power finance & risk

The exclusive source for power financing and trading news

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Web Exclusive

Fitch Ratings believes there is a growing likelihood that **NRG Energy** may look to terminate its $1.5 billion acquisition of power plants from **FirstEnergy**.

For the full story go to *PFR*'s Web Site (www.iipower.com).

CHEVRONTEXACO SEEN PLOTTING 11TH HOUR BID FOR DYNEGY

ChevronTexaco is planning to swoop on Dynegy if the embattled energy trader teeters towards bankruptcy, says a banker who has spoken to the oil giant's management about its plans. He notes ChevronTexaco is keeping its powder dry for now and is waiting for Dynegy's stock price to tank further before buying the remaining 73% of the company it doesn't own. As of last Friday morning, Dynegy shares were trading at $2.03, giving it a market capitalization of $1 billion. The bulk of the purchase price would then be the

(continued on page 12)

CITIGROUP, CITADEL REPORTEDLY MAKE SHORTLIST FOR AQUILA'S POWER TRADING GROUP

Citigroup and Chicago-based hedge fund **Citadel Investments** have reportedly made the shortlist of bidders to buy or form a joint venture with Aquila's power trading business, say market officials. **Louis Dreyfus** is the other shortlisted bidder (PFR, 7/29). **Al Butkus**, a spokesman at Aquila, did not return calls.

Citigroup has been interested in breaking into the power trading market since unsuccessfully bidding to acquire **Enron**'s trading business, which was purchased by

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NEG PREPS 'B' LOAN FOR $600M EQUITY CALL

PG&E National Energy Group is considering joining the handful of power companies that have tapped the institutional investor loan market. The Bethesda, Md.-player needs the funding to cover a $230 million equity injection due shortly at its Lake Road power project and a $370 million equity call associated with its La Paloma project. Lenders says **Citibank** is working with NEG on the loan, but add a deal could be some way down the track as NEG does not need to stump up the equity until next spring. **David Mould**, spokesman at NEG, did not return calls. Citi officials declined comment.

The institutional, or "B" loan, market is starting to play an increasingly important role in

(continued on page 12)

AILING T&D SYSTEM NEEDS $30 BILLION INJECTION: FORMER ONTARIO POWER COO

The transmission and distribution network in the U.S. is suffering from chronic under investment and would require an annual cash injection of around $30 billion to return it to the level of the early 1990s, according to **John Fox**, former coo of **Ontario Power Generation**. The average life of T&D assets is approximately five years older now than in 1992, and as the system gets older the statistical probability of failure rises exponentially, leading to more forced outages. "At some point [T&D needs] massive recapitalization," he notes.

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

Aussie Bank Looks To Buy U.S. Wire Biz

Macquarie Corporate Finance is involved in active discussions with a couple of utilities to purchase their transmission units, says a New York banker familiar with the matter. The Australian investment bank is already active in the North American power market through its 20% stake in **TransAlta**, a non-regulated Canadian generator.

The banker says that the firm's strategy is to take advantage of the downturn in the energy sector and snap up these assets below market value. He would not discuss the matter further and bankers at Macquarie declined comment. Officials at TransAlta did not return phone calls.

Greenwich Power Looks For Generation Assets

Greenwich Power, an independent private equity firm in Greenwich, Conn., is on the lookout to purchase coal- and gas-fired plants as well as investments across the entire power spectrum, says **Barry Kupferberg**, managing director at the firm. He adds it would probably approach **Cinergy** to manage the plants it acquires as the Ohio utility is a passive investor in Greenwich Power and provides the firm with additional due diligence and operational assistance.

The fund has yet to buy any power plants, but has become excited about the purchasing opportunities because of the large number of distressed IPPs looking to unload plants. "The environment for independent power producers continues to get more difficult and we believe that creates better opportunities for us," says Kupferberg. He adds that given the nature of the power industry, a long-term investment opportunity exists to build a diversified generation portfolio.

Greenwich Power's advisory board includes a cross-section of senior executives with power industry and financial experience. They include **James Rogers**, chairman and ceo of Cinergy; **J.M. Bernhard**, president and ceo of **The Shaw Group**; **Doug MacKenzie**, former managing director at **Morgan Stanley**; **Robert Murray**, former cfo of **Public Service Enterprise Group** and **Willard Ladd**, founding member of **Sithe Energies**.

Calpine Opts For Club Deal On Colo. Peaker

Calpine is looking to tap a small group of banks to fund the construction of a 300 MW natural gas-fired peaker in Colorado. One banker says the loan for the Blue Bruce Energy Center is in the $100-150 million range and **Credit Lyonnais** is leading the transaction. The deal will probably be wrapped on a club basis with four to five players signing up, according to the banker. Calls to Credit Lyonnais and Calpine were not returned immediately.

While the project loan is backed by a solid long-term off-take contract, one financier says some banks may balk at the deal because they have accrued such large exposure to Calpine in recent years. He notes that his bank is one of many players that signed up to Calpine's trailblazing jumbo construction revolver (PFR, 10/23/00), and as such he passed on Blue Spruce without looking at the deal when approached.

The San Jose, Calif.-based IPP scaled back its development plans earlier this year in the wake of a pummeling by rating agencies and the stock market. Its financing plans for this year are focused on arranging four single-asset loans to fund the development of four peaking facilities with strong off-take contracts (PFR, 4/1).

Fitch Chief Moves Stateside

Richard Hunter, managing director and head of **Fitch Ratings**' European power group in London, has moved across the pond to head up U.S. power coverage at the rating agency. Hunter says he arrived in the Big Apple last month and fills a slot created by the departure of **Steve Fetter** earlier this year. Hunter heads of team of around 20-25 staffers who cover investor-owned and municipal utilities, according to a Fitch spokesman. Since leaving the rating agency Fetter has set up an energy advisory consultancy, **Regulation UnFettered**, the location of which could not be determined.

Tenaska Hires Quintet For $450M Va. Funding

Omaha, Neb.-based Tenaska has signed up five banks to fire up $450-500 million in non-recourse loan funding for a new 885 MW plant in Virginia. **DZ Bank** and **HypoVereinsbank** are co-bookrunners, **Bank of Tokyo-Mitsubishi** and **Credit Lyonnais** are co-syndications agents and **Dexia** is co-documentation agent, according to market officials. The combined-cycle, natural gas-fired facility will be located north of Antioch in Fluvanna County (PFR, 6/3).

Syndication will likely be spread over this month and the next with co-arranger and retail rounds. A market official says the deal is similar to previous Tenaska financings—such as Kiowa/Kamaichi—in that it has a construction plus seven-year tenor. **Coral Energy** signed up for a toll and a debt service coverage of around 1.7-1.8. Fees and commitment levels could not be determined.

InterGen Loan Nears Conclusion

InterGen and its two lead arrangers **Barclays Capital** and **Citibank** expect to wrap up syndication of the GBP429 million ($633 million) Spalding non-recourse loan within the next 10 days with the addition of two or three more lenders to the team. A banker close to the transaction says 10 banks, including **Abbey National**, **Bank of Tokyo-Mitsubishi**, **Halifax Bank of Scotland** and **Fortis Bank** have already committed themselves. He declined to list the full lending line up.

Bankers say InterGen's decision to sweeten the fees and pricing of the loan earlier this month (PFR, 7/15) prompted a number of lenders to sign up. The banker blames the initial lukewarm response on jittery credit committees. "We were disappointed with the initial response. While project bankers liked the deal, they had trouble getting approval from their credit officer," notes one official involved in the deal.

InterGen will use the proceeds to fund the construction of an 860 MW combined-cycle gas-fired plant at Spalding, Lincolnshire, on the east coast of England. The CCGT plant has signed a tolling contract with A-rated **Centrica**. The 19.5-year financing is divided between a GBP362 million project loan, a GBP60 million letter of credit and a GBP7 million working capital facility.

Investment Boutique Seeks Analyst

Briarcliff Manor, N.Y.-based **Saw Mill Capital**, an investment firm that specializes in private equity financing and funding buyouts in the power sector, is looking to expand its team of eight with the hire of an analyst who has worked in the industry. **Victor Krupinski**, a research analyst at the firm, says ideally the recruit previously will have worked for an independent power producer and a consulting firm. Saw Mill Capital has been trying to fill the vacancy for about a year, but has had trouble finding the right candidate. It has proven difficult because as a prerequisite, the individual needs to have a robust *Rolodex* of industry contacts, explains Krupinski.

Saw Mill Capital has invested $750 million in six transactions since its inception in 1997. Of those transactions, four funded buyouts, while the remainder injected equity capital into high growth companies. This included the $120 million leveraged buyout of **Global Power Solutions** in March 2001.

Firms Start Standard Weather Confirm Discussions

Major weather derivatives trading shops, including power companies **Accord Energy**, **Vattenfall** and **Louis Dreyfus** met to discuss a standard weather derivatives confirmation for the first time last week. The meeting, hosted by the **International Swaps and Derivatives Association**, is the first of several with the aim of a standard confirmation being finalized by year-end. There were approximately 30 institutions represented at the meeting, according to **Stacey Carey**, policy director at ISDA in New York.

The group is revisiting the standard confirm developed by the **Weather Risk Management Association** (WRMA) and plans to take the standards from a new confirm to draft a definitions booklet, said **Adele Raspe**, general counsel at **Element Re Capital Products** in Stamford and chair of the committee. In addition, the committee will be seeking a global netting opinion from outside council to make sure that the netting opinion within ISDA's master agreement is applicable to weather derivatives.

Another issue that will be addressed is how credit exposure is calculated for weather derivatives. Raspe explained that the committee's goal is to standardize the margin agreement used with each contract to facilitate market liquidity.

Ex-Sempra Weather Chief Heads To Brokerage

Paul Henry, a seasoned weather pro who has been out of the market since leaving **Sempra Energy Trading** at the turn of the year, has joined the Sugar Land, Texas, office of international OTC energy broker **Amerex Energy**. Henry, who also headed **Dynegy**'s weather group before heading to Sempra (PFR, 4/22/01), declined comment.

Weather officials say Henry is a well-regarded rainmaker in the sector, but add it's a tough time to head into weather brokering. Counterparty numbers are shrinking and winter coverage flows are thin at the moment, so deal flows are down over last year. With long-range forecasts predicting a mild El Nino-influenced winter, hedgers are wary of paying the resulting high premiums, they explain. Winter coverage is traditionally weighted toward energy players hedging against mild weather.

Sempra iced its weather operation—which was essentially Henry by himself—in January (PFR, 1/21). Rivals said at the time that the book may have been hit by a winter that was milder that expected.

Ontario Nixes $5B Wires IPO, Seeks Advisor For Trade Sale

Ontario's government has scrapped plans to float the province's monopoly wire business **Hydro One** and has begun searching for a financial advisor to help it find a strategic partner willing to take a 49% stake in the company. As part of the shift in policy the Ontario government launched a new request for proposals process at the beginning of last month to find an advisor and is expected to select one or more firms within the next few days, says one banker pitching for the mandate. The banker adds that the selection was originally expected to occur by the end of July.

Ontario's finance ministry originally retained **Goldman Sachs** and **CIBC World Markets** at the turn of this year to advise on the full floatation of Hydro One, an offering that was expected to raise some $5 billion (PFR, 1/28). Both banks are pitching for the new advisory mandate and must be viewed as front-runners to land the slots, says the banker.

The Ontario government had a change of heart over privatizing Hydro One because it decided it was necessary to keep control of such a crucial utility in public hands, explains a spokeswoman for the government. By selling up to 49% the government will give up operational running of the sector, but retain ultimate control, she explains. Proceeds from the trade sale will be used to cut Hydro One's $20 million debt load and fund improvement to the wire network.

Hydro One, the restructured **Ontario Hydro**, has more than one million customers in its unregulated services businesses and regulated transmission and distribution businesses.

RBS Taps WestLB For Syndication Staffer

Royal Bank of Scotland has hired **Andrea Picott**, a power sector financier at **Westdeutsche Landesbank**, to join its New York debt syndication team. Picott, who joins later this week as an assistant v.p., will be working with **David Nadelman**, v.p., the point person for RBS' power project finance syndication effort, according to market officials.

RBS has five staffers on the project finance structuring and origination side and the new hire means there will be two experienced pros covering the power sector on the syndication front. RBS officials declined comment, but one banker says the hire is in line with the U.K. bank's long-term plan to build up its New York City team. RBS, along with **Bank of Nova Scotia**, is currently wrestling with one of the bigger fishes in the deal pipeline, the planned mega-merchant revolver from **FPL Energy** (PFR, 6/17). **Howard Moseson**, managing director, loan syndication and debt capital markets at WestLB, declined to comment.

Black Hills Homes In On Vegas Financing

Rapid City, S.D.-based **Blacks Hills Corp.** is close to finalizing a $160 million fully underwritten non-recourse loan to finance the building of a 230 MW plant in Las Vegas. **Richard Ashbeck**, senior v.p. of finance, says **ABN AMRO** and **Credit Lyonnais** have been retained to lead the financing, and more banks may come in at a senior level before the deal enters syndication. The debt will have a construction plus five-year tenor (PFR, 6/3).

Market players say the deal will likely do well, though one notes there is an unusual concern being aired by some: the tolling agreement on the plant is very strongly in favor of Black Hills. Some have been speculating that **Allegheny Energy** may try and renegotiate the contract. Ashbeck agrees the contract is in Black Hills favor at the moment, but it was less so a year ago when first signed and the current situation is a result of market distortion that will likely correct itself. In any case, the contract doesn't allow for re-negotiation, he argues.

Corporate Strategies

Electric Authority Preps Bond Offering

The **Jackson Electric Authority** (JEA) plans to issue $542 million of electric refunding revenue bonds to refinance various tranches of four bond offerings it originally issued to finance the construction of the 1,276 MW St. Johns River power station in Jacksonville, Fla. **Helen Kehrt**, director of financial management services, says the new offering likely will save JEA approximately $36 million because it's tapping the market when interest rates are low.

Early last week, Kehrt told *PFR* the JEA had not yet determined the exact tranches it was planning to take out of the early 1990s debt, nor had it finalized the structure of the new offering. She says the Aa2/AA rated bond deal will have maturities ranging from 2002-2019 and is expected to price the week of July 29.

Kehrt says **J.P. Morgan** is the lead underwriter on the deal. Co-managers are **Bear Stearns**, **Salomon Smith Barney**, **Bank of America**, **Goldman Sachs**, **Lehman Brothers**, **Merrill Lynch**, **Morgan Stanley** and **UBS PaineWebber**.

A recently released report from **Fitch Ratings** explains that its AA plus rating of the upcoming debt offering is based on the JEA's historically solid financial performance, its low generation costs, and an accelerated debt amortization schedule on 73% of the power bonds. Fitch adds that the JEA's management continues to fund generation and upgrade existing generation with a good mix of equity and debt.

The coal-fired St. Johns River plant is jointly owned and operated by the JEA (80%) and **Florida Power & Light** (20%).

CP&L Taps Longer Term Bonds

Raleigh, N.C.-based CP&L, a utility arm of **Progress Energy**, tapped the 10-year note market last week for $500 million to refinance a maturing issue. **Tom Sullivan**, treasurer at Progress, says the coupon on the unsecured notes was 6.5%, against the 6.65% achieved on CPL's last longer-term issue of $300 million in seven-year notes. He says the utility was pleased with that pricing, given the longer maturity and the jittery outlook in the wider power market.

The deal was co-led by **Merrill Lynch**, which ran the books, and **Bank One**, says Sullivan, adding that **Mellon Bank** and **Barclays Bank** were the other firms involved. The bank line-up for capital market issues is determined by ability to lead, but also the support institutions have shown for credit facilities, he notes. Progress Energy issued a two-tranche $800 million note issue earlier this year (PFR, 4/29), led by **Banc of America** and **Salomon Smith Barney**. With the completion of the CP&L deal, the company has wrapped its financing needs for the year, Sullivan says.

Latin America

S&P Downgrade Seen Threatening Eletropaulo

Standard & Poor's recent downgrade of **AES**'s Brazilian subsidiary **Eletropaulo Metropolitana Electricidade de Sao Paulo** to CCC from B could prompt its creditors to play hardball with the beleaguered utility. Latin American bankers warn that **Banco Nacional Desenvolvimento Economico e Social**, along with several other lenders that have held debt restructuring talks with Eletropaulo over some $700 million of debt coming due imminently, is less likely to grant an extension on the debt following the downgrade.

Arlington, Va.-based AES hired **Lazard** a couple of weeks ago to assist in negotiating extensions for $580 million of debt coming due in August and $110 million of debt maturing the following month (PFR, 7/29).

A Latin American utility analyst in New York says that whilst the S&P downgrade is merely stating the obvious—namely that Eletropaulo's ability to honor its debt obligations have weakened—he says the rating agency's official endorsement of this outlook can only weaken Eletropaulo's position. Creditors might be less willing to grant an extension if they think it won't be able to roll over the debt later or that Brazil's political environment will not improve.

Nonetheless, the analyst says it would be in the BNDES' best interest to grant an extension. He explains that if the debt cannot be repaid, the bank would be forced to take control of the distribution company, which wouldn't be in anybody's best interest.

Calls to officials at AES and S&P were not returned by press time. Bankers at BNDES and Lazard also did not return calls.

Latin American Power Financing Calendar

*Following is a directory of upcoming projects and related financing in the Latin American power sector. To report new deals or provide updates, please call **Amanda Levin**, Reporter, at (212) 224-3292 or email: alevin@iinews.com*

Sponsor	Project	Project Type	Size (MW)	Cost ($mil)	Country	Advisor/ Financier	Status	PFR Issue
Alcoa	Santa Isabel	Hydro	1,087	700	Brazil	Citi	Financing delayed till 2003	7/22/02
Ceran	-	Hydroelectric	360	111	Brazil	BNDES	Will launch the loan shortly	10/8/01
Corporacion Venezolana de Guyana	Tocoma Dam	Hydroelectric	-	2,100	Venezuela	-	Expects to bring project on line by 2006	6/25/01
Duke Energy International	Pederneiras	Gas-fired	500	270	Brazil	-	Will finance with equity capital.	3/11/02
EdF, Mitsubishi	Altamira	Gas-fired	495	300	Mexico	Citi/Fuji	Expects to seal financing shortly.	7/1/02
Electricite de France	Rio Bravo III	Gas-fired	500	290	Mexico	SocGen	Arranging a $217M project loan	3/4/02
El Paso	-	Gas-fired	200	200	Mexico	-	Expects to bring project on line by 2003	4/16/01
El Paso	Araucaria	Gas-fired	469	340	Brazil	Dresdner	Financing delayed until Q4	7/4/02
El Paso	Macae	Gas-fired	400	700-800	Brazil	SocGen	Financing due shortly	7/9/02
Iberdrola	Vera Cruz	Gas-fired	800	700	Mexico	-	IADB has offered assistance to relaunch the stalled project	6/9/01
Iberdrola/Petrobras	Termoacu	Gas-fired	340	-	Brazil	IDB	IDB is evaluating the project	7/15/02
Iberdrola, Banco de Brazil, Previ	Termo Pernambuco	Gas-fired	540	350	Brazil	IDB, BBVA	Expects to bring project on line by 2002	3/26/01
InterGen	Carioba	Gas-fired	945	670	Brazil	-	Project delayed until Q1 of 2003	2/25/02
PSEG Global	SAESA	Distribution company	N/A	450	Chile	J.P. Morgan	Considering taking out a $300M loan to fund the acquisition	9/24/01
PSEG Global	Electroandes	Hydroelectric	183	227	Peru	BBVA Banco Continental/ Banco de Credito	Is planning $100m in loan and bond financing	7/27/01
Sempra Energy Resources	Mexicali	Gas-fired	600	350	Mexico	SocGen	In the process of arranging a corporate loan	3/11/02
Tractebel/Alcoa	Estreito	Hydro	1,087	700	Brazil	Citi	Waiting for enviromental permits	7/22/02
Union Fenosa	La Laguna II		450	-	Mexico	-	-	7/2/01
Union Fenosa	Tuxpan III & IV	Gas-fired	938	600	Mexico	Deutsche Bank BOTM	Expects to bring plant on line by 2003	6/4/01

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PFR - JUNE 24

BofA REPORTEDLY READIES POWER TRADING; HIRES ENRON QUARTET

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

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

JUNE 28

REUTERS .com

Bank of America gets OK to trade electric derivatives

WASHINGTON, June 28 (Reuters) -

The government this week approved a request by Bank of America Corp. to trade in the vast electricity derivatives market, marking the first time that a bank has entered this market.

The Office of the Comptroller of the Currency (OCC), an arm of the U.S. Treasury Department, on Thursday issued a letter ruling that it is permissible for the Bank of America "to engage in financial intermediation transactions, where the payments between parties are based on the price of electricity."

The approval could open the door for other banks to enter this market. They would have to request permission to trade electricity derivatives, an OCC spokesman told Reuters.

A Bank of America spokesman confirmed that it intends to trade electricity derivatives, and has hired an undisclosed number of traders to man a trading desk, including some traders from now-bankrupt energy trading giant Enron Corp .

"It's an obvious next step. We've been in the commodities derivatives business for some time," including crude oil and natural gas, the spokesman said. The move is a response to a request from wholesale energy buyers and sellers, he said.

Derivatives are private transactions between companies and financial firms used to manage risks in interest rates, currencies and commodity prices.

Enron previously dominated the market for over-the-counter electricity derivatives, after it spearheaded a heavy congressional lobbying effort to leave that market unregulated by the Commodity Futures Trading Commission (CFTC).

PFR - MAY 27

MORGAN STANLEY HONCHO JOINS TOP-RANKING HEDGE FUND ...

Andy McMillan, head of European power and gas trading at Morgan Stanley in London, has left the bank to join **Tudor Investment**, one of the world's largest and most renowned hedge funds managers with more than $6 billion in assets. McMillan, a native New Zealander whose background is in oil and energy options, left the U.S. investment bank last month and has already taken

June 7

THE FINANCIAL TIMES

GLOBAL INVESTING: Hedge funds move in on distressed energy sector

By Robert Clow in New York
Financial Times; Jun 07, 2002

Smart investors love a little carnage, so it shouldcome as no surprise that some of the smartest hedge fund investors are getting into the energy market following the collapse of Enron and the admission by its competitors of bogus trades to boost revenues.

Two hedge fund giants, Citadel Investments and Tudor Corp, have started to build up energy trading teams and a smaller fund, Catequil Asset Management, is also understood to be seeking a energy trading professional.

www.iipower.com - MAY 10

NATIONAL GRID EYES NORTHEAST UTILITIES TIE-UP

U.K. transmission monopoly National Grid has been holding merger discussions with Northeast Utilities for the past few months and is planning to swoop for the U.S. utility toward the end of this year following the completion of its announced tie-up with **Lattice**, a U.K. monopoly gas pipeline business. A banker close to the negotiations says Northeast Utilities has retained **Morgan Stanley** to advise on the deal, but he declined to name National Grid's advisor.

Jackie Barry, a spokeswoman at National Grid in Westborough, Mass.,

May 13

DOW JONES NEWSWIRES

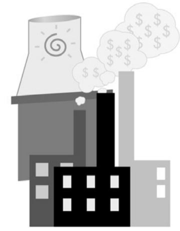
Natl Grid Merger Talks With US Utility Co-Report

LONDON -(Dow Jones)- U.K. power transmission company **National Grid** Group PLC (NGG) has been holding merger talks with Northeast Utilities (NU) of the U.S. and expects to complete a deal at the end of the year, an industry newsletter reported Monday.

A deal with West Springfield, Mass.-based Northeast Utilities is likely to go through after **National Grid** completes its merger with U.K. infrastructure company Lattice Group PLC (U.LTI) in the autumn, Institutional Investor Inc.'s Power Finance & Ris newsletter reported.

In the past two years, **National Grid** has spent $6.2 billion buying two electricity utilities in the New England market. The U.K. company says the purchases have positioned it as one of the top 10 electricity companies in the U.S.

A **National Grid**-Northeast Utilities union would create a $21 billion energy concer given the two companies' current market capitalizations, Power Finance & Risk reported.



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
American Electric Power/ Central and Southwest Corp.	Northeastern units 3 & 4	Okla.	300	Coal	N/A	Reviewing sale strategies.
	Lon C. Hill	Texas	546	Gas		
	Nueces Bay	Texas	559	Gas		
	Ennis S. Joslin	Texas	249	Gas		
ADWEA	Um Al Nar	Abu Dhabi	1,100	Gas & Water Desalination	CSFB	Looking to sell plants in 2003.
AES Fifoots Point	Fifoots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant by end of April
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Looking to sell plant this summer.
Central Hudson Gas & Electric	Syracuse	N.Y.	100	CHP	Navigant	Final bids due by late Nov.
	Beaver falls	N.Y.	100	CHP		
	Niagara falls	N.Y.	52	Coal		
Cinergy	Cinergetika	Czech Rep.	230	CHP	J.P. Morgan	Expects to sell assets this summer
	Energetika Chropyne	Czech Rep.	48	CHP		
	EPR Ely	U.K.	36	Straw		
	Moravske Teplamy	Czech Rep.	410	CHP		
	Pizenska Energetika	Czech Rep.	406	CHP		
	Redditch	U.K.	29	Gas		
	Teptama Otrokovice	Czech Rep.	349 (11%)	CHP		
CMS Energy	Loy Yang	Melbourne, Australia	2,000	Coal	Not chosen	Announced intention to sell.
	Ensenada	Argentina	128	Gas-fired	J.P. Morgan	
	CT Mendoza	Argentina	520	Gas-fired	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydroelectric	J.P. Morgan	
DPL	All plants	Ohio	3,500	N/A	Morgan Stanley	
Enel	Interpower	Italy	2,611	Various	CSFB, Lehman, Merrill	Having sold Elettrogen and Eurogen it will sell one more generation portfolio shortly.
Enron	Nowa Sarzyna	Poland	116		PwC (administrator)	Intention to sell.
	Sarlux	Italy	551			
	Trakya	Turkey	478			
	Chengdu Cogen	China	284			
	Northern Marianas	Guam	80			
	Bantagas	Philippines	110			
	Dabhol	India	2,184			
	Subic Bay	Philippines	116			
	Teesside	U.K.	1875			
	Wilton	U.K.	154			
IVO Energy	Grangemouth***	U.K.	130	Gas	-	Looking to refocus in Nordic region.
	Edenderry	Ireland	120	Peat		
Niagara Mohawk Power	Nine Mile Point 1	N.Y.	1,614	Nuclear	N/A	Awaiting bids.
	Nine Mile Point 2	N.Y.	1,140	Nuclear	N/A	
NRG	Gladstone Power	Australia	1,500 (37.5% stake)	Coal	ABN AMRO	Awaiting bids.
	Flinders	Australia	760	Coal		
	Loy Yang A	Australia	2,000 (25% stake)	Coal		
	Hsinchu	Taiwan	400 (60% stake)	Gasfired		
	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil		
	Collinsville	Australia	192 (50% stake)	Coal		

Continued

Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
NRG	TermoRio	Brazil	1040 (50% 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	CEEP	Poland	10 (10% stake)		Goldman	Awaiting bids.
	Csepel II	Hungary	389	Gas/Oil		
	ECK	Czech Republic	350 (44% stake)	Coal/Gas/Oil		
	Enfield	U.K.	380 (25%)	Gas-fired		
	Killingholme A	U.K.	680	Natural Gas		
	MIBRAG	Germany	238 (50% stake)	Coal		
NRG	Big Cajun II	La.	2,400 (90%)	Coal	-	Has shortlisted three bidders
	Pike	Miss.	1,192	Gas		
	Batesville	Miss.	1,129	Gas		
	Brazos Valley	Texas	633	Gas		
	Kaufman	Texas	545	Gas		
	Big Cajun	La.	458	Gas		
	McClain	Okla.	500 (77%)	Gas		
	Bayou Cove	La.	320	Gas		
	Sabine River	Texas	420 (50%)	Gas		
	Sterlington	La.	202	Gas		
	Mustang	Texas	485 (25%)	Gas		
	Pryor Cogen	Okla.	88 (20%)	Gas		
	Timber	Fla.	13.8	Biomass		
	Power Smith	Okla.	80 (9.6%)	Gas		
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch & Scotia Capital	Expects to sell Lennox and Lakeview shortly.
	Lakeview	Ontario	1,140	Coal		
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
Pacific Gas & Electric	68 Plants	Calif.	3,800	Hydro	Morgan Stanley	Awaiting PUC approval. Expect sale to close shortly.
PESG Global	Tanir Bavi	India	220 (74%)	Naphtha	-	-
	Karpatalsm	India	330 (20%)	Naphtha	-	-
Polish Treasury	Elektroncieplownie Pozpnanskie	Poland		CHP	-	Bids due in June.
Reliant Resource	Argener	Argentina	160	CHP		
TXU	Lake Creek	Texas	323	Gas	Merrill Lynch	Reviewing sales strategy.
	Tradinghouse	Texas	1,340			
	River Crest	Texas	110			
	Mountain Creek	Texas	893			
	Parkdale	Texas	327			
	North Main	Texas	123			
	Monticello	Texas	1,900	Coal	Merrill Lynch	Is looking to sell an undisclosed number of its coal assets.
	Martin Lake	Texas	2,250			
	Big Brown	Texas	1,150			
	Sandow	Texas	545			
Wisconsin Energy	Bridgeport	Conn.	1,100 (combined)		CSFB	Has put up for sale following collaspe of NRG deal.
	New Haven	Conn.	1,100 (combined)			

Weekly Recap

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

Europe & Middle East

• State-owned monopoly **Electricité de France** has won permission from the European Commission to buy U.K. utility **Seeboard** from **American Electric Power** in a $2.1 billion deal. EdF will pay $990 million in cash, as well as assuming $1.07 billion of debt and $148 million power purchase liabilities (*Reuters*, 7/29).

• **Electricidade de Portugal** has raised its stake in the **Turbogas** consortium to 20% after agreeing to buy 10% from **Siemens Project Ventures** for some EUR22.5 million. Turbogas operates a 990 MW CCGT plant at Tapada de Outeiro, on the coast of central Portugal. **RWE** is its largest shareholder, with a 75% stake (*Reuters*, 7/31).

• Danish wind turbine producer **Vestas Wind Systems** has received a $85 million order from **National Wind Power** to supply the first U.K. offshore wind farm. The 60 MW project will be launched next summer, off the coast from Rhyll, on the north coast of Wales. The farm will be made up of 30 Vestas wind turbines (*Dow Jones*, 7/31).

• **Duke Energy International** has acquired **Compagnie Thermique du Rouvray**, a French power generator from **Sechilienne-Sidec**. CTR is the sole owner of a 103 MW gas-fired combined heat and power plant located near the Rouen in northwest France. No terms were disclosed (*Reuters*, 7/1).

U.S. & Canada

• **ChevronTexaco** has written down its investment in **Dynegy** by $631 million. The oil giant owns 27% of the embattled power player and also invested $1.5 billion in convertible shares. Those investments—after the write down—are marked at $720 million and $1.3 billion, respectively (*Wall Street Journal*, 7/31).

• **Mirant** disclosed it is reviewing some of its accounting practices. The Atlanta-based IPP said the review is focused on some specific items and won't have an impact on earnings (*Wall Street Journal*, 7/31).

• **Dominion Resources** has filed a shelf registration with the **Securities and Exchange Commission** to sell up to $4.5 billion in debt securities, common and preferred stock and other securities (*Reuters*, 7/31).

• **Xcel Energy** said it was disappointed by **Fitch Ratings**' downgrade of the company to junk status. The energy company said the Fitch rating stands in contrast to **Moody's Investors Service** and **Standard & Poor's**, which have kept Xcel Energy at investment grade. The agency focus stems from concerns about Xcel Energy 's nonregulated unit, **NRG Energy** (*Dow Jones*, 7/31).

• **Williams Cos.** reached preliminary pacts for about $2 billion in secured debt from its banks and **Berkshire Hathaway**, and plans to sell over $1 billion in assets. The deals would give the struggling energy concern breathing room as it faces mounting debt and seeks a partner for its energy trading business (*The Wall Street Journal*, 8/1).

• The **Federal Energy Regulatory Commission** released a blueprint for reorganizing the wholesale electricity market, scrapping its decade-old laissez-faire ideology. The plan is considered the most far reaching regulatory proposal affecting a maturing desire to help markets through the current turmoil rather than leave them to their fate (*The Wall Street Journal*, 8/1).

• **Reliant Resources** had several credit ratings slashed to junk status by **Moody's Investors Service**, which questioned the energy company's cash flow. Moody's questioned Reliant Resources' cash flow for operations, calling it "unpredictable relative to its debt load" (*The Wall Street Journal*, 8/1).

• **Entergy** has completed its $180 million purchase of the 510 MW Vermont Yankee nuclear power plant from a consortium of eight New England utilities. The deal to purchase the plant was announced in August 2001 (*Reuters*, 7/31).

• **Sempra Energy**'s Golden State gas utility has started service on the last of four planned pipeline expansion projects in California. **Southern California Gas Co.** said a new compressor station in Southern California that opened today completed a plan to add 375 million cubic feet of intrastate pipeline capacity. The cost the expansion projects is around $58 million (*Reuters*, 8/1).

CITIGROUP

(continued from page 1)

UBS Warburg. **Sean Mulhearn**, global head of commodity derivatives sales at Citigroup in New York, declined to comment on Aquila. He confirmed that Citigroup is interested in getting into power trading and believes that the firm's strong credit rating and balance sheet would be an advantage.

Similarly, Citadel signaled its interest in launching a power trading operation with the hire of **Vince Kaminski**, founder and head of Enron's research group in Houston (PFR, 5/27). **Scott Rafferty**, an investor relations official at the hedge fund, declined comment. Citadel's interest in acquiring Aquila Merchant Services was first reported in *The Business Journal of Kansas City*.

—Victor Kremer

Financing Record (JULY 25-AUGUST 1)

Bonds

Issue Date	Maturity	Issuer	Amount	Offer Price	Type of Security	Coupon (%)	Spread to Treasury	Moody's	S&P	Bookrunner(s)
07/25/02	07/15/12	CP&L (Progress Energy)	500	99.96	Senior Notes	6.5	215	Baa1	BBB+	Merrill

M&A

Date Announced	Date Effective	Target Name	Target Advisors	Target Country	Acquiror	Acquiror Advisors	Acquiror Country	Value ($mil)
07/25/02	07/25/02	Energy Developments	-	Australia	Orion New Zealand	-	New Zealand	13.126
07/25/02	07/25/02	Energy Developments	-	Australia	Infratil	Morrison and Co	New Zealand	13.126
07/25/02	-	SPU	-	China	Beijing Beida Hi-tech	-	China	150.875
07/29/02	-	Demir Enerji Sanayi Ve Ticaret	-	Turkey	Ayen Energy	-	Turkey	-
07/29/02	-	Northern Natural Gas(Enron)	Merrill Lynch	U.S.	MidAmerican Energy	Lehman Brothers	U.S.	1878
07/29/02	-	Stadtwerke Korneuburg	-	Austria	EVN AG	-	Austria	-
07/30/02	-	PEA(Thailand)	-	Thailand	Investors	-	Unknown	-
07/31/02	-	Turbo Gas Productora Energet	-	Portugal	Electricidade de Portugal	-	Portugal	22.064

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

AILING T&D

(continued from page 1)

One reason for the deleterious condition of transmission assets is almost universal opposition to the siting of new high-voltage assets. In addition, utilities view the introduction of open access rules in the early 1990s—which required them to allow competitors to use their T&D assets—as a disincentive for investment, Fox reasons. The calculation is based on **Edison Electric Institute** data showing the change in book value of investor-owned utilities' (IOUs) T&D assets between 2000-1 and assumes an average asset life of 25 years. The book value of IOUs' T&D assets is currently $250 billion. Officials at the EEI and the **North American Electric Reliability Council** did not return calls by press time.

In addition, Fox notes that the cancellation of 92,000 MW of new generation projects last year will exacerbate these problems, since most of this new generation would have been sited to relieve transmission congestion. Fox acknowledges that the exact cost of upgrading the T&D network is hard to pin down and could be higher or lower than his $30 billion estimate. "If you torture numbers long enough they'll confess to anything," he quips.

Fox, managing director at **Perseus Capital**, a hedge fund with $1.5 billion in assets, was speaking at **New York Business Forums**' *Power Industry Masterclass Forum* last Wednesday. *—V.K.*

NEG PREPS

(continued from page 1)

the embattled U.S. power market, note lenders. Adding an institutional loan were key factors in rejuvenating the troubled syndication of deals for **Calpine** (PFR, 5/27) and **Consumers Energy** (PFR, 6/17). One banker says the flow of "B" loans stems from the fact many bank lenders are skittish about extending—and even renewing—credit facilities while parts of the power sector are in such turmoil. "B" loans have traditionally been executed by high-yield corporations of which historically there weren't many power companies, so institutional players aren't loaded up on power paper. The flipside for borrowers is that the loans have to be funded, backed by collateral and priced to pay at least LIBOR plus 250 basis points, one financier says. NEG joined the ranks of junk-rated IPPs last Thursday when **Standard & Poor's** downgraded it to BB plus.

Both the NEG plants that need new financing were originally financed with two similarly structured leaseback loans arranged by Citibank (PFR, 3/27/00 & 7/5/99). Under the terms of the deals NEG did not need to provide any equity to fund the projects until just after the plants came on line. The equity components are due by March 31.

Lake Road is an 840 MW plant in Killingly, Conn., which recently went operational. La Paloma is an 1,121 MW facility under construction in Kern County, Calif., which is expected to begin operations later this year. ***—Peter Thompson***

CHEVRONTEXACO

(continued from page 1)

assumption of Dynegy's debt and energy contract liabilities. As of March 31, Dynegy has $5.1 billion in debt, according to its 10-Q filing.

Fred Gorell, a spokesman at ChevronTexaco, declined to comment, citing company policy. Calls to **David O'Reilly**, chairman and ceo, were not returned. **Steve Stengel**, a Dynegy spokesman, referred all inquiries to officials at ChevronTexaco.

Although unaware of ChevronTexaco's strategy, **Michael Worms**, a utility analyst at **Gerard Klauer Mattison** in New York, says it is unsurprising that ChevronTexaco is interested in acquiring Dynegy as all of its gas output is traded by Dynegy and it needs a trading operation. "ChevronTexaco still has about $2 billion invested in Dynegy. It needs a trading business, so writing the company off probably wouldn't be in its best interest," he says.

The banker says ChevronTexaco does not want to let Dynegy go belly up, as buying the company's assets out of receivership from the administrator would take far longer. Worms says it is unlikely that anyone else will bid for Dynegy as no one wants to buy trading entities.

However, Worms argues it's not certain Dynegy will be forced into bankruptcy. While it is going through a liquidity crunch as counterparties become less inclined to trade with it, Dynegy also shored up its balance sheet last week through the sale of **Northern Natural Gas** to **Berkshire Hathaway**'s **MidAmerican Energy** for $1.9 billion, explains Worms.

—Amanda Levin

Quote Of The Week

"If you torture numbers long enough they'll confess to anything."—**John Fox**, *managing director at* ***Perseus Capital****, explaining that his $30 billion estimate for the cost of upgrading the U.S. wires network could be wide of the mark (see story, page 1).*

One Year Ago In Power Finance & Risk

Ontario Power Generation put three generation assets on the block as it looked to cut its share of the Canadian province's generation market from 85% to 35%. The plants were Atikokan (215 MW), Thunder Bay (310 MW) and Mississagi River (490 MW). [OPG sold the Mississagi hydro complex to Great Lakes Hydro Income Fund, an SPV sponsored by **Brascan Power**, for CAD340 million. OPG has received bids on the other assets and expects to sell the plants by year-end].