permits	7/22/02
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](mailto:wainger@euromoneyplc.com).*

Seller	Plants	Location	MW	Plant Type	Advisor	Status
American Electric Power/ Central and Southwest Corp.	Northeastern units 3 & 4	Okla.	300	Coal	N/A	Reviewing sale strategies.
	Lon C. Hill	Texas	546	Gas		
	Nueces Bay	Texas	559	Gas		
	Ennis S. Joslin	Texas	249	Gas		
ADWEA	Um Al Nar	Abu Dhabi	1,100	Gas & Water Desalination	CSFB	Looking to sell plants in 2003.
AES Fifoots Point	Fifoots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant by end of April
BP	Great Yarmouth	U.K.	400	Gas	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	Cinergitika	Czech Rep.	230	CHP	J.P. Morgan	Expects to sell assets this summer
	Energetika Chropyne	Czech Rep.	48	CHP		
	EPR Ely	U.K.	36	Straw		
	Moravske Teplamy	Czech Rep.	410	CHP		
	Pizenska Energetika	Czech Rep.	406	CHP		
	Redditch	U.K.	29	Gas		
	Teptama Otrokovice	Czech Rep.	349 (11%)	CHP		
CMS Energy	Loy Yang	Melbourne, Australia	2,000	Coal	Not chosen	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		
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		
	Hsinchu	Taiwan	400 (60% stake)	Gasfired		
	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil		
	Collinsville	Australia	192 (50% stake)	Coal		

Continued

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

Seller	Plants	Location	MW	Plant Type	Advisor	Status
NRG	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	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		
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			
	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			
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

- The **International Development Association**, the concessionary lending arm of the **World Bank**, has agreed to grant Bangladesh a \$190.98 million loan to finance a rural power grid project. The IDA said, "The project will serve electricity to about 764,000 households, rural small and medium enterprises and public institutions (*Reuters*, 7/16).

### Europe & Middle East

- **Centrica**, the U.K.'s dominant gas provider, has agreed to buy some assets of **NewPower**, an energy marketer founded by **Enron**, for \$21.9 million. Under the deal, Centrica will get 215,000 NewPower gas customers in Ohio and Pennsylvania and other assets including gas inventories and computer systems. In late March Centrica aborted a planned \$130 million purchase of all of NewPower's assets after a U.S. bankruptcy judge refused to free the company from any potential liabilities stemming from its association with Enron (*Reuters*, 7/15).
- Spain's two dominant electric utilities **Endesa** and **Iberdrola** have signed an agreement with its third largest provider **Union Fenosa** to build a gas plant that could provide more than 16% percent of Spain's gas needs. Fenosa, which initially planned to build and run the plant in Valencia alone, owns 50% of the firm that will run the project, while Iberdrola and Endesa share the remaining half (*Reuters*, 7/16).
- U.K. generator **British Energy** has agreed to accept lower prices in future for the nuclear power it sells in Scotland. The company has reached an out-of-court settlement that would bring the premium paid by regional utilities **Scottish Power** and **Scottish & Southern Energy** over the normal market price for electricity down to something more closely linked to market prices. The utilities had looked to restructure PPAs with British Energy following the introduction of Neta, which has lowered wholesale power prices (*Reuters*, 7/15).

### Latin America

- **Samarco Mineracao**, a leading player in the global iron pellets market, has signed a power purchase agreement with Brazilian power concern **Companhia Energetica de Minas Gerais** (Cemig). Cemig will sell \$200 million of power over the next 10 years to the iron pellet producer from power plants

at Minas Gerais and Espirito Santo. Samarco produces 14 million tons of pellets and spends \$30 million on energy per annum (*South American Business Information*, 7/15).

### U.S. & Canada

- **Shell's** Houston trading operation has entered some \$7.4 billion of U.S. tolling contracts that could prove worthless, claims a former executive at the company. **George Namur**, a former general manager, alleges he was told to come up with optimistic forecasts of future power and gas prices that would justify the deals to the oil company's head office (*Financial Times*, 7/15).
- **Duke Energy** shares tumbled sharply Monday after it was downgraded by **Morgan Stanley** and **Goldman Sachs**, who cited federal investigations into its energy trading activities as the reason for their actions (*Reuters*, 7/15).
- The **Nuclear Regulatory Commission** cited **Wisconsin Electric's** twin-reactor Point Beach nuclear power plant in Wisconsin for a potentially dangerous problem. The NRC issued a final decision that a backup cooling water system at the 1,022 MW plant might fail to work under certain, although unusual, operating conditions. Normal plant operations were not affected by the problem (*Reuters*, 7/15).
- **Cargill** will buy out partner **Alliant Energy** from their energy-trading joint venture, **Cargill-Alliant**, this fall. Alliant cited restructuring in the U.S. electricity industry as the reason for its decision, which will mark its exit from the domestic electricity trading business. Cargill and Alliant set up the J.V. in 1997 (*Reuters*, 7/15).
- **Black Hills Power**, a wholly owned subsidiary of **Black Hills Corp**, has filed with the **Securities and Exchange Commission** to sell as much as \$75 million in first mortgage bonds (*Reuters*, 7/15).
- Electricity firms have made progress with the state of California in renegotiating \$43 billion in long-term power contracts, and some have reached a "settlement in principle," according to the chief judge with the **Federal Energy Regulatory Commission** (*Reuters*, 7/15).

● **Reliant Energy** has hired **Goldman Sachs** Managing Director **Mark Jacobs**. Jacobs takes the top finance slot at both Reliant Energy and its **Reliant Resources** arm, but will resign from Reliant Energy when it completes the spinoff of Reliant Resources. Jacobs replaces **Steve Naeve** at Reliant Energy, who will continue as vice chairman until the spinoff, the company said. At Reliant Resources, Jacobs takes over from **Rex Clevenger**, v.p. and interim cfo (*Reuters*, 7/16).

● **Standard & Poor's** lowered its corporate credit rating on CMS Energy subsidiaries **Consumers Energy** and **CMS Panhandle Pipeline** to BB, in line with parent company CMS Energy. S&P also lowered its senior unsecured rating on CMS Energy to B plus. (*Reuters*, 7/16).

● **Sempra Energy** admitted it shipped power out of California to the Northwest then repurchased it and sold it back to California during the state shortages in 2000. The trades allowed the company to sidestep local price caps. San Diego-based Sempra said the deals were different from **Enron's** ricochet

trades as each part of the transactions were distinct and profits were not guaranteed (*The San Diego Union-Tribune*, 7/17).

● The downgrading of power marketers is raising concern about the health of trading in wholesale electricity markets, according to **William Hederman**, head of the **Federal Energy Regulatory Commission's** new office of market oversight and investigations. Declining credit ratings is affecting volumes and the number of participants. "You need more players to have competition," he said. "The weakness affects liquidity in markets." (*Reuters*, 7/17).

● **Enron** power marketing representatives met with the **Public Utility Commission of Texas** for the first of what's expected to be a series of meetings to address the regulator's charges that Enron manipulated the state's power market last summer. The PUC notified Enron Power Marketing Inc. in late May that it intended to fine the company more than \$7 million for overestimating the amount of power it needed to ship to customers in Texas last August (*Dow Jones*, 7/17).

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PFR - JUNE 24

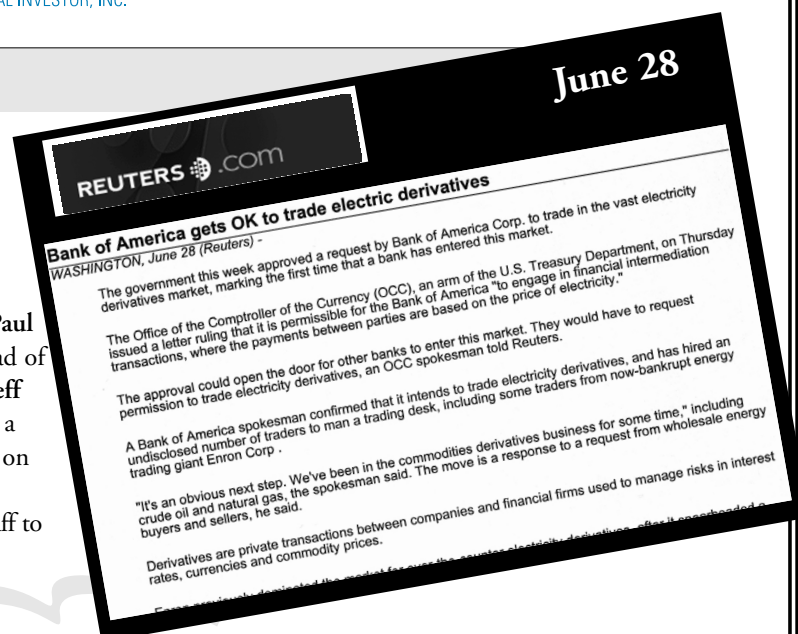
### BofA REPORTEDLY READIES POWER TRADING; HIRES ENRON QUARTET

Bank of America is reportedly planning to establish an electricity derivatives trading desk in New York and has landed four former Enron traders to staff the operation. The quartet consists of **Rogers Herndon**, who heads the team, **Gautam Gupta**, **John Suarez** and **Paul Broderick**, according to market officials. **David Mooney**, global head of commodities, referred calls to BofA's media relations department. **Jeff Hershberger**, a spokesman in New York, says BofA is not currently a participant in the power derivatives market and does not comment on future business plans. Herndon referred calls to Mooney.

The four were recipients of retention bonuses paid to key Enron staff to keep the company's trading operation afloat prior

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## TECO PLOTS

(continued from page 1)

for merchant deals as project financier sentiment has turned more bearish over this year, notes one banker. The downsized loan reflects TECO's increased equity contribution, which now will account for 60% of the funding, he adds. Terms and pricing could not be determined.

Even with the smaller number of banks willing to stomach merchant risk, lead arranger **Credit Suisse First Boston** should have little trouble syndicating the deal. TECO is a good

name, says another banker, adding that it also "did right by the market" in stepping up with accelerated equity contributions and additional guarantees on its El Dorado and Gila River developments that were also hit by the NEPCO issue. There are enough banks with the appetite for merchant deals to handle a deal around the \$500 million level, he adds. Officials at CSFB declined to comment.

In May, TECO Power announced that **SNC-Lavalin Constructors** had replaced NEPCO as the contractor on the El Dorado, Gila River, Dell and McAdams projects.

—P.T.

## Financing Record (JULY 10 - JULY 18)

### Bonds

Issue Date	Maturity	Issuer	Amount	Offer Price	Type of Security	Coupon (%)	Spread to Treasury	Moody's	S&P	Bookrunner(s)
07/12/02	07/12/05	Endesa	396.2	100	Fxd/Straight Bd	4.56	-	A2	A	SocGen

### M&A

Date Announced	Date Effective	Target Name	Target Advisors	Target Country	Acquiror	Acquiror Advisors	Acquiror Country	Value (\$mil)
07/11/02	07/11/02	Wels Strom GmbH	-	Austria	Energie AG Oberoesterreich	-	Austria	-
07/12/02	07/12/02	Agrupacion Energias Renovables	-	Spain	Harpen AG	-	Germany	-
07/12/02	07/12/02	Kinetic Energy Inc-Chatham D	-	Canada	Undisclosed Acquiror	-	Unknown	-
07/12/02	-	Ontario Power Generation	Merrill Lynch/Scotia Capital	Canada	Undisclosed Acquiror	-	Unknown	-
07/14/02	-	NewPower Hldngs-Certain Assets	-	U.S.	Centrica	-	U.K.	21.85
07/15/02	-	Aarekraftwerkes Ruechlig	-	Switzerland	Nordostschweizerische	-	Switzerland	-
07/15/02	-	Armrosazprom	-	Armenia	Gazprom	-	Russian Fed	126
07/15/02	-	Stendaler Stadtwerke	-	Germany	Investor Group	-	Germany	-
07/16/02	-	JV-Cargill,Alliant	-	U.S.	Cargill	-	U.S.	-
07/16/02	-	Mirant Gas-Fired Power Plant	BofA	U.S.	Alliant Energy Resources	-	U.S.	109
07/16/02	-	Termorio(Petroleo Brasileiro)	-	Brazil	Petrobras	-	Brazil	50

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

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## RELIANT OPTS

(continued from page 1)

Reliant Resources has been roiled in recent months by questions over its trading operations and the efficacy of its business model (PFR, 5/20). One banker characterizes the term-out strategy as a realistic assessment by the company that it wouldn't have been able to secure facilities. "I think it's a smart thing to do," he says, adding that some bank credit committees look at a failure to set up new facilities as being worse than just exercising the term out. But the overall lender view may not be so sanguine. "Nobody wants a headache like this," says one banker. "Nobody likes a term out."

Other re-financing deadlines are looming as well: \$1.6 billion in **Orion Power Holdings** mini-perms fall due in the fourth quarter (PFR, 6/24) and the \$2.9 billion, 364-day bridge loan that funded the recent Orion acquisition matures next February.

The decision to term out the soon-to-mature revolver also raises questions about the current viability of Reliant Resources as a standalone business. The IPP is majority owned by **Reliant Energy**, which plans to fully spin off the business to existing Reliant Energy shareholders, a move that would leave Reliant Energy as purely a regulated utility business. "In order to spin it off, someone has to give a fairness opinion on whether [Reliant Resources] is a going concern," one lender notes. At the analyst presentation, company officials said they remained committed to the spin off.

—Peter Thompson

## BRITISH ENERGY

(continued from page 1)

notes British Energy's failure to tap the market now shouldn't trigger any liquidity concerns. It still has plenty of time to find alternative debt financing opportunities and has two sizable and largely untapped credit facilities that it can draw down to repay the sterling bond, he explains. British Energy has an undrawn GBP350 million revolver that matures in 2005 and GBP259 million of undrawn bilateral bank lines that mature next year. In total British Energy has some GBP153 million of debt due by next March, according to its 2002 annual report.

British Energy's failure to tap the market reflects both tough conditions in the U.K. generation market and U.S. investors' unwillingness to take on more generation-related paper, after spreads on U.S. IPP bonds blew out following the collapse of **Enron** and more recent wash-trading scandals. Analysts note British Energy's performance has suffered over the past year because wholesale power prices have plummeted

more than 20%.

Analysts speculate that British Energy's desire to tap the U.S. market was aimed at broadening its investor base into a market that is becoming increasingly important to its bottom line. The company owns three U.S. nuclear reactors: Three Mile Island unit 1 in Pennsylvania, Oyster Creek in New Jersey and Clinton in Illinois, through a joint venture with **Exelon**.

—Will Ainger

## Calendar

**Center For Business Intelligence** will hold its third annual *Financing Latin American Power Projects Conference* July 29-30 at the Wyndham Miami Beach Resort in Miami, Fla. For further information call: (781) 939-2404.

## Quote Of The Week

*"We simply can't finesse nature with accounting tricks."*—**Ross Gelbspan**, author and environmental campaigner, arguing that the development of an emissions-trading framework will do little to reduce global warming (see story, page 5).

## One Year Ago In Power Finance & Risk

Iceland's state-owned power utility **Landsvirkjun** was seeking financing to construct a roughly \$670 million 700 MW hydroelectric plant. [Landsvirkjun has yet to seal financing for the plant, but has begun talking to lenders about the project. In the meantime the utility is holding negotiations with aluminum producer **Alcoa**, about entering a 25-year power purchase agreement covering all of the plant's output, says a Landsvirkjun official.]

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