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Rockland Weighs N.J. Plant Purchase

Rockland Capital Energy Investments may acquire a 447 MW coal and oil-fired power plant owned by a **Pepco** unit.

See story, page 2

NordLB Targets New Non-Recourse Markets

NordLB wants to expand its project finance footprint into Trinidad and Tobago and Latin America.

See story, page 2

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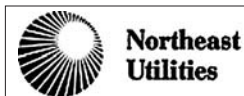
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BRASCAN, ECP, TRANSCANADA VIE FOR NU PORTFOLIO



Brascan Power, Energy Capital Partners and Transcanada Corp. are jockeying for position in the bidding contest for **Northeast Utilities'** 1.4 GW of unregulated generation. Final bids, said to be at more than \$1 billion (PFR, 7/17), were due two weeks ago, and a winner has yet to be unveiled.

Many observers are pointing to Brascan, which is a unit of **Brookfield Asset Management**, as having the most viable shot, given its deep pockets. Last month Brookfield acquired two hydro facilities in Maine from **Rumford Falls Power Company** for \$144 million. Calls to officials at the companies were not returned.

(continued on page 8)

CREDIT SUISSE, DEUTSCHE BANK PREP \$1B+ CONSTELLATION STAPLE

Credit Suisse and Deutsche Bank are readying a roughly \$1-1.1 billion staple financing package for the sale of more than 3 GW in merchant generation that **Constellation Energy Group** has put up for grabs. Details on the financing package could not be ascertained. A spokesman at Constellation declined to comment as did Credit Suisse executives. Deutsche Bank officials did not return a call.

As auctioneers the bank duo Credit Suisse and Deutsche Bank took indicative bids last week. Final bids will be taken in August and a winner selected soon thereafter. The identities of prospective bidders could not be determined. **FPL Group**, which is engaged in an attempt to merge with Constellation, is opposed to a sale of Constellation's merchant

(continued on page 8)

EPCOR SURFACES AS FINALIST FOR PRIMARY ENERGY

Epcor Utilities has emerged as a contender in the auction of Primary Energy by seller **American Securities Capital Partners**. An energy banker says Epcor as well as **DTE Energy** are frontrunners (PFR, 7/10). It could not be determined whether Epcor itself or its **Epcor Power** subsidiary was making the bid. Epcor Utilities is an Edmonton, Alberta-based municipal utility owned by the city of Edmonton.

Bill Johnson, executive v.p. at Primary Energy, declined to comment. **Jack Paris**, v.p. at Lehman in New York, **Michael Fisch**, managing director at American Securities in New York, and **Brian Vaasjo**, executive v.p. at Epcor Utilities, did not return calls for comment.

Epcor Power was formerly known as **Transcanada Power** before it was bought by Epcor

(continued on page 8)

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



At Press Time

Rockland Aims For Garden State Plant

Rockland Capital Energy Investments is reportedly considering an acquisition of the 447 MW coal and oil-fired B. L. England Generating Station in Cape May County, N.J. The facility was put on the auction block by Atlantic City Electric Co., a subsidiary of Pepco Holdings, last year (PFR, 10/3).

Prospective deals for the baseload operation located in the PJM Interconnection region have stuttered for reasons that could not be determined. Rockland is revisiting the asset after an exclusivity period to perform due diligence work expired earlier. Details, including a sale price, could not be learned.

An official at broker Concentric Energy Advisor in Marlborough, Mass., declined to comment and calls to Rockland were not returned. ACE also did not return calls.

Concentric helped advise ACE on deals for the sale of a minority interest in Keystone and Conemaugh Generating stations also in the PJM market, which were auctioned along with B.L. England last year.

Trained On Trinidad

NordLB Targets Fresh Non-Recourse Markets

NordLB is aiming to expand its project finance footprint into markets such as Trinidad and Tobago and Latin America. The German lender has largely been focused on the North Americas, with a strong emphasis on Mexico, but sees Trinidad as a market where opportunities to finance natural gas deals abound, says Bruno Mejean, senior v.p. in New York. The banker says Chile and Brazil also are on its radar.

A solid financing record in participating in North American deals including a \$179 million refinancing for InterGen and Tokyo Gas of its Bajio generation plant near Mexico City (PFR, 2/27), prompted the bank to take a look into financing in some other markets.

Mejean says NordLB sees Trinidad as an ideal opportunity to make an entry because it is one of the larger natural gas markets and has significant gas reserves—that makes for deal opportunities. The bank is not expected to add staff to back the expanded focus.

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INTELLIGENCE FIRST

Loomis Sayles Energy Fund Profits From Shorts



An energy hedge fund managed by Boston's Loomis Sayles has

managed to generate alpha from the short side of its equities portfolio. The fund's portfolio managers believe that high prices of energy stocks have created an environment where "many companies are priced to perfection and susceptible to disappointing surprises in the future," says an e-mail penned by the firm's third-party marketer.

The *Loomis Sayles Energy Hedge Fund* is managed by **James Carroll** and **Larry Shaw** and seeks to minimize the volatility usually associated with the energy market. Its investment universe, which tracks 650 companies, is broader than most energy hedge funds: "companies involved in the exploration, production, refining, marketing or distribution of energy and natural resources as well as transportation companies, equipment manufacturers, utilities and other companies that support energy companies or consume or otherwise depend on energy products."

Since its Oct. 12, 2005 launch, the fund has returned 14.66% with only one losing month this February. In June, it returned 45 basis points.

VegaPlus Commodities Fund Hit By Volatility

The \$460 million *Anglian Commodities Fund*, managed by **VegaPlus Capital Partners**, took a big hit last month, returning a worst-ever -9% as extreme volatility hit the sector. The drawdown comes just as the fund, which invests in commodities such as energy and power, celebrated its two-year anniversary, and follows a month where it bucked the trend and managed positive returns, says the firm's monthly investment letter. "It is fair to say that some of the landmines we avoided in the carnage of May, when we had a net positive return, caught up with us in June."

The fund's relative value book, which makes up 65% of its portfolio, had concentrated losses in base metal volatility trading, says the document. As a result, "we significantly reduced these positions, while simultaneously adding to other volatility-oriented trades." Management is now confident that commodities market volatility has peaked and has been actively seeking out new trading opportunities.

Its equities strategies lost 50 basis points as "markets continued their panic-stricken sell-off for the first three weeks of

June only to reverse violently in the final week." The energy portion of the equities strategy was responsible for most of the month's losses, as the acquisitions of **Kerr McGee** and **Western Gas Resources** by **Anadarko Petroleum** led to a speculative rally in energy companies that investors deemed to be good take-over candidates. "A few of our short positions fall into this group," the document concedes.

Going forward, the firm continues to favor an appreciating commodity asset class overall, but with a low net long risk exposure due to the high level of volatility and noise present. "Across the various commodity sectors, longs in metals markets are being mostly offset with shorts in energy and agriculture."

Despite the drawdown, the fund has still returned an annualized 4.46% since inception. The investment minimum is \$1 million with fees of 2/20.

Natexis Targets Fall Syndication Of French Wind Deal

Natexis Banque Populaires plans on launching a club-style syndication in October of a portfolio of to-be-built French wind farms for sponsor **Agrupación Eólica**. The bank was awarded the mandate for the €70.5 million (\$88 million) construction package several weeks ago and wants to syndicate the €55 million term loan slice of the debt to three to five lenders, says **Pierre Dufaud**, head of power at Natexis in Paris. The bank will invite lenders to take approximately €20-25 million of the term loan portion, he says, noting that terms and fees for the syndication still need to be hammered out.

Development is underpinned by a long-term PPA with partially state-owned **Electricité de France** (a division of **EDF Group**), which has an obligation to purchase power from renewable sources.

Early preparatory construction of the package of four wind farms totaling 48 MW will begin next month, but won't commence in earnest until the sponsor receives its V90-2 MW turbines from **Vestas** sometime next year, Dufaud says, explaining the turbine manufacturer has a backlog of turbine orders, given robust wind farm construction in Europe.

In addition to the 15-year term loan, priced at EURIBOR plus 120 basis points, the cross-collateralized construction package consist of €3.2 million junior facilities and an 18-month €12.3 million loan for VAT credits. The projects are known as Patay in Eure et Loire, Saint Barnabé in Côtes d'Armor and Ségur and Canet both in Aveyron. Each farm will generate about 12 MW.

Corporate Strategies

Dynegy Unit Takes Out Second-Lien Debt

Dynegy Holdings has redeemed \$74 million of second-priority, senior-secured floating-rate notes set to mature in 2008. The funding arm for the Houston IPP paid for the redemption with remaining proceeds from a \$750 million senior-unsecured private placement in March that also took out high-interest second-lien debt (PFR, 4/3).

Dynegy tendered \$1.75 billion of second-lien notes in total and after this redemption will have only \$10 million left outstanding in a tranche due in 2010. **Aaron Freedman**, analyst at **Moody's Investors Service** in New York, says Dynegy has been taking out this kind of debt in order to remove restrictive covenants. Freedman says in addition to the proceeds from the private placement, the IPP used cash on hand generated from the sale of its midstream assets.

Moody's rates Dynegy Holdings' senior unsecured debt B2. **John Sousa**, spokesman for Dynegy, did not return a call for comment.

PPL Piles In To Pollution Notes

PPL Energy Supply has tapped the institutional and retail debt markets to fund its pollution capital expenditure program in the coming months. PPL Energy, the unregulated generation unit of Allentown, Pa.-based energy company **PPL Corp.**, sold \$250 million, 40-year 7% senior notes with a five-year call provision and also issued \$150 million in 6.2% notes.

The \$250 million tranche was sold to retail investors because PPL wanted to include a call provision.

"We found that we could get better execution and significantly better pricing from the retail markets on the long end of the curve if you're interested in a call [option]," says **Jim Abel**, v.p. and treasurer at PPL. **Citigroup**, **UBS** and **Wachovia** led the offering because of their strong retail distribution capabilities, he notes. The treasurer says the offering would have priced around 7.5% in the institutional market and that, even after costs such as commissions to retail brokers, PPL saved about 30 basis points.

PPL Energy's \$150 million offering, via **Credit Suisse**, **BNP Paribas**, and **Scotia** was sold as an add-on to an earlier \$400 million 6.2% offering. The debt was being reissued because a new offering for \$150 million would have been considered illiquid, thus unattractive, for some investors, he notes. Abel says about 40% of the buyers of the new notes invested in the original, which was shopped earlier this year.

About \$200 million of the offering will be placed in a money market account until it is needed—likely at the

beginning of next year. "This might be expensive for a while but it's worth the trade-off of getting to price long-term debt in a relatively flat rate environment," says the official in regard to the costs of paying interest on the debt before proceeds are put to work. **Moody's Investors Service** rates PPL Energy's senior unsecured debt Baa2.

PPL Energy has about \$2.6 billion in long-term debt, and about \$4.2 billion on a consolidated basis. The entity aims for a debt-to-capitalization ratio of about 45:55.

Midstream MLP Goes Hybrid To Stem Dilution

Midstream gas player **Enterprise Products Operating** has issued \$300 million in hybrid securities. The Houston master limited partnership tapped the hybrid market because it had executed a spate of equity offerings and wanted to limit further share dilution, says **Randy Burkhalter**, director. "We're in capital raising mode but we've been to the equity markets a number of times and our shareholders were saying, 'You're diluting us. We love your projects, but find some other way to finance them.'"

EPD closed last Monday at \$25.76 with a 52-week high and low of \$27.60 and \$23.38.

The hybrids were issued as 8 3/8%, junior subordinated notes at par via joint bookrunners **Wachovia Securities** and **Lehman Brothers**. They are callable after 10 years and interest payments can be deferred until that time. The securities, rated Ba1 by **Moody's Investors Service**, convert to floating rate payments after 10 years, benchmarked to three-month LIBOR plus 370 basis points.

Enterprise completed a \$13 billion merger with **GulfTerra Energy Partners** a few years ago, and has seen its total equity increase from approximately 1.7 million shares in 2003 to more than six million shares as of March 31. In 2003, earnings per share were at 42 cents and increased to 91 cents last year but are at 28 cents per share as of March, according to public filings.

The Enterprise offering marked the first hybrid issuance for the limited partnership, which had relied primarily on straight equity or debt offerings to fund its growth, Burkhalter says, noting that the midstream gas business requires a lot of capital for new projects and developments. "This [offering] really fit our needs, instead of doing a traditional equity [issuance] twice a year," he comments. He says similar offerings may be in the offing but declined to provide specifics. **Dominion Resources** issued a similar hybrid in late June (PFR, 7/17).

Financing Record (JULY 12-JULY 18)

Debt

144A	Issued	Issuer	Business Description	Principal (\$M)	Coupon (%)	Security	Maturity	Offer	YTM (%)	Spread	S&P	Moody's	Fitch
Yes	7/12/06	Cataguazes Forca e Luz	Pvd electricity prodn,distn	250	10.5	Notes	7/19/13	98.792	10.749	565	B+	NR	BB-
Yes	7/12/06	El Paso Corp	Pvd elec,gas utility svcs	500	7.75	Notes	7/15/11	100	7.75	267	NR	B2	NR
No	7/12/06	Landsvirkjun	Electric utility	190.5	Floats	Float Rate Nts	7/24/26	100	Floats		AAA	Aaa	NR
No	7/12/06	National Grid PLC	Electric utility,holding co	458.6	5.5	Fxd/Straight Bd	7/24/13	99.757	5.542		A-	Baa1	A-
	7/13/06	PPL Energy Supply	Electric utility	150	6.2	Sr Unsecurd Nts	5/15/16	99.446	6.276	120	BBB	Baa2	BBB+
	7/18/06	Energy East Corp	Electric utility	250	6.75	Notes	7/15/36	99.114	6.82	160	BBB	Baa2	NR

M&A

Announced	Effective	Target Name	Target Advisors	Target Nation	Acquiror Name	Acquiror Nation	Value (\$M)
7/12/06		Marchwood Power Ltd		United Kingdom	Scottish & Southern Energy PLC	United Kingdom	
7/12/06	7/12/06	Nuon NV-Windfarms		Germany	CRC Global Structured Energy	Netherlands	
7/12/06		Palisades Nuclear Power Plant	Concentric Energy Advisors Inc, JP Morgan	United States	Entergy Corp	United States	380
7/13/06		erelis		France	Enel SpA	Italy	18.028
7/13/06		SMOE Pte Ltd		Singapore	SembCorp Marine Ltd	Singapore	
7/14/06		Clipper Windpower PLC	Lehman Brothers	United Kingdom	BP Alternative Energy	United Kingdom	66.54
7/14/06		Clipper Windpower PLC-Project	Lehman Brothers	United Kingdom	BP Alternative Energy	United Kingdom	
7/17/06		Energy West Inc-Certain Assets	Key Banc Capital Markets	United States	SemStream LP	United States	15
7/17/06		RED-Wind Farm Portfolio		United Kingdom	Novera Energy Ltd	Australia	
7/18/06		Huaihua Tongxin Energy Co-Net		China	Beijing Zhong Min Gas Co Ltd	China	1.024
7/18/06		North Island Green Energy Ltd		Canada	Clean Energy Combustion Sys	Canada	

Source: **Thomson Financial Securities Data Company**. For more information, call **Rich Peterson** at (212) 806-3144.

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.

The Americas

- **Entergy** named Chief Executive **J. Wayne Leonard** as chairman, replacing **Robert Luft**, effective Aug. 1. The electric-utility holding company has also started a process to name a lead independent director (*Dow Jones Newswires*, 7/17).
- **Southern Union's** largest shareholder, **Sandell Asset Management**, wants the energy company to be sold because it is undervalued. In the meantime, Sandell wants Southern to put its pipelines in a master limited partnership (*Business Week Online*, 7/17).
- **Pacific Northern Gas** and privately owned **Kitimat LNG** of Calgary have signed a deal to develop a possible \$1.2-billion gas pipeline linking Summit Lake to Kitimat in northern British Columbia (*Canadian Press*, 7/17).
- **Petrobras**, Brazil's state-controlled oil company, said a \$20 billion natural gas pipeline project from Venezuela to Argentina is not on the company's agenda for the next 10 years as it plans to focus on the domestic market (*Bloomberg*, 7/17).

- **The Wyoming Infrastructure Authority** announced it is asking for formal expressions of interest from private players to develop integrated gasification combined cycle coal plants. The move represents a strategic effort by state energy officials to capitalize on what Congress promised a year ago in the Energy Policy Act (*Jackson Hole Star-Tribune*, 7/18).
- **OGE Energy** and **American Electric Power** have set plans to link with a municipal utility to build a 950 MW coal unit at OG&E's generation facility near Red Rock, Okla. OG&E will operate the facility and own about 42%, AEP will own 50% and the **Oklahoma Municipal Power Authority** will own the rest (*The Street.com*, 7/18).
- **Environmental Power Corp.**, a Portsmouth, N.H., developer of alternative energy facilities, has appointed **Richard Kessel** president and chief executive (*Associated Press*, 7/18).
- Among a number of utilities throughout North America posting record consumption numbers, Philadelphia-based **Peco Energy Co.** anticipates setting new records for power demand

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Weekly Recap (cont'd)

in terms of peak and total output due to the heat (*bizjournals.com*, 7/18).

- **Mirant** has begun seeking bids for three plants in the Philippines which are said to be worth billions of dollars. A short sale document on the 2.2 GW portfolio was sent to potential bidders, including some Japanese firms and financial investors (*Reuters*, 7/19).
- **Plains All American Pipeline** will acquire three refined products pipeline systems from **Chevron Pipe Line** for about \$65 million (*Associated Press*, 7/20).
- The operator of the Texas' electricity grid says more rolling blackouts similar to those that hit Texas on April 17 are unlikely, even as summer temperatures near records. **Paul Wattles**, communications manager for the **Electric Reliability Council of Texas**, said Wednesday that the power demand is testing the systems capacity. (*The Galveston County Daily News*, 7/20)

Europe

- Portugal electricity provider **Energias de Portugal** plans to sell non-core assets as part of its long-awaited strategic plan for 2006-08. **Antonio Mexia**, ceo, says the aim is to take in around \$1.1 billion from the sales (*Dow Jones Newswires*, 7/19).

Trio Launches \$850M Midstream Acquisition Loan

Regency Energy Partners has tapped **UBS**, **Wachovia** and **Citigroup** for an \$850 million credit facility for the acquisition of **TexStar Field Services**. The facility will be used to pay for the \$350 million acquisition and refinance approximately \$400 million of existing debt, according to **Ramon Suarez**, treasurer.

The deal's five-year, \$250 million revolver is led by the trio and its seven-year, \$600 million term loan B is led by UBS and Wachovia, according to Suarez. Pricing is LIBOR plus 2% for the revolver and LIBOR plus 2 1/4% for the term loan.

The acquisition of TexStar is expected to add approximately \$40 million to 2007 EBITDA, creating a total leverage estimate of 4.9 times, according to a banker. "We went from half [of the amount of] EBITDA last year to this year and now looking at next year – it's a good thing," Suarez says. EBITDA increased 43% in 2006 to \$16.4 million from \$11.5 million in 2005.

Regency had an initial public offering of stock in early February, but is looking to offer more. "We're offering more shares to the community. We're letting everyone else share in the wealth," Suarez notes.

Regency hit up UBS and Wachovia in 2005 for a

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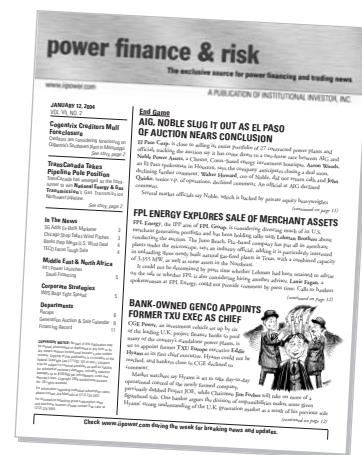
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\$470 million facility, broken into a \$150 million revolver, a \$300 million term loan "B" and \$20 million of letters of credit. Citigroup was not a lead on the previous facility because it took the bank too long to get on the same page as Regency, Suarez says. A Citigroup spokeswoman declined comment.

San Antonio-based TexStar was assembled by **HM Capital** –

the private equity firm formerly known as **Hicks, Muse, Tate & Furst** – via nine separate acquisitions of South Texas drilling companies that were inactive or underutilized assets. Regency Energy, based in Dallas, is a midstream natural gas service provider. Calls to **Stephen Arata**, cfo, were not returned. A Citigroup spokeswoman declined comment.

CREDIT SUISSE

(continued from page 1)

assets and must approve any divestiture. FPL officials declined to comment.

The assets for sale consist of three gas-fired peaker plants, including Wolf Hills, a 250 MW facility in Bristol, Va., Big Sandy, a 300 MW plant in Wayne County, W. Va. and University Park, a 300 MW plant in Chicago.

Also up for grabs are combined-cycle merchant plants Holland Energy, a 665 MW plant in Shelby County, Ill., Rio Nogales, an 800 MW plant in Texas, and High Desert, an 830 MW plant in California.

—Mark DeCambre

BRASCAN, ECP

(continued from page 1)

Paul Dabbar, managing director at JPMorgan Chase in New York, which is advising Northeast on the sale, and **David McHale**, cfo at Northeast in Berlin, Conn., did not return calls for comment.

—Peter Roth

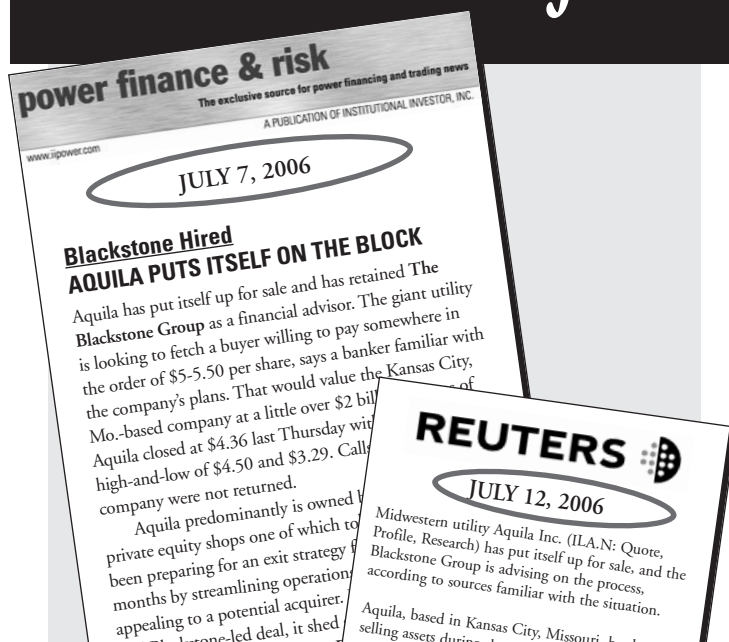
EPCOR SURFACES

(continued from page 1)

Utilities from **Transcanada Corp.** Vaasjo, in a conference call with analysts following the announcement of the acquisition last year, said Epcor Power was weighing power plant buys in Ontario, Alberta, British Columbia and the Pacific Northwest, and was focused on biomass and hydroelectric generation.

—P.R.

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Quote Of The Week

"We found that we could get better execution and significantly better pricing from the retail markets on the long end of the curve if you're interested in a call [option]." —**Jim Abel**, v.p. and treasurer at **PPL Corp.** explaining why **PPL Energy Supply** decided to sell a debt offering to retail investors (see story, page 4).

One Year Ago In Power Finance & Risk

LS Power was plotting to refinance a \$554 million mini-perm loan it obtained to back the construction of the 1.2 GW Kendall Energy Plant in Minooka, Ill. [LS Power recently hired **Goldman Sachs** to auction the generating facility].

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