

# power finance & risk

The exclusive source for power financing and trading news

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## Web Exclusives

Milan utility **AEM Spa** is looking to make a secondary stock offering and will imminently launch a tender process to find an advisor.

**Credit Suisse First Boston** has been sounding out potential interest for a near-completed 1,168 MW **NRG Energy** project near Chicago.

For the full stories go to *PFR's* Web site ([www.iipower.com](http://www.iipower.com))

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## ICAHN EYES MIRANT TAKEOVER

Billionaire financier **Carl Icahn** reportedly is considering a takeover bid for Mirant, the independent power producer that filed for Chapter 11 bankruptcy protection last month. Financiers close to Icahn say he began evaluating a takeover prior to its collapse July 16, but held off making a move while Mirant's drawn out refinancing talks progressed. Calls to **Carl Icahn** were not returned by press time.

Bankers say Icahn is presently waiting in the wings to see whether Mirant's bankruptcy judge allows the IPP to walk away from unprofitable tolling agreements. He is also

*(continued on page 11)*

## NEW YORK BOUTIQUE PLANS JUMBO SWOOP ON U.K. GENERATION MART

**Miller, McConville, Christen, Hutchinson, & Waffel**, an acquisitive New York-based energy boutique, is set to launch an offer for some 7-9 GW of generation capacity in the U.K. If successful, the deal would catapult MMC's U.K. investment vehicle to the top of the country's independent generation league table. **Karl Miller**, MMC's senior partner in New York, says it intends to make an offer within the next 60 days. "I cannot guarantee you success, but I can guarantee you we will put on a good show."

*(continued on page 12)*

## Foreclosure

## BANKS READY TAKEOVER OF EXELON'S BOSTON PLANTS

Banks in **Exelon Boston Generating's** (EBG) \$1.25 billion non-recourse loan facility have started prep work for taking control of the 2,400 MW generation portfolio from sponsor **Exelon Corp.** by hiring consulting firms to assess the value of the plants. Exelon last week signaled that it is looking to hand the plants back to the banks and will be writing off its \$700 million equity investment.

The 19-bank lender group, led by **BNP Paribas**, has hired **PA Consulting** to analyze

*(continued on page 12)*

## Flawed Process?

## GENERATION AUCTIONS SEEN STALLING PLANT SALES

The swathe of generation asset sales underway in the U.S. are being hamstrung by a flawed auction process that encourages half-hearted bidding and can cause the most serious candidates to get crowded out before any binding offers have to be put on the table, complain many potential acquirers. "I don't think it is working very well," says **Kevin Smith**, president and ceo of Chicago-headquartered **Insight Energy**, of the auction process.

But, bankers running the auctions appear to have little sympathy, arguing that over the

*(continued on page 12)*

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



## At Press Time Creditors Ready Options For Reliant Plant

Creditors to Reliant Energy's 560 MW Liberty plant in Eddystone, Pa., led by lead agent and bond trustee **J.P. Morgan**, are considering pushing the gas-fired facility into bankruptcy or possibly taking ownership of the plant. Either scenario could occur if Liberty's tolling agreement with **PG&E National Energy Group** is nullified by NEG's bankruptcy judge, say power bankers. NEG filed for Chapter 11 bankruptcy protection on July 8 and asked its bankruptcy judge to rescind several unprofitable tolling agreements. Bankers say recent precedent suggests its request will be granted. Officials at Morgan declined to comment and Reliant Spokeswoman **Sandy Fruhman** referred all comment to a recent company filing.

In a July 24 Securities and Exchange Commission filing, Reliant says that it does not intend to oppose NEG's motion to nullify the tolling contract that lasts until 2016 and adds such a move could lead to its creditors taking control of the asset. According to the SEC filing, "The bankruptcy filing [of NEG] constitutes an event of default under the Liberty credit facility, which has not been waived by the lenders... The lenders are also entitled to accelerate the debt and/or foreclose."

Market watchers say that the plant, which has a book value of \$367 million, is probably worth \$200-250 million in today's market and could be an attractive acquisition target. "It's not a bad plant," says **Dot Matthews** of New York-based **CreditSights**. "It will become effectively merchant when the contract runs out, but this is PJM, not ERCOT, and they will be able to sell that power."

But bankers say Liberty's financing is so complicated a quick

sale of the asset is highly unlikely. The hitch is that that both bank lenders and bondholders share the collateral and 100% approval is needed from all constituencies to approve a sale. Bank lenders control \$85 million of Liberty's debt and bondholders hold \$165 million.

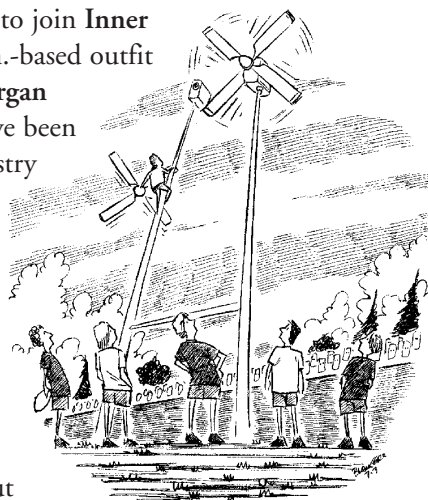
Voting rules are less onerous under bankruptcy and therefore it may prove easier to let the plant file for Chapter 11 bankruptcy first before executing a sale, say bankers.

## GE London Exec Joins Sports Boutique

**Harry Philp**, managing director and head of **GE Structured Finance's** European power and energy business in London, left the U.S. company last Friday to establish the London arm of a U.S. sports investment banking boutique.

Philp says he's leaving to join **Inner Circle**, a Stamford, Conn.-based outfit set up by former **J.P. Morgan** sports sector bankers. "I've been covering the energy industry for 17 years and it's time for a change. I asked myself, 'if I was in Madrid would I prefer to visit Real Madrid or Endesa?'"

GE has yet to hire a replacement to run its London energy group, but already has begun interviewing candidates, says Philp.



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## Calpine Taps DB, BofA To Lead Innovative Financing

Calpine has hired **Deutsche Bank** and **Banc of America Securities** to lead a \$270 million secured bond deal that contains an innovative ownership structure de-linking the bond's rating from that of the embattled San Jose, Calif., power producer.

The long-awaited financing, which is expected to hit the 144a market imminently, is secured against an offtake contract tied to nine peaking plants in California. The notes will be issued by subsidiary **Gilroy Energy Center (GEC)** and is dependent on the sale of a preferred equity investment in GEC to a third party, says **Jeff Wolinsky**, analyst at **Standard & Poor's**. He explains that by selling an ownership stake in the GEC peaker portfolio, the deal does not have to have a rating mirroring that of Calpine.

The dual ownership structure reduces the risk that the deal will go into default if Calpine files for bankruptcy and this allowed the notes to be rated BBB minus versus Calpine's corporate credit rating of B minus, explains Wolinsky. Calls to Deutsche Bank and BofA were not returned by press time.

Another innovative feature of the financing is that the sale of GEC's equity to a third party isn't expected to be completed until after the bond transaction closes. This means that funds raised through the bond offering will have to be held in escrow

until the equity investment is secured, explains Wolinsky.

GEC owns and operates nine peaking power plants in northern California with 525 MW of combined capacity.

The deal is part of a swathe of liquidity boosting financings from Calpine that have included a \$3 billion plus loan and bond deal led by **Goldman Sachs**, a \$500 million revolver led by **Scotia Capital** (PFR, 7/13) and a contract securitization issue led by **Morgan Stanley** (PFR, 5/18).

## Mass. Utility To Tap Bond Mart

**Northeast Utilities** is lining up a \$50 million offering of senior notes to be issued via **Western Massachusetts Electric Co.**, its utility operation in the state. The issue will pay down maturing short-term debt and is scheduled to launch late summer or early fall, **John Forsgren**, NU cfo, told an analyst conference call last week. Calls to Forsgren were referred to **Jeff Kotkin**, head of investor relations. Kotkin says an underwriter has yet to be selected for the deal.

Forsgren noted on the analyst call that NU was able to tap the bond market in June at very favorable rates. The \$150 million offering of 3.3% five-year notes was earmarked to provide long-term working capital for NU's competitive gas and power arm, **Select Energy** (PFR, 6/9).

# Power

- Power plants
- Pipelines
- Transmission and distribution assets

# Money

- Loans from \$5 million to \$150 million
- Secured or collateralized
- Merchant or contract

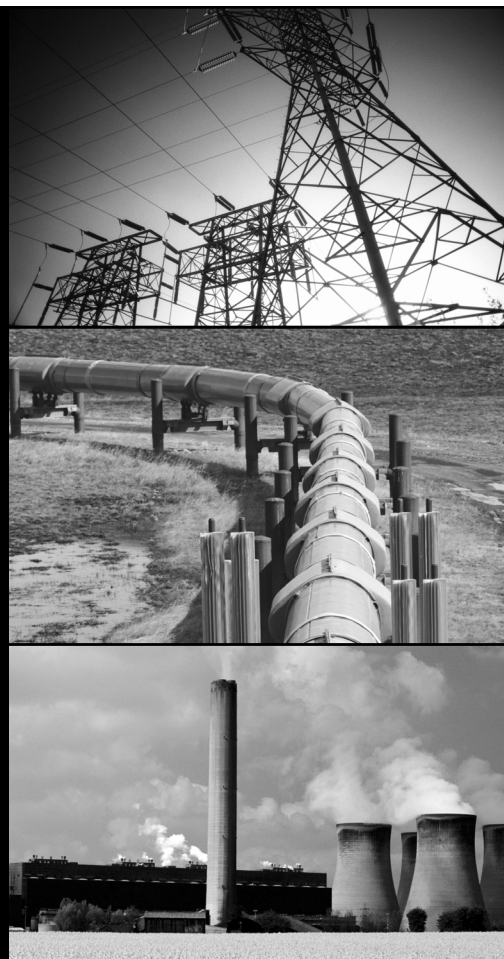
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## AEP Delays Auction

Columbus, Ohio-based AEP has pushed back the deadline for indicative bids on a portfolio of 12 power plants in Texas from July to early this month. Speaking on a conference call covering second quarter earnings last Wednesday, CFO **Susan Tomasky** explained that surprisingly strong interest from potential bidders had prompted it to extend the deadline. It is looking for final bids to be made in October.

AEP and its advisor, **Credit Suisse First Boston**, launched the 4.5 GW portfolio sale of gas, coal, hydro and nuclear power plants in June as part of the deregulation of the Lone Star State's power market.

## Citi Hires Goldman Analyst

**Smith Barney**, the newly formed equity research and brokerage arm of **Citigroup**, has hired **Greg Gordon** to reinstate coverage of the U.S. power and utility sector, according to market watchers. Gordon moves over from **Goldman Sachs** in New York where he was a power and utility analyst. He joined the firm last Thursday as *PFR* was going to press. Calls to Gordon were not returned.

**Jonathan Joseph**, head of research at Smith Barney, says the firm has hired a power analyst to reinstate coverage of the sector, but would not reveal the person's identity or previous employer.

Smith Barney suspended coverage of the power sector in late May when it laid off **Danielle Seitz** and **Ray Niles**. The layoffs were part of a swathe of cutbacks at Smith Barney.

The desire to bring in new blood at Smith Barney reflects CEO **Sallie Krawcheck's** desire to revamp its image following the scandals that have rocked Citi's research department over the past year (*PFR*, 7/28).

## NJ Investor Builds Power Position

Cherry Hill, N.J.-based **Penn Capital** has begun growing its portfolio of energy merchant and IPP stocks and bonds as these tarnished sectors have begun to regain some of their past luster.

**Eric Green**, senior portfolio manager and director of research at the \$625 million money manager, says Penn Capital recently acquired both common stock and senior debt of **Calpine**, the highly leveraged San Jose, Calif., power provider that has successfully been refinancing and extending short-term debt in recent months. As liquidity has improved so "Calpine debt has rallied from the 30s to the 80s. But the yield is still 14%, which is very attractive," says Green.

Penn Capital participated in Calpine's recent \$3 billion bond offering led by **Goldman Sachs**.

Penn Capital also has bought **Aquila**, **El Paso** and **Williams Cos.** "We have been treated very well by Aquila," says Green,

noting that Penn has slowly increased its exposure to Aquila's debt over the last six months and has not yet taken profits. "We bought it in the 70s and its trading at around 115."

Williams is also a good company backed by a strong pipeline business, says Green. Penn Capital owns both equity and bonds in Williams that have shown good returns over the last few weeks. "I would own that stock, but the bonds are [getting] rich. There's not enough yield there."

## Advisors Vie For Mirant Mandate

Five companies submitted bids last week to become the financial advisor to **Mirant Corp.**'s unsecured creditor committee, says a banker involved in the process. The companies include **Jefferies & Co.**, **Greenhill**, **Huron Consulting**, **Miller Buckfire Lewis Ying** and **Lazard**.

The U.S. Trustee for the Northern District of Texas appointed 11 members to the unsecured committee on July 25. The committee includes banks such as **Deutsche Bank** and **Citibank** and money managers such as **Creedon Keller & Partners** and **Trilogy Capital**.

**Bill Derrough**, head of restructuring at Jefferies, and **Andrew Seigal**, a spokesman for Lazard, declined to comment. **Michael Kramer**, in the restructuring division at Greenhill, did not return calls and spokeswoman **Jennifer Frost Hennagir** at Huron did not return calls. Calls to Miller Buckfire were not returned.



## Middle East & North Africa

### Abu Dhabi Launches Mirfa Auction

The Abu Dhabi Water and Electricity Authority and its financial advisor **HSBC** last week launched a competitive tender process to land a developer or developers to acquire and expand the Mirfa power and water desalination plant on the Arabian Gulf coast. ADWEA is looking to receive initial expressions of interest by Aug. 21, say bankers. **Mark Lemon**, a project financier at HSBC, says financial close is likely to occur next year. Officials at ADWEA could not be reached over the Islamic weekend as *PFR* went to press.

Under the Mirfa terms, ADWEA's fifth large-scale water and power project, developers are being asked to acquire 40% of an existing 192 MW power and water desalination plant and expand the plant's generation capacity by 600-700 MW.

The Mirfa plant will enter a long-term energy supply and offtake contract with the **Abu Dhabi Water and Electricity Co.**, Abu Dhabi's monopoly power supplier, to guarantee investment returns on the deal.

## Corporate Strategies

### Dominion Sells 30-Year Bonds To Retire FRNs

Richmond, Va.-based **Dominion Resources** issued \$510 million in 30-year unsecured notes July 21 to refinance existing floating-rate debt at fixed pricing. The utility holding company is refinancing \$500 million of FRNs placed last February at a fixed coupon of 5.25%, says Treasurer **Scott Hetzer**.

Hetzer also looked to quash market speculation that the utility tapped the bond market to build an acquisition warchest. "There are so many rumors out there about what we are going to buy," says Hetzer. "This is just a plain vanilla refinancing. I promise you."

Charlotte, N.C.-based **Wachovia** joined global investment bank **UBS** in leading the deal. Hetzer notes Wachovia has become an increasingly prominent bond underwriter in the power industry in recent times. "They have a big presence and are active in different types of financing."

The willingness of both underwriters to lend capital to Dominion also was an important factor in their selection to lead the deals. "This comes down to credit support. It is important that these banks have been supportive. We have relationships with everyone on Wall Street and rotation makes sense, but these are our primary lenders."

**Moody's Investors Service** rated the bonds Baa1 and **Standard & Poor's** rated them BBB plus.

### Int'l Power Revisits Convertible Mart

London-based **International Power** tapped the convertible bond market late last month with a \$241.23 million offering in anticipation of a similarly sized outstanding convertible being put back to the company later this year, explains **Aarti Singhal**, a spokeswoman at the power producer.

A banker involved in the transactions explains that the existing \$250 million deal due 2008 becomes puttable in November and is almost certain to be sold back to IP because the option is so far out of the money. The existing convertible has a strike price of GBP3.00 (\$4.86), well above IP's current share price of GBP1.30.

The new deal has a conversion price of \$3.18 based on a conversion price in sterling of GBP2.00. This represents a 50% premium to IP's existing share price. The premium is extremely high for a new convertible and this is partly reflected in the relatively rich 3.75% coupon, notes another financier.

The timing of the deal reflects the strength of the European convertible market just now. The combination of low interest rates and a rebounding stock market is creating ideal

conditions for a convertible, notes the banker.

**Credit Suisse First Boston** and **Deutsche Bank** underwrote the deal.

### New York Utility Retires C.P.

**Consolidated Edison Co. of New York** priced \$200 million in unsecured five-year notes July 22 to retire outstanding unsecured commercial paper. Treasurer **Robert Stelben** says one of the aims of the refinancing was to better mirror the duration of ConEd's bond portfolio to the life of its assets. "We have long-term debt that is tied to power plants that have long life spans and short-term debt tied to receivables and other shorter term assets."

The bond offering pays a coupon of 3.6% and was priced at 99.872 to yield 63 basis points over Treasury bonds. While this yield is slightly above ConEd's present funding costs in the commercial paper market, Stelben argues the deal makes economic sense because short-term rates may rise. "We issued the bonds to take advantage of attractive interest rates because we think that they are going to head up soon. This is going to save us money in the long run."

**Citigroup** and **Merrill Lynch** acted as bookrunners.

### Entergy Utility Lands Cheaper Debt

**Entergy New Orleans** has tapped the first-mortgage bond market for \$100 million, lining up cheaper debt ahead of maturities later this year and into next year. The gas and electricity utility subsidiary of **Entergy Corp.** issued \$30 million of five-year 3.875% notes and \$70 million of 5.25% notes due 2013. Calls to **Kristin Quinn**, a financial official at Entergy, were not returned by press time so the maturing deals' pricing and coupons could not be ascertained.

Tapping into cheaper financing well ahead of upcoming debt maturities is a distinct strategy employed by Entergy at its various utilities, says **Donna DiDonato**, an analyst at **Fitch Ratings**. She notes the utilities have little in the way of external debt, are run with tight liquidity so Entergy likes to tackle debt well ahead of maturities. In line with the strategy **Entergy Mississippi**, another regulated utility, tapped the market for \$100 million in five-year first-mortgage bonds (PFR, 3/31).

Fitch, which assigned the notes a BBB rating, has Entergy New Orleans on rating watch negative pending final resolution of a rate case settlement reached with the New Orleans City Council in May. Portions of the plan still require **Federal Energy Regulatory Commission** approval, according to Fitch.

**ABN Amro** and **Morgan Stanley** were the joint lead managers on the Entergy New Orleans deal.

## Buying, Selling & Investing In Energy Assets Conference

Some 55 industry officials attended *Infocast's* Buying, Selling & Investing In Energy Assets conference in Chicago July 23-25. Senior Reporter Peter Thompson filed the following stories:

### Return Targets Ease As Buyers Feel Pressure To Execute Deals

Newly formed power plant acquisition boutiques looking to capitalize on the glut of distressed generation assets up for sale are having to scale back their investment return targets because deal flow has proved so thin and they need to start deploying their capital. **Frank Napolitano**, co-head of **Lehman Brothers'** power group, told attendees that return parameters are starting to come down because without a deal track record it's difficult for these investment boutiques to attract more capital. "There are a lot of first-time funds and they're motivated buyers," he said.

**Nazar Khan**, v.p. of finance at **CES Acquisition Corp.**, agreed that for these types of players stellar returns are becoming less of an issue compared to actually spending their backers' money.

However, Napolitano also advised buyers to pick their targets carefully and determine whether the sellers are likely to do a deal at a value that makes sense for acquirer. "There have been a few auctions that have been starts, stops and cancels," he said, adding that this has frustrated a lot of buyers.

### Trans-Elect Sees Opportunities (On A Smaller Scale)

U.S. transmission outfit Trans-Elect has seen less acquisition opportunities than it hoped for at launch four years back, but still believes there are some acquisition opportunities to be exploited.

"It's a smaller market than we expected," conceded **Al Statman**, executive v.p., during a panel discussion on regulation and acquisitions in the power sector. Statman argued several factors have held back the flow of transmission assets, including the fact state regulators like the idea of bundled companies that they can control. He added in some instances, there also is uncertainty over whether transmission sellers can pocket the sale premium over book value they attain on any sale. If regulators signal the premium has been passed on to rate-payers, then sellers have little motivation to divest assets.

Reflecting on the steady, strong returns from transmission, **Michael Polsky**, president and ceo at **Invenergy**, told attendees, "I don't understand why any regulated entity would sell their transmission assets."

In May last year, Trans-Elect completed its first major acquisition of a U.S. transmission network when it acquired **Consumers Energy's** Michigan Electric Transmission Co. unit.

### S&P Plans Loan Rating Push

Standard & Poor's is planning to start analyzing potential recovery rates for power loans at both the corporate and project level. **Terry Pratt**, director, told attendees the rating agency is getting an increasing number of requests to rate loans. Lead lenders have not often requested ratings as they have traditionally relied on their internal ratings, but having a rating in place today can help with syndication, he later told *PFR* at the sidelines of the conference. An independent rating and recovery analysis will carry more authority with lenders looking to sign up to deals compared to information gleaned from the agent banks leading the transaction, he explained.

### Delegates Focus On PPAs

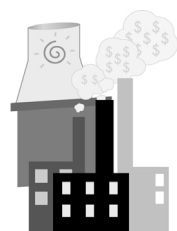
Power purchase agreements (PPAs) and the credit quality of off-takers contracting a plant's output unsurprisingly took center stage at the conference given the recent flurry of Chapter 11 filings that have unhinged many power contracts. "Counterparty rating criteria is having a big impact on [power plant] valuations," noted **Terry Pratt**, director at **Standard & Poor's**. He noted the biggest single impact on a plant's credit rating over the past year has been the quality of any PPA it has signed, rather than the creditworthiness of the plant's owner, market conditions or regulation.

When the subject of Chapter 11 was raised during a Q&A session **Michael Polsky**, president and ceo at **Invenergy**, warned the conference, "If contracts do not hold we will have total collapse."

While long-term power contracts are crucial in underpinning a power plant's creditworthiness Pratt noted that S&P looks cautiously at PPAs that are way out of kilter with market terms. Such contracts are very often unsustainable he warned, adding, "Out of the market contracts are ripe for renegotiation."

### Seen 'N' Heard

With so much talk about acquirers' target rate of returns, **Al Statman**, executive v.p. at **Trans-Elect**, treated the conference to a trip down memory lane. When the transmission player was courting backers in 1999, he said investment bankers gave the company the "gold carpet treatment." But the tone changed when meetings switched to talks with money managers holding the investment purse strings, who weren't enamored by Trans-Elect's predicted returns. "We can make 35% a day in dot-coms," was their response according to Statman.



## 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
AEP	Fiddler's Ferry Ferry Bridge	U.K. U.K.	2,000 2,000	Coal Coal	N/A	Intention to sell.
American Electric Power	Barney M. Davis E.S. Joslin J.L. Bates Laredo Lon C. Hill Victoria La Palma Nueces Bay Coletto Creek Oklaunion Eagle Pass South Texas	Texas Texas Texas Texas Texas Texas Texas Texas Texas Texas Texas Texas	697 254 182 178 559 491 255 559 632 54 (7.8%) 6 630 (25%)	Gas/oil Gas/oil Gas/oil Gas/oil Gas/oil Gas/oil Gas/oil Gas/oil Coal Coal Hydro Nuclear	CSFB	Launched sale process in June as part of deregulation of Texas market.
AES	Yarra Power Station Jeeralang Mt Stuart	Australia Australia Australia	510 449 288	Gas Gas Gas	-	Has appointed an advisor.
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 Hatfield Mitchell	Penn. Penn. Penn.	356 1,600 (75%) 442	Coal Coal Coal	J.P. Morgan	Ongoing.
Alliant Energy	Southern Hydro	Victoria, Australia	500	Hydro	N/A	Intention to sell.
Aquila	Koma Kulshan Stockton Cogen BAF Energy Badger Creek Lake Cogen Pasco Cogen Orlando Cogen Rumford Cogen Topsham Selkirk Cogen Onondaga Cogen Mid-Georgia Cogen Jamaica Private Power	Wash. Calif. Calif. Calif. Fla. Fla. Fla. Me. Me. N.Y. N.Y. Ga. Jamaica	14 (49.9%) 60 (50%) 120 (23%) 50 (48.8%) 110 (99.9%) 108 (49.9%) 126 (50%) 85 (24.3) 14 (50%) 345 (19.9) 91 306 (50%) 65 (21.4%)	Hydro Coal Gas Gas Gas Gas Gas Coal Hydro Gas Gas Gas Diesel	Lehman Bros.	Launched Sale in June.
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention to sell.
Calpine	Watsonville Greenleaf I Greenleaf II Agnews Parlin Morris Bethpage KIAC Stony Brook Auburndale Grays Ferry	Calif. Calif. Calif. Calif. N.J. Ill. N.Y. N.Y. N.Y. Fla. Penn.	30 50 50 29 118 177 54 105 40 153 148	Gas Gas Gas Gas Gas Gas Gas Gas Gas Gas Gas	Citigroup	Is looking to sell portfolio of contracted QFs.
CenterPointEnergy	Texas Genco portfolio (12 plants)	Texas	14,175	Variety	-	Reliant Resources has option to purchase portfolio in early 2004
Cinergy	Cinergitika Energetika Chropyne EPR Ely Moravske Teplamy Pizenska Energetika Redditch Teptama Otrokovice	Czech Rep. Czech Rep. U.K. Czech Rep. Czech Rep. U.K. Czech Rep.	230 48 36 410 406 29 349 (11%)	CHP CHP Straw CHP CHP Gas CHP	J.P. Morgan	Expects to sell assets shortly.

## 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%)	Gas		
	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		



# Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
NRG/Xcel (Latin America)	TermoRio	Brazil	1040 (50% stake)	Gas	Deutsche Bank	Awaiting bids.
	COBEE	Bolivia	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 Sachs	Has already sold two Eastern European plants. Awaiting further bids.
	Enfield	U.K.	380 (25%)	Gas-fired		
	MIBRAG	Germany	238 (50% stake)	Coal		
NRG/Xcel (U.S.)	Big Cajun II	La.	2,400 (90%)	Coal	-	Has shortlisted three bidders. Shaw Group to take over.
	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		
						OG&E agreed to buy.
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	-
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch & Scotia Capital	Ongoing.
	Lakeview	Ontario	1,140	Coal		
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
PESG Global	Tanir Bavi	India	220 (74%)	Naphtha	-	-
	Karpatalism	India	330 (20%)	Naphtha		
PG&E National Energy Group	Bear Swamp	Mass.	599	Hydro		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 Poznanskie	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.

## 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

- Arlington, Va.-based **AES** has put three power plants and a distribution company in the Republic of Georgia up for sale. AES owns the Mtkvari, Khrami I and Khrami II plants that have 823 MW of combined capacity and Telasi, a wires network (*TheDeal.com*, 7/31).

### Europe & Middle East

- **AES** is urging its creditors to reject an offer from **International Power** to acquire a stake in its 4 GW DRAX power plant in the U.K. IP said it would pay up to GBP80 million (\$130 million) for a 36% stake in the plant (*The Times*, 7/29).
- **United Utilities** has launched a deeply discounted rights issue to raise GBP1 billion (\$1.61 billion) to fund capital expenditure. The U.K. power and water utility is offering shareholders five new shares for every nine they own at GBP3.30, well below the current share price of GBP5.32 (*The Times*, 7/29).
- Five London energy brokers are launching a stable of price indices for the U.K. power market in a move designed to boost liquidity. The indices will be based on weighted averages of day-ahead baseload trades handled by **GFinet**, **Prebon Marshall Yamane**, **ICAP Energy**, **Spectron Futures** and **The Link Asset and Securities Co.** (Reuters, 7/31).

### U.S. & Canada

- **Allegheny Energy** will sell an energy supply contract with the **California Department of Water Resources** to **Goldman Sachs' J. Aron** unit for \$450 million. The company said the deal will allow it to trim debt, improve its liquidity and reduce its exposure to the energy trading market (*Associated Press*, 7/28).
- **Williams Cos.** will pay a \$20 million penalty to settle charges it attempted to manipulate natural gas prices by giving bogus data to index publishers. The settlement with the **Commodity Futures Trading Commission** covers the Tulsa, Okla.-based company's natural gas trading from January 2000 through June last year (Reuters, 7/29).

- **AES** raised \$950 million in senior secured credit facilities, lowering the IPP's interest costs and extending debt maturities. The Arlington, Va., company, which has been battling to improve its credit rating, said the facilities comprised a \$250 million revolving loan and letter of credit facility and a \$700 million term loan (Reuters, 7/29).
- **Citigroup** and **J.P. Morgan** will pay \$300 million in penalties for helping **Enron** hide accounting discrepancies. J.P. Morgan said it would pay \$135 million to the **Securities and Exchange Commission**, while Citigroup agreed to pay \$120 million. The SEC will use almost all of that money, excluding \$19 million Citigroup is paying for its dealings with **Dynegy**, to reimburse Enron investors (*Daily News*, 7/29).
- A joint venture between **Shell WindEnergy** and **Padoma Wind Power** will build a wind farm at a site 90 miles southeast of Lubbock, Texas. The wind farm will consist of 160 Mitsubishi wind turbines and provide enough output to supply power for about 30,000 homes (*Electrical Construction & Maintenance*, 7/29).
- **Shell** has bought a 40% share in the LaMuela wind park in Spain from **TXU Europe Energy Trading**. The wind park has a total capacity of 99 MW (*Asia Intelligence Wire*, 7/31).
- Defense contractor **Raytheon** said it delivered the 800 (MW) Fore River power plant in Weymouth, Mass., to its owner, a unit of Chicago-based **Exelon**. Exelon said earlier that it would give up ownership of three new plants in Massachusetts, including Fore River, to a consortium of bank lenders after deciding it did not want to invest any more money in them (Reuters, 7/31).
- **Enron** made at least \$12 million in "questionable" payments to a group of businessmen to facilitate development of an electric power plant in Guatemala, the Senate Finance Committee Senate concluded (*Houston Chronicle*, 7/30).
- The U.S. Senate appears likely to approve a major deregulation of the nation's electric-utility industry, repealing the 1935 law restricting utility mergers and limiting foreign ownership. The House has passed a similar measure, which means that the change could become law later this year (*Wall Street Journal*, 7/31).

## ICAHN EYES

(continued from page 1)

unlikely to make a move before existing Mirant debt is converted into new equity. "There is no way he is going to make a move before the conversion ratio is clear. Otherwise it's unclear what it's worth," notes one banker.

Mirant has 180 days after the bankruptcy filing to submit a plan of reorganization. If the plan is uncontested, the judge

will approve it, clearing the way for banks and bondholders to sell their debt, explains a lawyer.

Icahn, who teamed up with **Panda Energy International** in mid-June to make investments in the power sector, had been looking at individual power plants but recently broadened his focus to include bundles of generation assets and distressed companies (PFR, 7/27). **Todd Carter**, president of Panda, did not return calls.

—Nina Sovich

## Financing Record (JULY 24 - JULY 31)

### Bonds

Issue Date	Maturity	Issuer	Amount (\$ mil)	Offer Price	Type of Security	Coupon (%)	Spread to Benchmark	Moody's	S&P	Bookrunner(s)
7/24/03	7/24/06	Metropolitan Electricity	23.9	100	Debentures	1.495		NR	NR	Deutsche Bank
7/24/03	8/1/13	Vectren Utility Holdings	100	99.746	Notes	5.25	110	Baa1	A-	ABN AMRO/Banc One Capital Markets
7/24/03	8/1/18	Vectren Utility Holdings	100	99.177	Notes	5.75	165	Baa1	A-	ABN AMRO/Banc One Capital Markets
7/30/03	7/1/13	Indianapolis Power & Light	110	99.927	Fst Mtg Bonds	6.3	200	Baa2	BB+	Merrill Lynch
7/30/03	8/1/13	Portland General Electric	50	99.285	Senior Notes	5.625	134	Baa2	BBB+	Lehman/US Bancorp Piper Jaffray
7/30/03	8/1/23	Portland General Electric	50	99.567	Senior Notes	6.75	151	Baa2	BBB+	Lehman/US Bancorp Piper Jaffray
7/30/03	8/1/33	Portland General Electric	50	99.571	Senior Notes	6.875	163	Baa2	BBB+	Lehman/US Bancorp Piper Jaffray

### M&A

Date Announced	Target	Target Advisors	Target Country	Acquiror	Acquiror Advisors	Acquiror Country	Deal Value (\$mil)
7/24/03	AES Corp-Barry Power Station	-	U.K.	Centrica	-	United Kingdom	64.175
7/24/03	Drax Power Plant	-	U.K.	International Power	-	United Kingdom	129.32
7/28/03	Energieversorgung Oberhausen	-	Germany	RWE Plus AG	-	Germany	-
7/28/03	Enka-Intergen	-	Turkey	Enka Insaat Ve Sanayi AS	-	Turkey	-
7/28/03	Wolverine Power	-	U.S.	Volt	-	United States	-
7/29/03	Tohoku Chinetzu Energy	Mizuho Securities	Japan	Investor Group	Nomura Securities	Japan	12.513

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

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**First Call Co. Seeks Funds To Share Off-Balance-Sheet**

First Call Co. is seeking funds to share off-balance-sheet assets. The company is looking to raise \$100 million to fund its off-balance-sheet assets. The company is looking to raise \$100 million to fund its off-balance-sheet assets. The company is looking to raise \$100 million to fund its off-balance-sheet assets.

**In The News**

Banking: The company is looking to raise \$100 million to fund its off-balance-sheet assets. The company is looking to raise \$100 million to fund its off-balance-sheet assets. The company is looking to raise \$100 million to fund its off-balance-sheet assets.

**DUKE SEEN BUYING CMS PLANT DOWN UNDER**

Duke Energy International is close to purchasing CMS Energy's 50% stake in a 2,800 MW coal-fired plant in Australia. The company is looking to raise \$100 million to fund its off-balance-sheet assets. The company is looking to raise \$100 million to fund its off-balance-sheet assets. The company is looking to raise \$100 million to fund its off-balance-sheet assets.

**TRIO OF COMPANIES NEARS EPA DEAL, BOND FINANCING LIKELY**

General Electric, Siemens, and Alstom are nearing a deal with the EPA. The company is looking to raise \$100 million to fund its off-balance-sheet assets. The company is looking to raise \$100 million to fund its off-balance-sheet assets. The company is looking to raise \$100 million to fund its off-balance-sheet assets.

**LONDON UTILITY READIES \$1.4B MTN PROGRAM TO FUND TXU ACQUISITIONS**

London Electricity is looking to raise \$1.4 billion to fund its off-balance-sheet assets. The company is looking to raise \$100 million to fund its off-balance-sheet assets. The company is looking to raise \$100 million to fund its off-balance-sheet assets.

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## NEW YORK

(continued from page 1)

Miller says MMC is looking at both distressed coal- and natural gas-fired power plants. He declined to elaborate beyond saying it won't make an approach for AES DRAX, the U.K.'s largest power station. "Its financing is too convoluted to do a transaction," he explains.

One market watcher predicts MMC likely will bid for Killingholme and Damhead Creek, two plants now owned by its creditors, and AEP's Fiddlers Ferry and Ferrybrige. For MMC to get approval for the deal from such a large and disparate group of plant owners and creditors will prove an extremely tall order, predicts the official.

MMC intends to make the offer through a newly formed U.K. investment company, dubbed the UK Asset Recovery Vehicle (ARV), which will be a stand-alone IPP funded by external investors. MMC will approach both the plants' owners and potential financial backers concurrently when it launches the offer.

Miller says MMC's strategy differs from that of many other bidders in the U.K. market as it's a holistic solution covering much of the U.K.'s generation market and is being pushed by a fully independent company untainted by conflicts of interest in the U.K. power market.

—Will Ainger

## GENERATION AUCTIONS

(continued from page 1)

long haul auctions get more money for sellers. "Auctions are just a painful, ugly, fact of life," says one investment banker.

Insight's Smith and other investors argue that many well qualified bidders are being knocked out in the first round of auctions by players submitting inflated non-binding bids. Those players then use the second round to knock down the size of their offer, resulting in sellers balking and the asset not being sold. Smith argues sellers "should pick five or six players rather than having 15-16 offers which contain crazy bids."

Poor quality asset sale prospectuses are also hindering the sale process. "Sellers issue simplistic and sketchy details for first round bidding. This invites unrealistically high bids which get increasingly hammered down as buyers use greater and more detailed information," argues David Freeman, president at Team Power & Associates, a Dallas-based consultancy. Smith agrees, saying thin information has hurt several auctions, including NRG Energy's U.S. portfolio that briefly went on the block last year (PFR, 12/2) and Aquila's planned sale of 12 U.S. qualifying facilities (PFR, 6/16). Without something as basic as a depreciation schedule for an asset, putting together a rational bid is a tough proposition, says Smith.

Frank Napolitano, managing director at Lehman Brothers,

noted at a recent conference in Chicago (see coverage, page 8) that among buyers, "Everybody wants to do negotiated deals." But, he added that with a full field of both private and public acquirers those sorts of deals aren't going to happen.

—P.T.

## BANKS READY

(continued from page 1)

the market for the merchant plants' output and FTI Consulting to look at its financial picture, including determining the portfolio's working capital needs. "It's an evaluation of the plants," says one financier. This will allow the lenders to better assess how to sell the plants if they are returned by Exelon. An FTI official says the firm has been hired as financial adviser and will be working on the transfer of ownership. Calls to officials at BNP and PA were not returned.

A dramatic slump in wholesale power prices since EGB's non-recourse construction financing put in place 2.5 years ago (PFR, 2/5/01) has left the now-completed portfolio unable to meet its \$1.1 billion debt servicing coverage requirements. As a result lenders have been pushing Exelon to pay off some of the debt and restructure EGB's financing.

In an earnings conference call last week, Exelon officials said if the company had put more equity into EGB, or even guaranteed part of the debt, Standard & Poor's had made clear this would negatively impact the Exelon's credit rating. "These plants have very substantial value," Chairman John Rowe said on the call. "The lenders have a position where they appear highly motivated to hold the existing book value of their loans. We understand that...but that doesn't give us any maneuvering room."

The loan funded the construction of the 800 MW Units 8 and 9 at the Mystic power plant, and the 807 MW Fore River plant.

Some financiers suggest that Exelon may try to sell its equity stake before formally giving up on EGB and handing over the keys. "These projects are not underwater. There is equity value there," says one lender, who reasons Exelon's rating situation meant it couldn't hang on to the portfolio for a long enough period to unlock that value. Calls to Bob Shapard, cfo at Exelon in Chicago, and spokeswoman Linda Marsicano were not returned by press time.

—Peter Thompson

## Quote Of The Week

"I asked myself, 'If I was in Madrid would I prefer to visit Real Madrid or Endesa?'" —Harry Philp, managing director at GE Structured Finance in London, explaining why he's leaving the U.S. investment giant to become a sports investment banker (see story, page 2).