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PUHCA Repeal Seen As Boon To Financiers

Private investors, such as **Warren Buffe**t, stand to gain if an act dating back to 1935 is repealed by Congress.

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DOMINION SEEN CLOSING IN ON LG&E ASSETS

Dominion has entered exclusive talks to acquire unregulated generation assets that **LG&E Energy Corp.**'s **LG&E Power Inc.** (LPI) unit has put on the block. Dominion is interested in acquiring the Roanoke Valley Energy Facility Unit I and II, a pair of cogeneration plants with 167 MW and 45 MW of capacity, respectively, according to a market official who has spoken to LPI. Both plants are in Weldon, N.C. It could not be determined by press time whether Dominion is interested in other assets in the portfolio. **Kent Blake**, LG&E Energy's director of business development in Louisville, Ky., did not

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Analyze This!

CITIGROUP TO REINITIATE UTILITY EQUITY COVERAGE

Citigroup is looking to reinstate electric utility equity research just two months after laying off **Ray Niles** and **Daniele Seitz**, its senior sector analysts, and suspending coverage of the sector. **Ann Knight**, deputy director of research, has been interviewing candidates for several weeks and will extend an offer to a ranked utility analyst shortly, according to a Citigroup insider. Knight, who was traveling, referred messages to spokeswoman **Maryellen Hillery**, who declined to comment on the decision to reinstate utility coverage.

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New Broom

ALLEGHENY CHIEF PULLS PLUG ON ASSET SALE

Paul Evanson, **Allegheny Energy**'s newly minted ceo, has cancelled the troubled utility's auction of several power plants and is instead looking to issue debt and equity to bolster liquidity, according to bankers familiar with the situation. Evanson is believed to have yanked the sale of the Hatfield (1,600 MW), Armstrong (356 MW) and Mitchell (442 MW) plants because he believes an asset sale likely would only provide short-term relief from the company's financial woes. The new ceo was drafted in last month from **Florida Power &**

(continued on page 16)

MAJOR PLAYERS STEP UP FOR EL PASO AUCTION

A *Who's Who* of established and aspirant power players have placed first round bids in an auction of 27 contracted power plants owned by **El Paso Corp**. The auction is believed to have drawn first round bids from **Rockland Capital Energy Investments**, **AIG**, **Bear Stearns**, **Goldman Sachs**, **FPL Energy**, **GE Structured Finance**, **Fortistar** and **Private Power**, among others. Officials at Rockland, AIG and Bear Stearns and spokesmen at FPL and GE declined comment. Calls to Fortistar and Private Power were not returned by press time.

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

At Press Time

Mirant Restriction Ruffles Lenders

Mirant's efforts to restrict the trading of its creditor claims to preserve certain tax benefits are sewing confusion in the loan market. Some traders say Mirant's bank debt has all but stopped trading but others believe they can still exchange the paper. The company stands to receive some $200-400 million in tax benefits due to mounting net operating losses, provided that trading of its creditor claims is restricted.

Icahn Reportedly Expands M&A Horizons

Investor **Carl Icahn**, who recently teamed up with Dallas-based **Panda Energy International** to purchase generation assets, reportedly is now also considering acquiring whole portfolios or entire energy companies, says a banker familiar with Icahn's plans. The joint venture, which was reportedly looking at **PSEG Global**'s share of the Guadalupe plant and **TECO Power Services'** share of the Odessa-Ector power plant (PFR, 5/15), has taken those plants off its radar screen and reportedly is looking instead to buy a company through a leveraged buyout. Calls to Icahn, Panda President **Todd Carter** and spokesman **Harold Green** were not returned.

"With all the distressed assets out there...there are a lot of places a guy with a lot of money can come in," says the banker. It doesn't make sense for Icahn to limit his activity to buying three or four plants a year, he continues. Icahn, who is believed to be looking for a return of some 25%, stands to make a better return buying an entire company and exiting the investment in the near term. "He doesn't want to be sitting on a power plant for 15 years when he can buy a company and get out in three."

PUHCA Repeal Likely To Benefit Financiers

Private equity investors and financiers, such as **Warren Buffet**, **Carl Icahn** and **Kohlberg Kravis Roberts**, stand to be significant beneficiaries from the pending repeal of the Public Utilities Holding Company Act of 1935, as proposed in an energy bill making its way through Congress and likely to be passed this summer, according to analysts and bankers. Indeed, Buffet has said he will invest up to $15 billion in the utility sector once the act is repealed. The legendary investor already owns Des Moines, Iowa-based utility **Mid-American Energy Holdings**.

PUHCA has discouraged investment because, under the 1935 Act, companies with non-contiguous gas or electric distribution assets are subject to stringent government oversight. Even a multinational company would require regulatory approval under PUHCA to merge with another company or issue stock if it owned non-contiguous utilities. "**General Motors** could buy a slice of **Detroit Edison** and find itself subject to PUHCA," explains **Dot Matthews**, New York-based fixed-income analyst at **CreditSights**. "Then they [would] need permission to sneeze," she continues, adding "No one wants to deal with that—least of all **Berkshire Hathaway**."

Matthews believes that small, distressed utility companies could grab investors' attention if PUHCA is repealed. "There is always the risk that the Icahns of this world will view buying utilities as milking cash cows," she says.

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TRANSLink Hits State Approval Hurdles

TRANSLink Transmission, a proposed for-profit independent transmission company (ITC) backed by 10 utilities, is reevaluating its business model after failing to get the green light from state regulators for several key areas of operation. Regulators in Minnesota and Iowa have turned down initial filings requesting approval for investor-owned utilities to transfer their transmission assets to TRANSLink. A meeting at the **Texas Public Utilities Commission** Friday, as *PFR* was going to press, was expected to result in a similar refusal. Under its original business plan, TRANSLink would have initially been owned by the utilities transferring the assets.

Kirk Edelman, TRANSLink cfo, says the ITC is now looking at whether it can rework its business plan. One option is to transfer assets from cooperative members, which fall outside state public utility commission control, while TRANSLink works on getting approval for IOUs. The heart of the issue is that state regulators fear they would give up their authority to review transmission costs if they allow IOUs to transfer these assets to a multi-state entity. "I think the resistance at the state level is one of jurisdictional control. It's more an issue of state versus federal rights that an issue of transmission," Edelman says.

TRANSLink was expected to be operational by the third quarter this year. Edelman notes there is now a question about how long its backers will support the company when it is unclear when it will be up and running.

The states' rejections have not been categorical. Iowa's decision to refuse an application by **Alliant Energy** subsidiary **Interstate Power and Light Co.** to transfer its transmission assets to TRANSLink encouraged IPL to re-file, says **Chris Schoenherr**, spokesman for Alliant in Madison, Wis. "They had some questions," he notes.

Deutsche Bank Expands European Power Sales

Deutsche Bank has hired **Gregor Baumerich**, head of European power trading at **Hess Energy Trading Co**. in London, in the new position of head of power sales, according to a spokeswoman. Baumerich, who was travelling and could not be reached, reports to **Petra Lottig**, head of energy sales.

Baumerich has not been replaced at Hetco, says **Jon O'Neill**, co-head of the London operation. Hetco has closed its European power trading desk, he notes, adding that it is still active in oil and gas trading.

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EQUAL HOUSING LENDER

SRP Eyes Financing For Reliant Deal

Salt River Project Agricultural Improvement and Power District is considering how to finance its planned $288.5 million acquisition of the Desert Basin power plant from **Reliant Resources**. The State of Arizona-owned power provider, more commonly known as SRP, is looking at several debt financing options but hasn't yet made a decision, says **Scott Harelson**, spokesman in Phoenix. SRP's quasi-governmental status may influence its choice of financing route, but Harelson was unable to provide further details on that point or the precise financing options by press time.

The 588 MW combined-cycle natural gas-fired generating facility, located in Casa Grande, Ariz., was completed in October 2001 by Reliant. **Denis Barber**, an investor relations official at Reliant in Houston, says there is no project debt associated with the sale. At one point Reliant considered non-recourse funding (PFR, 1/25/00), but ultimately financed construction via equity.

SRP is the off-taker on the plant under a 10-year PPA with Reliant. Harelson says by acquiring the plant SRP will be able to reduce the costs of that PPA. The Salt River Project pays $62 million annually for power and also to cover part of the plant's maintenance costs, he adds.

The transaction is subject to regulatory approvals, including the **Federal Energy Regulatory Commission**, and is expected to close by year-end.

Four Pack

Biddders Wait On Blackstone

The Blackstone Group is analyzing a wide variety of bid structures in the bank-led auction of four merchant plants developed by **PG&E National Energy Group** (NEG). Some lenders had expected word from Blackstone soon after the close of the first round of bids for the GenHoldings portfolio, also known as the four pack (PFR, 7/14), but at the same time they're not surprised about the delay given the fact bidders were given little direction. The chief hurdle bidders have to jump is that the bank group believes the projects are worth more than the debt used to finance construction, says an official. Calls to **Raffiq Nathoo**, senior managing director at Blackstone in New York, were not returned by press time.

NEG financed the portfolio through a $1.46 billion non-recourse loan. The company is passing control of the plants to its lenders because it was unable to meet equity obligations to finance the completion of construction on three of the units. 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.

Linden QF

FERC Cancels Goldman vs. Con Ed Hearing

The **Federal Energy Regulatory Commission** has cancelled a hearing set to resolve a dispute between a unit of **Goldman Sachs** and **Consolidated Edison Co. of New York** over a qualifying facility in New Jersey that Goldman is buying from **El Paso Corp.** The FERC scheduled the hearing after Con Ed filed a motion to compel Goldman to provide information relating to the QF status of the Linden power plant (PFR, 7/14). **Joe Petta**, Con Ed spokesman in New York, says the company has now received the information it had requested from Goldman and is reviewing its next step. Con Ed is the off-taker of the Linden plant. Calls to Goldman were not returned.

The FERC is investigating the status of some 21 QFs that—like the Linden plant—are or were owned by **Enron**, because Enron's merger with Oregon utility **Portland General** in 1997 may have violated the rules governing FERC status.

Aquila Pitches $215M Loan For Canadian Biz

Aquila has launched a two-tranche $215 million loan facility for its **Aquila Networks Canada** unit to fund operations ahead of the planned sale of the unit. **Mike Cole**, assistant treasurer in Kansas City, Mo., says the debt will take out some upcoming maturities, fund capex in the regulated business and also replace bank lines. "It just gives us more certainty," he says, explaining that banks can request repayment of the lines.

The deal is split between 364-day term loans of $135 million for holding company Aquila Networks Canada and $80 million for regulated unit **Aquila Networks Canada (Alberta)**. The loan is slated to close by July 30, Cole says.

Credit Suisse First Boston was hired last month by the cash-strapped energy company to auction off the Canadian business which is centered on British Columbia and Alberta (PFR, 7/14). CSFB is also leading the loans, which are priced at LIBOR plus 425 basis points with a 3% LIBOR floor, Cole adds. Calls to officials at CSFB were not returned by press time.

First round bids in the auction were due July 15. The sale could raise $1.5-2 billion, according to industry officials. Cole says the financing is deliberately short-term in nature and will be paid off when it has sold the Canadian assets. Aquila's current funding costs are likely to be higher than the acquirer's, he adds.

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BG Unit Readies Micro CHP Push

Microgen, a wholly owned subsidiary of **BG Group**, is gearing up to launch micro CHP (combined heat and power) systems in the U.K. and has hired **Martin Wenban**, a former executive director at **London Electricity** responsible for sales, marketing and energy trading. Wenban, who declined comment, recently joined as director of sales and marketing in Reading, U.K. Microgen is expected to announce further hires this week.

The BG unit is looking to take advantage of a government initiative that will prohibit the installation of new conventional boilers in U.K. homes in 2005. Micro CHP units are a form of distributed generation that also provide heat.

MMC Adds Advisor In Europe

Miller, McConville, Christen, Hutchinson, & Waffel, an acquisitive energy boutique, has signed up **Mark Callaway**, formerly director-business development at **Entergy-Koch Trading Europe**, as an advisor. Callaway, who was an executive at **London Electricity** prior to EKT, declined comment. **Karl Miller**, MMC's senior partner in New York, says the boutique has lined up capital for U.K. and European natural gas, power and water projects.

NRG Reportedly Hires CSFB To Lead Bond Deal

NRG Energy reportedly has hired **Credit Suisse First Boston** to lead a bond issue at year-end. A banker familiar with NRG said this was part of the bank's debt restructuring strategy and hinges on parent company Xcel's willingness to hand over $350 million as part of a settlement agreement in the fourth quarter. This gives NRG an incentive to emerge from bankruptcy by year end, says a banker, so it can collect the money and issue bonds shortly thereafter.

Meredith Moore, a spokeswoman at NRG, confirmed that the company is looking to arrange loan financing of up to $500 million via a letter of credit and may issue bonds to partially cover the letter of credit, as stipulated in disclosure statements made available to creditors.

NRG treasurer **George Schaffer** was out of the office last week and did not respond to voicemail messages. Calls to **John Cavalier**, one of three chairmen of CSFB's power group, did not return calls by press time.

"Typically this kind of bond deal is done as the company emerges [from bankruptcy]," says a banker. He adds that NRG has an incentive to emerge from Chapter 11 speedily to collect on the $350 million promised to NRG by Xcel. "Xcel agreed to pay them this money, but they won't do it unless [NRG has] their house in order." The funds are intended to help NRG pay back creditors.

It is unclear how large the issuance will be or what sort of notes will be offered. "You would expect to see a super high-yield issuance," he says, "but they could structure the offering around subsidiaries that have not filed. This also is a robust market and they may find it more receptive than anyone would have thought."

EdF Shuffles London Trading Heads

Namesh Hansjee, head of power trading at **EdF Trading** in London, has reportedly replaced **Steve Lewis** as head of all trading. A source familiar with the firm says Lewis has taken the position of commercial advisor. Calls to Hansjee were referred to **Christophe Arnoult**, chief administration officer in London. In a voicemail message, Arnoult said EdF Trading does not comment on internal personnel moves. Lewis was travelling and could not be reached.

AEP To Sell Deep South Pipeline

American Electric Power is looking to sell its Louisiana Interstate Gas (LIG) Pipeline, and plans to put its Houston Pipe Line (HPL) up for sale this year. "We are returning to our core business: the utility business," says **Pat Hemlepp**, a company spokesman in Columbus, Ohio. He confirmed AEP is looking to divest both pipelines but that HPL is not yet on the market. The company announced its intention to divest non-core businesses in January.

AEP has reportedly hired **Goldman Sachs** to handle the sale. Hemlepp confirmed that a bank had been retained but was unaware of its identity. Bankers at Goldman did not return calls.

A banker estimates the LIG pipeline could fetch some $200 million and the HPL pipeline may sell for around $500 million.

"They don't need pipelines anymore," said a banker that covers AEP. "They only trade what they own," he continues, noting that AEP is phasing out its trading business.

While the banker expects the sale of LIG to go well, he notes that HPL cannot be sold until the status of the Bammel Storage Field, an **Enron**-owned gas facility tied to HPL, is cleared up in bankruptcy court. "Until they settle that lawsuit," he notes, "they can't sell it." Hemlepp declined to comment on the circumstances surrounding the proposed HPL sale.

AEP acquired LIG in December 1998 from **Equitable Resources** for $320 million and working capital, and bought HPL from Enron for $726.6 million.

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Corporate Strategies

Northeast Utilities Installs Funding For Competitive Unit

Northeast Utilities is using the proceeds from a $150 million note issue to provide long-term working capital for its competitive gas and power arm, **Select Energy**. The Hartford, Conn.-based holding company has been funding Select via a bank revolver and also directly from the parent's balance sheet, says **Jeff Kotkin**, an investor relations official. He adds NU started to look at the idea of long-term funding for Select earlier this year given the favorable interest rate environment.

The five-year, 3.3% senior unsecured notes were placed by **Morgan Stanley** at 99.767. Kotkin says the ability to lock in that funding rate was what drove the deal. "We basically were able to fund the working capital fixed for five years," he says. Morgan Stanley has a strong relationship with NU, Kotkin says, and has been involved in numerous deals over the years.

Select provides electricity, natural gas and other energy commodity supplies in 11 Northeastern U.S. states from Maine to Maryland. **Fitch Ratings**, which marked the notes as BBB, has a negative outlook on NU. The agency cites the marginal profitability and capital needs of Select, among other factors, in a report on the five-year note issue.

Florida Muni Taps Bond Mart To Refi Debt

Gainesville Regional Utilities, a municipal utility that provides electric, natural gas, water, wastewater and telecom services in the Gainesville metropolitan area, priced $127 million in utility system revenue bonds last week in order to refund outstanding bonds issued in 1993 and 1996. "This is just like refinancing your house for us," says CFO **Kim Simpson**. Simpson adds that the company will call the '93 bonds in October and the '96 bonds in October 2006 at a premium.

Simpson says the refinancing is a simple matter of strategic financing. "We have bonds at a 5% interest rate and we expect to refinance them at 3.5%." The company priced two tranches of notes at 3.72% due in 2013 and another tranche at 1.08% due in 2004. "In present value terms this will save us about $9 million over 10 years," says Simpson, "This is going to help us keep down rates."

Goldman Sachs was senior manager on the deal with **JP Morgan**, **UBS** and **Morgan Keegan**. "They are the ones who have been calling us," says Simpson, explaining that it chose the banks that have been proactively seeking underwriting business. "Goldman was a definite, and then we found the others," he adds. Simpson said the company has traditionally had an easy time tapping the market since its bonds are tax deductible. "We heard there was appetite in the market and the pricing came in where we hoped," he said. **Standard & Poor's** rated the bonds AA, noting that the company benefits from competitive retail rates and low production costs.

FPL Wraps First U.S. Wind Generation Bond

Juno Beach, Fla.-based **FPL Energy** has executed the first U.S. bond deal secured against wind generation facilities in a $380 million, 144a deal. It is being seen as a watershed deal that legitimizes wind financing, according to industry watchers. "Before this, wind was considered something exotic," says one renewable financier, who was unconnected with the deal. **Steve Schauer**, director of structured finance at FPL, says the company was involved in an intensive education process with both investors and the rating agencies to get the investment-grade deal done. Some 33 investors, most of whom are new to wind, signed up for the paper, he adds.

The proceeds will allow FPL to recoup its investment in seven generation facilities which have a total capacity of 697 MW. The cash flows from those plants will be used to service and repay fixed-income debt issued by **FPL Energy American Wind**, according to a rating note from **Standard & Poor's**.

The 20-year investment grade paper, led by **Credit Suisse First Boston**, was priced to yield 6.6939%. FPL's status as one of the few power players to avoid the banana skins of the last few years likely helped, says another banker. "It's a major issuer getting an investment-grade deal," he adds. FPL has been active in non-recourse financing deals but not through necessity. "We have the capital. It's not a liquidity issue," notes Schauer. It recently wrapped a highly sought after $400 million loan financing traditional generation assets (PFR, 6/30). An official close to the deal says the placement also allowed FPL to demonstrate to investors and the rating agencies that its overall investment in wind is a viable investment-grade business. "It establishes a benchmark," he says.

Two of the projects are close to finishing construction: High Winds in California and a New Mexico wind farm. Southwest Mesa (Texas), Hancock (Iowa), Cerro Gordo (Iowa), Montfort (Wisconsin), and Lake Benton II (Minnesota) are all completed, according to S&P, which rated the notes BBB minus.

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Power Plant Development Roundup Q2

New or proposed wind powered projects accounted for some 1 GW of capacity in the U.S. in the second quarter, according to press reports compiled by *PFR*. **MidAmerican Energy** weighed in with the largest proposed project, a 310 MW wind farm in Iowa expected to cost some $323 million. **Zilka Renewable Energy** and **FPL Energy** also have wind projects in the works in Ellensburg, Wash., and Taiban Mesa, N.M., respectively.

The largest new proposed project is a 1,500 MW coal-fired plant that **Steag Power** hopes to build near Farmington, N.M.

The following information is culled from press reports, industry sources and company announcements and is deemed reliable but its accuracy cannot be guaranteed. To report new power projects or cancellations, contact **Will Ainger**, *managing editor, at (44-20) 7303 1735 or via e-mail (wainger@euromoneyplc.com).*

New U.S. Power Projects Announced In Q2

Developer	Project Name	MW size	Fuel type	Location	Cost ($M)	Status	Expected completion date
Arkansas River Power Authority	-	1.5	Wind	Springfield, Colo.	-	Depends on GE's Gobblers Knob wind project going ahead	-
Avista/Mirant	Coyote Springs 2	280	Natural gas	Boardman, Ore.	-	Started operation in July	-
Calpine	Otay Messa	510	-	San Diego	300	Construction stalled without long-term contract	-
Chugach Electric Association	Bird Point	4.5	Wind	Anchorage, Alaska	6.4	At planning stage	-
City of Lamar	-	4.5	Wind	Lamar, Colo.	-	Depends on GE's Gobblers Knob wind project going ahead	-
Constellation Energy Group	High Desert	850	Natural gas	Calif.	-	Expected on line in early summer	-
Duke Energy	Morro Bay	-	-	Calif.	-	Calif. Energy Commission endorsed plan to upgrade plant	-
Edison Mission Energy	Sunrise	240	Natural gas	Bakersfield, Calif.	-	Expansion of 320 MW plant. Jointly owned by ChevronTexaco	-
Energy Northwest	Nine Canyon Wind Project	15.6	Wind	Kennewick, Wash.	21	Expansion of 48.1 MW project.	December 2003
Exelon Generation	Mystic 8	800	-	Everett, Mass.	-	First half of 1,600 project went on line in April 2002	-
FPL Energy	-	135	Wind	U.S.	-	Plans to build three wind projects by year end	-
FPL Energy	New Mexico Wind Energy Center	204	Wind	Taiban Mesa, N.M.	200	Construction started.	-
General Electric	-	162	Wind	Gobblers Knob, Colo.	-	GE is looking for a buyer/operator. American Electric Power backed out of proposed deal.	-
Great River Energy	-	-	Natural gas	Rosemont, Minn.	400	Proposed	-
KeySpan	-	250	-	Long Island, N.Y.	-	Received approval in May	-
Madison Gas & Electric Co.	-	150	Cogeneration	University of Wisconsin, Madison-	180	Gov. Jim Doyle approved plan in May	-
MidAmerican Energy	-	310	Wind	Iowa	323	Bill to provide tax credits did not pass state legislature	-
Mirant	-	533	Natural gas	Clark County, Nev.	-	Began operation in May	-
Mirant	Sugar Creek	259	Natural gas	Terre Haute, Ind.		Addition to 300 MW plant. Started operation in June.	-
Progress Energy	Rowan County Energy Complex	466	Natural gas	North Carolina	-	Started operation in June. Expansion brings total to 459 MW	-
Progress Energy	Washington County Energy Complex	600	Natural gas	Georgia	-	Started operation in June	-
Reliant Resources	Astoria	562	Oil & Natural gas	Queens, N.Y.	-	Proposed expansion of 1,254 MW plant. Could go on line by 2004 if receives approval	-
St. Paul Cogeneration	-	25	Wood waste	Minn.	-	CHP plant went live in May	-
Sempra Energy	Mexicali	600	Natural gas	Mexico/Calif. Border	-	Commercial operation expected in June	-
Sempra Energy/ Occidental Petroleum	Elk Hills	570	Natural gas	Kern County, Calif.		Phase II completed in June, adding 145 MW.	-
Southern California Public Power Authority	Magnolia Power Project	-	-	Burbank, Calif.	-	Licensing approved by Calif. Energy Commission	Summer 2005
Steag Power	Four Corners	1,500	Coal	Farmington, N.M.	1,500	Go ahead depends on finding buyers for output	-
TECO Energy	Gila River Power Station	535	-	Azizona	-	Started operation in May.	-
TECO Energy	Union Power Station	550	-	Arkansas	-	Started operation in May	-
Tri-State Transmission and Generation	Pyramid Generating Station	160	Natural gas	Lordsburg, N.M.	112	Completed in May	-
Usibelli Coal Mine	-	200	Coal	Healy, Alaska	421	Proposed	-
Western Minnesota Municipal Power Agency	-	45	Natural gas	Iowa	50	Missouri River Energy Services, a sister agency, has selected a site in southwest Iowa	2004
Wisconsin Energy Corp.	-	-	Coal	Oak Creek, Wis.	-	State regulators deny effort to block construction	-
Zilkha Renewable Energy	-	182	Wind	Ellensburg, Wash.	-	Proposed.	-

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DERIVATIVES WEEK INSTITUTIONAL INVESTOR NEWS

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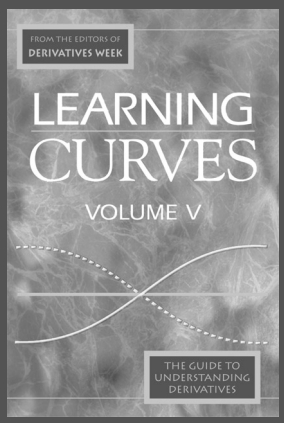

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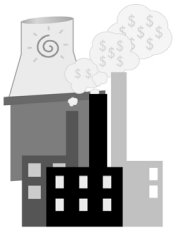

Generation Auction & Sale Calendar

Following is a directory of ongoing generation asset sales. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes in the status of a sale, please call ***Will Ainger****, managing editor, at (44-20) 7303-1735 or e-mail wainger@euromoneyplc.com.*

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	Cinergetika	Czech Rep.	230	CHP	J.P. Morgan	Expects to sell assets shortly.
	Energetika Chropyne	Czech Rep.	48	CHP		
	EPR Ely	U.K.	36	Straw		
	Moravske Teplamy	Czech Rep.	410	CHP		
	Pizenska Energetika	Czech Rep.	406	CHP		
	Redditch	U.K.	29	Gas		
	Teptama Otrokovice	Czech Rep.	349 (11%)	CHP		

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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		Sale agreed
	Hsinchu	Taiwan	400 (60% stake)	Gasfired		
	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil		
	Collinsville	Australia	192 (50% stake)	Coal		

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Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
NRG/Xcel (Latin America)	TermoRio	Brazil	1040 (50% sake)	Gas	Deutsche Bank	Awaiting bids.
	COBEE	Boliva	220 (98% stake)	Hydro/Gas		
	Itiquira Energetica	Brazil	160 (98% stake)	Hydro		
	Cementos Pacasmayo	Peru	66	Hydro/Oil		
	Bulo Bulo	Bolivia	90 (60% stake)	Gas-fired		
	Cahua	Peru	45	Hydro		
NRG/Xcel (Europe)	CEEP	Poland	10 (10% stake)	-	Goldman	Has already sold two Eastern European plants.
	Enfield	U.K.	380 (25%)	Gas-fired		Awaiting further bids.
	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		Shaw Group to take over
	Batesville	Miss.	1,129	Gas		
	Brazos Valley	Texas	633	Gas		
	Kaufman	Texas	545	Gas		
	Big Cajun	La.	458	Gas		
	McClain	Okla.	500 (77%)	Gas		OG&E agreed to buy
	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	-	-
	Karpatalsm	India	330 (20%)	Naphtha		
PG&E National Energy Group	Bear Swamp	Mass.	599	Hydro		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		
Polish Treasury	Elektroncieplownie Pozpnanskie	Poland		CHP	-	Ongoing.
Reliant Resources	Argener	Argentina	160	CHP		
SG-led bank group (NEG developed plants)	Athens	N.Y.	1,080	Gas	Blackstone	First Round Bids Closed July 9
	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.

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Viewpoint

The New Wholesale Electricity Trading Model

From its inception in the late 1990s to its near-demise in 2003, the high-stakes horse race called s*peculative wholesale electricity trading* has always been a colorful, exciting event. From 1997 to the fall of 2001, the prodigy **Enron** was clearly the horse to beat. Many utilities jumped into the race on the hope of emulating Enron's innovative style and profitability. At its peak in 2000, speculative wholesale electricity trading was reported to be a multi-billion dollar business, rapidly moving to electronic exchanges, and everyone's investment was substantial. By 2003, however, the capital-intensive riskiness of this race and the elimination of many of the players left only a handful of muddied participants limping around the track, contemplating their comeback.

Only seven of last year's top 20 electricity traders still emphasize speculative trading. Five have exited trading entirely. Eight have retrenched to trading around whatever physical energy assets they own, primarily as a hedging and risk mitigation strategy. Of the seven remaining traders, at least two are trying to work through **Federal Energy Regulatory Commission** investigations into questionable trading practices and one has declared bankruptcy. So, what happened and where does energy trading go from here?

As of Spring 2002	As of Spring 2003		
Ranking of Top Twenty Electricity Traders in Spring 2002	Exited Trading	Retrenched to Trading Around Assets	Still Emphasize Trading
1 AEP		✓	
2 Reliant Resources		✓	
3 Aquila	✓		
4 Mirant			✓
5 Duke Energy		✓	
6 Dynegy	✓		
7 William s	✓		
8 PG&E's NEG	✓		
9 Cinergy			✓
10 El Paso Merchant	✓		
11 Exelon Power Team			✓
12 Dominion Resources		✓	
13 Constellation Power		✓	
14 Entergy -Koch			✓
15 Morgan Stanley Capital			✓
16 Edison Mission Trading		✓	
17 BP Energy			✓
18 Calpine		✓	
19 Sempra Energy Trading			✓
20 CMS Energy Trading		✓	

Speculative electricity trading derailed because of the conjunction of several factors that not only killed profitability of trading, but significantly reduced its overall volume:

- Loss of investor confidence prompted by the collapse of Enron and allegations of fraud and gaming that resulted in flight of equity from the energy sector
- Revelations of bogus, round-trip trades that created artificial trading volume
- Projected near-term generation capacity glut and narrowing of the spark spread between the cost of natural gas and the price of electricity
- Fall of company credit ratings and stock prices and the scramble for liquidity as frightened counterparties disappeared or demanded tens of millions of dollars in cash collateral
- Failure of a sustainable trading-oriented market structure to emerge

As more players left trading, market liquidity dried up, further jeopardizing the viability of trading as a business. The old trading model focused on high-volume, short duration speculative trading, often not backed up with sufficient physical power production assets to cover trading exposures. Easy profits came largely from market imperfections and a large spark spread, both of which are harder to come by.

In the last 12 months, many energy wholesalers have drastically changed their business model for electricity trading. The new, emerging trading model includes fewer, better-capitalized players and more long-term bilateral contracts between large energy users and players who own energy assets. Many firms are de-emphasizing their trading entities as profit centers, and are trading primarily to mitigate their own risk and to sustain the cash flow associated with their energy assets (electricity generating units, natural gas pipelines and storage facilities, etc.).

Several of the players that have remained speculative traders have strong balance sheets, sterling credit ratings, and believe that they can capitalize in the under-served wholesale markets being created by the exit of their weaker competitors. A few, such as **Entergy-Koch Trading** and **Morgan Stanley**, have not only financial strength, but also have deep, broad trading expertise in other commodities markets. This group

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believes it will win by providing customers with innovative financial and physical optimization services designed to mitigate risk and protect market position. Perhaps most significantly, several of the world's biggest investment banks, including **Goldman Sachs**, **Bank of America** and **Deutsche Bank**, have recently either entered this market or strengthened their power and gas trading operations believing that they have both the trading expertise and the capital to succeed in the new market. The emergence of these new players is one sign of hope that the electricity trading market may be beginning a recovery.

Even though the energy trading horse race is now only a shadow of its former self, trading is still important. Energy trading is a means of putting boundaries around the millions of dollars daily at risk between natural gas and electricity. However, whether this goal is achieved through the provision of energy trading services by a few well-heeled players, by energy companies and customers devising their own risk mitigation strategies, or by some combination of both, remains to be seen.

*This week's Viewpoint was written by **Christopher Vlahoplus,** principal, and **Joan Ward**, director of research, at **Scott, Madden & Associates** in Raleigh, N.C.*

Financing Record (JULY 17 - JULY 24)

Bonds

Issue Date	Maturity	Issuer	Principal Amount ($ mil)	Offer Price	Type of Security	Coupon (%)	Spread to Benchmark	Moody's Rating	S&P Rating	Bookrunner(s)
7/10/03	7/17/10	Calpine Corp.	1,150	100	Sr Secured Nts	8.5	600	NR	NR	Goldman Sachs & Co.
7/10/03	7/17/13	Calpine Corp.	900	100	Sr Secured Nts	8.75	507	NR	NR	Goldman Sachs & Co.
7/10/03	7/17/07	Calpine Corp.	500	100	Float Rate Nts	Floats	-	NR	NR	Goldman Sachs & Co.
7/10/03	8/1/15	Entergy Gulf States	200	99.662	Fst Mtg Bonds	5.25	165	Baa3	BBB-	Morgan Stanley/ Banc One Capital Markets Inc
7/10/03	7/15/33	Gulf Power Co.	60	100	Senior Notes	5.25	59	Aaa	AAA	Morgan Stanley/Wachovia Securities Inc
7/11/03	7/23/18	RWE AG	1,354.4	99.717	Fxd/Straight Bd	5.125	-	A1	A+	Citigroup/Credit Suisse First Boston Ltd/ Deutsche Bank AG
7/14/03	7/15/13	Gulf Power Co.	60	99.792	Notes	4.35	73	A2	A	Lehman Brothers/Scotia Capital Inc
7/16/03	8/1/10	El Paso Natural Gas Co	355	98.666	Senior Notes	7.625	505	B1	B+	Citigroup/Credit Suisse First Boston
7/16/03	8/22/23	International Power (Jersey)	241.2	100	Sen Unsec Cvt	3.75		Ba3	BB	Deutsche Bank AG (London)/ Credit Suisse FB (Europe)
7/17/03	2/18/13	Iberdrola International	224.3	101.831	Medium-Term Nts	4.875	94	A2	A+	ABN AMRO/Barclays Capital Group/ Banco Bilbao Vizcaya Argent
7/18/03	8/1/13	Endesa	200	99.701	Fxd/Straight Bd	8.35	443	Baa3	BBB-	Morgan Stanley/Santander Central Hispano
7/18/03	8/1/13	Endesa	400	99.896	Fxd/Straight Bd	8.35	441	Baa3	BBB-	Morgan Stanley/Santander Central Hispano
7/18/03	7/25/13	Endesa Chile Overseas Co.	400	99.896	Notes	8.35	440	Ba3	BBB-	Morgan Stanley/Santander Investment Bank
7/18/03	7/25/15	Endesa Chile Overseas Co.	200	99.701	Notes	8.625	470	Baa3	BBB-	Morgan Stanley/Santander Investment Bank
7/21/03	PUT15/33	Dominion Resources Inc	510	99.155	Sr Unsecurd Nts	5.25	118	Baa1	BBB+	UBS Investment Bank/ Wachovia Capital Markets
7/22/03	8/1/08	Consolidated Edison Energy Inc	200	99.872	Notes	3.625	63	A2	A-	Citigroup
7/23/03	8/1/13	Entergy-New Orleans Inc	70	99.907	Notes	5.25	115	Baa2	BBB	ABN AMRO Incorporated/Morgan Stanley
7/23/03	8/1/08	Entergy-New Orleans Inc	30	99.869	Notes	3.875	95	Baa2	BBB	ABN AMRO Incorporated/Morgan Stanley
7/23/03	8/1/18	Union Electric Co.	200	99.947	Fst Mtg Bonds	5.1	103	A1	A-	Goldman Sachs & Co./ Wachovia Securities Inc

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

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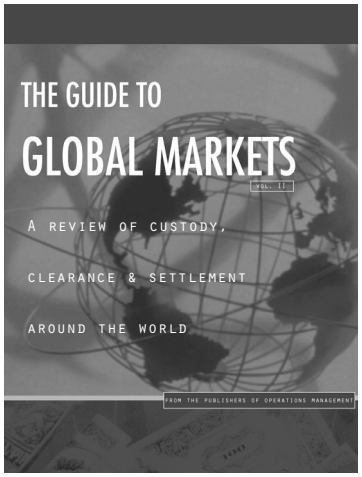
FROM THE EDITORS OF OPERATIONS MANAGEMENT

THE GUIDE TO GLOBAL MARKETS, VOL II

A REVIEW OF CUSTODY, CLEARANCE & SETTLEMENT AROUND THE WORLD



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Weekly Recap

The Weekly Recap is a summary of publicly reported power news stories. The information has been obtained from sources believed to be reliable, but PFR does not guarantee its completeness or accuracy.

Europe

- **International Power** has made a last-minute offer to creditors of the troubled Drax power station in the U.K. that would land IP up to 35% of the plant (*Financial Times*, 7/24).

- U.K. energy infrastructure operator **National Grid Transco** said that all available capacity on the 2,000 MW France-U.K. electricity interconnector was bought in a monthly auction. Five market participants bought 350 MW of capacity in the France-to-the U.K. direction, while four bought 300 MW of capacity for export from the U.K. to France (*Dow Jones*, 7/23).

U.S.

- **NRG Energy** asked a U.S. appeals court in New York to stay a federal order requiring its power marketing arm to sell electricity to **Connecticut Light and Power** under a money-losing contract (*Reuters*, 23/7).

- **Shell WindEnergy** will build a 160 MW wind farm 90 miles southeast of Lubbock, Texas, in Scurry and Borden counties. The project will be constructed in a 50-50 joint venture with **Padoma Wind Power** and is due to be completed by the year end.

- **Pacific Gas & Electric** has received U.S. bankruptcy court approval to pay $281 million to holders of mortgage bonds that are due to mature on Aug. 1. The San Francisco-based utility, a unit of **PG&E** said it would pay bondholders from its current available cash (*Reuters* 7/22).

- **Scottish Power** has appointed **Simon Lowth**, formerly of **McKinsey & Co.**, to its board as a director, with responsibility for corporate strategy and development. He will assume the position on Sept. 1 (*Dow Jones*, 7/22).

- Tampa, Fla.-based **TECO Energy** finished building a $1.3 billion natural gas-fired power facility in Arizona seven weeks ahead of schedule. Finishing the last two units early at the 2,145 MW facility allows TECO to reduce its letter of credit postings required by lenders by $44 million to $66 million, said **Laura Plumb**, a spokeswoman for TECO Energy (*Reuters*, 7/21).

- Columbus, Ohio-based **American Electric Power** extended the deadline on bids for its Texas power plants. The company had expected to close the bidding for its nearly 4,500 MW in generating capacity in Texas on July 17. The plants had a net book value of about $1.8 billion at the end of 2001 (*Reuters*, 7/21).

- **Select Energy**, **Northeast Utilities**' energy marketing subsidiary, has landed several wholesale electric supply contracts totaling more than 550 MW with various New England utilities and valued at more than $136 million (*Reuters*, 7/21).

- **BP Plc**.'s U.S. power marketing arm, **BP Energy**, agreed to give $3 million to low-income energy funds to settle a charge by the **Federal Energy Regulatory Commission** that it manipulated California's electricity market in 2000/1. FERC investigators in March found that BP Energy and **Reliant Resources** "engaged in coordinated efforts to manipulate energy prices" at the Palo Verde electricity trading hub in Arizona (*Reuters*, 7/18).

- **Marce Fuller**, president and ceo of **Mirant**, blamed the lead banks that lobbied hard against the U.S. energy company's complex restructuring for triggering the company's bankruptcy. "The thing that really kept the deal from getting done was that the lead banks came out early in the process against it," she said in an interview. "That took a toll on our business," (*Financial Times*, 7/15).

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CITIGROUP TO

(continued from page 1)

"There haven't been a lot of equity deals over the last couple of months," says a power banker. "But now utility stocks are recovering, debt is getting more expensive and the bank may have decided it's important to reinitiate coverage." The banker added that the decision to hire a ranked analyst reflects Citigroup's desire to revamp its image as an investor-friendly operation following the scandals that have rocked its research department.

An analyst with close ties to Citigroup concurs, describing the move as a wholesale attempt by **Sallie Krawcheck**, ceo of **Smith Barney** brokerage, to restore the credibility of its research department. Calls to Krawcheck were not returned.

"Ranked analysts don't come cheap," the analyst continues. Citigroup's retail business is too important to suspend coverage of the power sector indefinitely. "It's their bread and butter," he explains, "and utilities are good retail stocks."

Since Niles and Seitz left, Citigroup's utility research has been reduced by further defections to just one associate, **Brian Chin**, in New York. Chin did not return calls by press time.

—Nina Sovich

ALLEGHENY CHIEF

(continued from page 1)

Light where he was president. Calls to Evanson were not returned.

Allegheny was close to selling the assets but left **Dominion** at the altar days before the deal was due to be signed. Dominion CEO **Thomas Capps** said in a recent analyst conference call that Allegheny had taken the assets off the market.

In a move that seems to underline the strategic shift, the Hagerstown, Md.-based company recently also released **Peter Daley**, who is said to have been in charge of selling generation assets.

"[Allegheny management] are betting the company that they can tap the market," says a banker, "but in the process they have pissed off a lot of bidders. All I have to say is, I hope it works."

Allegheny recently hired **Citigroup**, **Goldman Sachs** and **Lazard** to help raise some $300 million from private equity investors in what is seen as an attempt to stave off filing for Chapter 11 bankruptcy protection (PFR, 7/21). It recently asked the **Securities and Exchange Commission** for permission to issue $2.2 billion in bonds and is widely expected to file for bankruptcy if the initiative is turned down.

—N.S.

MAJOR PLAYERS

(continued from page 1)

One participant says he'd heard that up to 60 entities bid in the first round but he suspects many of these are looking to increase their ownership share of a single asset. Only a handful of bidders are thought to be interested in acquiring the entire portfolio, he continues.

El Paso and its advisor, **Bank of America**, are expected to whittle down the bidders to a short list by early September, he notes. "It's a bit of a game getting into the next round," he says, adding that its in the interests of potential buyers to table high first round bids, since these are non-binding. Calls to BofA were not returned.

—V.K.

DOMINION SEEN

(continued from page 1)

return calls. Calls to Dominion were referred to **Mark Lazenbey**, a spokesman, who declined comment.

Dominion has been on the acquisition trail for some time and is believed to have been close to acquiring generation assets from **Allegheny Energy** in a proposed deal that did not reach fruition, say bankers and analysts.

Both of the Roanoke Valley units have off-take agreements with **North Carolina Power**. The contracted nature of the plants and their proximity to Richmond, Va.-based Dominion's service territory could make them particularly attractive acquisition targets. In addition, the two coal-fired Roanoke plants would fit well with Dominion's generation portfolio, because its own coal-fired assets account for 40% of the power it generates, according to the company's Web site.

—Victor Kremer

Quote Of The Week

*"No one wants to deal with that—least of all **Berkshire Hathaway**."*—**Dot Matthews**, *New York-based fixed-income analyst at **CreditSights**, referring to the regulatory burden associated with being subject to the Public Utilities Holding Company Act of 1935 (see story, page 2).*

One Year Ago In Power Finance & Risk

Southern Co. was looking to expand its generation portfolio with 1,800 MW of new capacity and planned to tap the bank loan market to finance the move. [The company brought two Alabama power plants, Franklin Unit 2 and Harris Unit 1&2, online last month. The plants have a combined capacity of some 1,850 MW].

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