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Barclays, ING Prep LSP LC Facility

Barclays Capital and **ING Capital** are planning to launch an approximately \$150 million letter credit facility for **LS Power's** assets acquired from **Duke Energy North America**.

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ECP Advances In Constellation Auction

Energy Capital Partners is among the bidders invited into the second round of **Constellation Energy Group's** auction of more than 3 GW of merchant generation.

See story, page 2

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Texas Hold 'Em?

TXU AUCTION SEES DELAY

TXU Corp. has delayed plans to offload gas storage and approximately 10.3 GW of gas-fired peakers in Texas. **Lisa Singleton**, spokeswoman, says TXU continues to explore its options and hopes to have an announcement before year-end. But Singleton says a decision on whether a sale would happen, and the scope of any sale, is now in question. **Doug Strebel**, partner at **Black River Capital** in Dallas, who advises TXU, declined to comment.

TXU also had retained the **Bank of America** to advise it and the firm had taken binding bids on the assets at the end of June (PFR, 6/26). The spokeswoman declined to comment on the reason behind the delay. A call to **Thomas Roseen**, managing director at BofA in New York, was not returned.

Reliant Energy has been named as a leading candidate to acquire the assets (PFR, 6/5).

(continued on page 8)

MIRANT PHILIPPINES AUCTION TIMETABLE EMERGES

Mirant expects to take first-round bids for its Philippines assets at the end of August and final bids in late October. A winner is expected to be named in November, say industry watchers familiar with the Atlanta-based energy company's plans. Teasers for the assets were distributed two weeks ago. **Credit Suisse** is advising Mirant on the sale of both portfolios.

Mirant owns 2.43 GW of generating capacity through its wholly owned **Mirant Philippines** unit, including the roughly 1.2 GW coal-fired Sual Generating Plant in Sual, Pangasinan, and the 704 MW coal-fired Pagbilao Generating Plant in Pagbilao, Quezon. Nearly all of the electricity from those two plants is under long-term contracts to the **National Power Corporation**, Philippines' national electric company.

(continued on page 8)

BNP, LEHMAN READY \$278M FLORIDA QF TERM LOAN

BNP Paribas and Lehman Brothers are launching syndication of a \$278 million acquisition financing for **O&M Star Generation**—a holding entity for **AIG Highstar Capital** and **Ontario Teachers' Pension Fund**. The debt will help bankroll the acquisition of qualified facilities Mulberry and Orange in Florida from **Arroyo Energy Investors**—the wholly owned private equity arm of **Bear Stearns**. BNP and Lehman have fully underwritten the loan and are launching syndication Aug. 4. Officials at BNP and Lehman did not return calls nor did officials at AIG and Ontario Teachers.

The financing comprises a \$259 million term loan and a \$19 million fully funded letter of credit facility, which will be used to support the plants operations, including its offtake contracts. Both of the plants have been firing more than 10 years and benefit from long-term

(continued on page 8)

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



At Press Time

Constellation Assets In ECP Crosshairs

Energy Capital Partners is among the bidders invited into the second round of Constellation Energy Group's auction of more than 3 GW merchant generation portfolio. A banker familiar with process say the private equity power fund set up by former Goldman Sachs Managing Director Doug Kimmelman is eager to continue buying assets fresh off of its \$1.34 billion winning bid for Northeast Utilities' merchant generation assets.

Credit Suisse and Deutsche Bank are acting as advisors to Constellation on the auction. Officials involved in the deal either declined to comment or did not return calls.

Blistering Heat Spotlights Shaky Northeast T&D

The Northeast U.S. heat wave has highlighted deficiencies in transmission and distribution of power, not least of all in the New York City market. "I think it is certainly a case where you have concrete data to illustrate where it is economic to do upgrades," says Jone-Lin Wang, senior director and head of research at Cambridge Energy Research Associates in Washington, D.C.

According to New York Independent System Operator spokesman Ken Klapp in Albany, N.Y., the ISO expected usage for the summer to be 32,300 MW and it has well exceeded that in early August at 33,939 MW. "Under the circumstances I think the power grid worked quite well, but there is a need to reinforce our transmission infrastructure," he says. He notes the ISO plans on releasing a report in mid August that details the region's need for not only improved transmission and delivery but more generation.

But despite peaking demand and record levels little has been done since outages in 2003 sent much of the East Coast into darkness. Linda Blair, senior v.p. at ITC Holdings Corp. in Novi, Mich., says the sustained sweltering weather throughout the country has spotlighted a need for improvement. "There's a big gap, a big void . . . and therefore potential opportunity for investments." She declined to talk specifically about ITC's plans.

Gautam Mukherjee, director of electric transmission at CERA, says there are billions of dollars in developments in New England and in Boston that should alleviate transmission woes in those markets, but notes that few major developments are on deck for New York. "There has been about 1,000 MW of nw generation added but that hasn't eliminated congestion."

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Do you have questions, comments or criticisms about a story that appeared in *PFR*? Should we be covering more or less of a given area? The staff of *PFR* is committed as ever to evolving with the markets and we welcome your feedback. Feel free to contact **Mark DeCambre**, managing editor, at 212-224-3293 or mdecambre@iinews.com.

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**Institutional
Investor NEWS**
INTELLIGENCE FIRST

NY Broker Taps Energy ABS Specialist

Richard Eppley has joined Guggenheim Capital Markets, reportedly to focus on energy securitizations. Eppley left his structured securities consulting boutique Hayes & Co. for the New York broker-dealer. More details about his responsibilities and report could not be determined by press time. Eppley declined comment.

Barclays, ING Prep LS Power LC

Barclays Capital and ING Capital are planning to launch syndication in the next few days of an approximately \$150 million letter of credit facility for LS Power's assets acquired from Duke Energy North America. The facility will support counterparty agreements such as tolling and power contracts. Barclays and ING bankers declined comment and officials at New Brunswick, N.J.-based LS Power did not return calls.

Pricing is said to be in the 200 basis point range. The leads are expected to held a teleconference to pitch the deal last week. LS Power maintains nearly \$1 billion in the form of a B loan acquisition package on DENA, but this new debt is meant to act as an enhancement, bankers say. The assets were acquired for approximately \$1.54 billion (PFR, 2/27).

Credit Suisse, Morgan Stanley and Goldman Sachs participated in the B-loan package which was structured as a \$950 million, seven-year first-lien term loan and a \$150 million, eight-year second-lien tranche. Pricing on the first is set at 175 basis points and the second-lien term loan comes in at LIBOR plus 350 (PFR 3/27).

Fla. Hardee Plant Auction Kicks Off

Morgan Stanley has kicked off the sale of the 370 MW Hardee Power Station in Bowling Green, Fla., for owner Invenenergy. The investment bank issued marketing material to prospective buyers and is expected to take initial bids over the next few weeks.

Michael Polsky, ceo of Invenenergy in Chicago, did not return a call for comment, nor did Ken Marks, managing director at Morgan Stanley in New York.

According to the offering memorandum obtained by PFR, the facility's debt makeup comprises a \$165 million private placement of senior secured bonds, of which \$79 million remain outstanding. Outstanding debt on the plant, as of July 3, totaled approximately \$180 million, including a \$43 million synthetic lease with a 12-year term and \$59 million in preferred equity.

The plant consists of a 220 MW combined cycle system and 150 MW peaking system and was purchased from TECO Energy in 2003 for \$100 million plus the assumption of debt (PFR, 10/6/2003). Hardee's entire output is sold to Seminole

Electric Cooperative and Tampa Electric Company under separate 20-year contracts that expire in 2012.

Foster Wheeler Unfurls \$350M Credit Package Via BNP

BNP Paribas has launched syndication of a \$350 million credit package for EPC player Foster Wheeler. The debt replaces and enhances a \$250 million credit line arranged last year for the Bermuda construction firm, which has generation and energy engineering within its purview. The additional capacity is expected to help support the company's growing operations and support the company's engineering contracts, says a spokesman at its operational headquarters in Clinton, N.J. Officials at BNP declined to comment.

The loan consists of a five-year, senior-secured credit facility, which is made up of a \$200 million revolver and a \$150 million letter of credit facility. The expected rating on the debt is B1 from Moody's Investors Service and B+ from Standard & Poor's. That would place pricing at about 200 basis points over LIBOR, bankers say. Syndication is expected to be wrapped sometime in September.

Foster Wheeler offers a broad range of engineering, procurement, construction, manufacturing, project development and management, research and plant operation services. Those include refining, upstream oil and gas, liquefied natural gas and gas-to-liquids, petrochemical, chemicals as well as generation.

Solar Outfit Homes In On Nevada Project Lead

Acciona Solar Energy is expected to select leads for roughly \$250 million in financing for the construction of Nevada Solar One—a 64 MW solar thermal project near Boulder City, Nev. The sponsor, which is the North American affiliate of Spanish renewable energy outfit Acciona Energy, is running a second round of bidding for the deal. It is expected to choose from a field of some five or eight lenders sometime after Labor Day, say bank executives. Speculation is that a Spanish bank will be selected to co-lead the financing.

Interested banks include HSBC and Credit Suisse but it is not known if they made an official bid. Officials at the institutions declined to comment. The identities of other bidders could not be learned. Officials at Acciona could not be reached for comment.

The Nevada Solar One project is expected to cost some \$300 million but this financing—essential an equity bridge loan and tax equity funding—represents just a portion of the entire development, expected to be of a much larger scale and costs nearly \$1 billion. It is supported by PPAs with Nevada Power and Sierra Pacific Power.

Garden State Utility Shops Second ABS

Jersey Central Power & Light is in the market with its second-stranded cost bond deal. The \$182.4 million transaction is backed by charges placed on the utility's customers and will go toward recovering costs associated with deregulation, said **Jennifer San Cartier**, analyst at **Fitch Ratings**.

The JCP&L Transition Funding II 2006-A relies on a different kind of credit enhancement from the previous deal, San Cartier says. Unlike 2002-A, this triple-A deal does not have an over-collateralization sub-account. Instead, it relies on a true-up mechanism and capital sub-account for credit enhancement. The true-up mechanism requires customer charges to be reviewed and adjusted up to once a quarter to pay the principal, interest,

fees and capital sub-account. The capital sub-account is a cash reserve that is fully funded at close.

Goldman Sachs is the underwriter. Goldman officials did not return calls.

UBS Nabs WestLB N.Y. Analyst

UBS has hired **Blake Yaralian**, an analyst in the financial sponsors group at WestLB in New York. The executive is expected to fill a new position in energy structuring in Stamford, Conn. A call to **Dean Charette**, associate director and head of structuring at UBS, was not returned and Yaralian could not be reached for comment. A WestLB official declined to comment. The financial sponsors group is run by **Lou Iaconetti**. **Santino Basile** was a co-head of the group but left two weeks ago to join **Barclays Capital** (PFR, 8/3).

Corporate Strategies

Sempra To Rein In Short-Term Debt With E&P Sale Funds

Sempra Energy plans on using proceeds from the sale of its Dallas exploration and production arm, **Sempra Energy Production**, a unit of its subsidiary **Sempra Generation**, to pay down short-term debt, including commercial paper. The San Diego-based energy company received \$225 million in cash from **PEC Minerals** and will record an after-tax gain this quarter of about \$110 million.

Mark Snell, cfo of Sempra Energy, declined to say how much of the proceeds would be earmarked for debt repayment. "We have about seven or eight facilities that are more or less the same as far as terms and pricing," he says. "They are all LIBOR-based between +20 and +35 basis points and due within the year, so we'll have to do an analysis of which of the facilities we will pay off."

Sempra will aim to trim as much of its short-term debt as it can without incurring penalties for early redemption, Snell notes. The holding company had about \$4.8 billion of debt outstanding at the half-year point.

Investing in short-term infrastructure projects, particularly its LNG terminals is also a major priority for Sempra. On the drawing board are planned developments **Energía Costa Azul** in Baja California and **Cameron LNG** near Lake Charles, La. The company also is planning the construction of **Sunrise Powerlink** transmission line between Imperial Valley, Calif. and north west San Diego County and a \$1 billion investment in the \$4.4 billion **Rockies Express Pipeline** project.

Most of these initiatives will be leveraged with between 60% and 75% project debt.

Sempra will fund its developments by issuing billions in shares and finance the remainder with the \$1.3 billion on a pre-

tax basis it has amassed through recent asset sales.

Indeed Sempra sold, along with venture partner **Carlyle/Riverstone Holdings**, coal-fired **Coletto Creek** generating facility in Goliad County, Texas, for \$1.14 billion in April to a subsidiary of **International Power**. "The proceeds exceeded even our optimistic expectations because of the rise in natural gas prices," says Snell.

Mo. Muni, Mo. Muni

Missouri Joint Commission Pitches Iatan 2 Long Bonds

The **Missouri Joint Municipal Electric Utility Commission** will tap the debt markets in the next few weeks to finance its investment in an 850 MW pulverized coal-fired generation project in Platte County, Mo. Construction is underpinned by offtake agreements, including those with the Missouri cities of **Columbia** and **Independence**. The \$186 million offering covers 85% of the commission's 11.76% investment in the construction of plant **Iatan 2**.

Moody's Investors Service has assigned a credit rating of A3 to the 30-year bonds. But the debt is expected to receive an insurance wrapper, which will likely notch its rating up to AAA, says **Dan Aschenbach**, analyst in the public finance group at **Moody's** in New York.

Goldman Sachs leads the offering with **JPMorgan Chase** and **AG Edwards** participating. Goldman got the nod on the basis of its bid and the sponsor's confidence in its expertise, says **Duncan Kincheloe**, ceo and general manager of **Missouri Joint Municipal**. He notes the trio also participated in financing **Plum Point Energy Station** in **Osceola, Ark.**, in May.

Debt for the Iatan 2 deal will be priced Aug. 16. Aschenbach believes pricing should be strong considering the A1 credit rating of

Columbia and Independence. "The credit rating is higher because there is a stronger group of participants purchasing the power, both of whom are located in Missouri so transmission won't be as big a problem," he says, comparing Iatan 2 with the Plum Point deal.

Construction risk is less of a pressure because the Iatan 2 plant is being constructed by **Kansas City Power & Light**, which has an A rating, compared with **LS Power** (whose affiliate built Plum Point), which had a below investment-grade rating, adds Aschenbach. The municipalities will complete the second phase of its project financing in 2009, raising \$30 million more. Iatan 1 has been in operation for 25 years.

FirstEnergy Pays Down \$400M Chunk Of Bonds

FirstEnergy has redeemed \$400 million of a \$1 billion tranche of five-year, 5.5% notes due in November. **Randy Scilla**, assistant treasurer in Akron, Ohio, says the debt was redeemed with cash.

FirstEnergy sold \$500 million of equity in **Ohio Edison** back to the utility as part of a plan to replace debt at the holding company with debt at its utilities (PFR 7/3). Ohio Edison sold two debt offerings, a \$250 million 10-year tranche priced at 6.4% and a \$350 million 30-year tranche priced at 6.875%, to raise the cash. Scilla says FirstEnergy and Ohio Edison needed to get state regulatory approval for the transaction.

FirstEnergy decided to exercise the five-year debt's make-whole provision because the cost was not significant. FirstEnergy's operating companies are planning further debt offerings that will also be used to repurchase equity, and cash from that type of transaction will probably be used to retire the

remaining \$600 million when it matures in November. Scilla declined to discuss specifics of the planned offering.

FirstEnergy is moving debt to operating companies to give the holding company more financing flexibility.

Arizona Public Shops 10, 30-Year Paper

Arizona Public Service has sold \$400 million, senior unsecured debt in two tranches: a \$250 million, 10-year offering priced at 6.25% and a \$150 million, 30-year offering priced at 6.875%. **Barbara Gomez**, treasurer at parent **Pinnacle West Capital** in Phoenix, says proceeds, in addition to cash on hand, will be used to redeem \$84 million of 6.75% senior notes due in November, to repay short-term borrowings and to fund the utility's construction program.

Citigroup and **JPMorgan Securities** led the offerings and served as joint bookrunners. Gomez declined to discuss why they were selected. She says Arizona Public Service had its arrangers structure a larger 10-year tranche than 30-year because the company thinks that part of the yield curve has the most appetite for paper right now. She says the utility chose to space out the maturities to mitigate refinancing risk.

As for timing, Gomez says that was a function of the company's upcoming needs and favorable market conditions. "You don't want to issue into a volatile treasury market. The market stayed calm last week and was calm into today," she says, referring to the day the debt was priced.

Standard & Poor's rates Arizona Public Service's senior unsecured debt BBB-.

Financing Record (JULY 26-AUGUST 2)

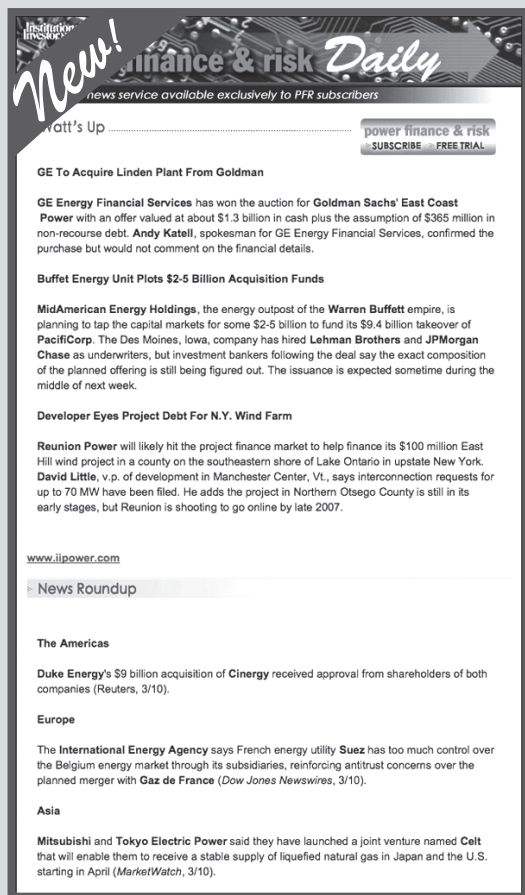
Debt

144A	Issued	Issuer	Business Description	Principal (\$M)	Coupon(%)	Security	Maturity	Offer Price	YTM(%)	Spread	S&P	Moody's	Fitch
	7/31/06	Arizona Public Service Co	Electric utility	250	6.25	Notes	8/1/16	99.458	6.324	131	BBB-	Baa2	NR
	7/31/06	Arizona Public Service Co	Electric utility	150	6.875	Notes	8/1/36	99.849	6.887	124	BBB-	Baa2	NR
No	7/31/06	National Grid Gas PLC	Dev, op gas transportation	186.8	1.552	Gtd Mdm-Trm Nts	8/14/48	100	1.552		A	A2	A+
Yes	8/1/06	MXenergy Inc	Electric utility	190	Floats	Float Rate Nts	8/1/11	97.5	Floats		CCC+	Caa1	NR

M&A

Announced	Effective	Target	Target Nation	Acquiror Name	Acquiror Nation	Value (\$M)
7/26/06	7/26/06	Catalana d'Energies Renovables	Spain	Fersa Energias Renovables SA	Spain	
7/27/06	7/27/06	Aspes Multiservizi	Italy	Holding Energia & Risorse	Italy	21.085
7/27/06		China Resources Power	Hong Kong	China Resources Power Hldg Co	Hong Kong	
7/27/06		China Resources Power	Hong Kong	China Resources Power Hldg Co	Hong Kong	
7/27/06		EPEC Nederland Holding BV	Netherlands	Avenue Luxembourg Sarl	Luxembourg	
7/27/06		Sichuan Xichang Power	China	Sichuan Hydropower Invest Mgmt	China	9.876
7/28/06		Vermont Elec Coop Inc-Southern	United States	Central Vermont Public Service	United States	4
7/31/06	7/31/06	Loy Yang Power Plant & Coal	Australia	Transfield Services Ltd	Australia	88.033
7/31/06	7/31/06	US Geothermal Inc	United States	Investor Group	United States	6.594
7/31/06	7/31/06	Wind Fams(2)	United States	Babcock & Brown Wind Partners	Australia	72
8/1/06		AIM PowerGen Corp	Canada	Renewable Energy Generation	United Kingdom	25.745
8/1/06		Corona Energy	United Kingdom	Macquarie Bank (UK) Ltd	United Kingdom	
8/2/06	8/2/06	Kinder Morgan CO2 LLC-Certain	United States	Investor Group	United States	27

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Weekly Recap (cont'd)

The Americas (cont'd)

- **Consolidated Edison** asked customers in the Midtown East section of Manhattan to cut back power use last week while it resolved equipment problems. Residents and businesses between 40th St. and 14th St., from Fifth Ave., to the East River, were asked to shut off any non-essential appliances and equipment, the company said in a statement on its Web site (*Bloomberg*, 8/3).
- **Duke Energy** generated second-quarter net income of \$355 million, or 28 cents per share, up from \$307 million or 32 cents per share at this period last year (*MarketWatch.com*, 8/3).
- **Exelon** and **Public Service Enterprise Group** told New Jersey officials they had until Aug. 4 to accept the companies' settlement offer to appease regulators concerns over market dominance—or their proposed merger is off. In a four-page letter to the **Board of Public Utilities** the companies said an incentives package worth \$1.46 billion represents their best offer (*The Star-Ledger*, 8/3).

MIRANT PHILIPPINES

(continued from page 1)

One hedge-fund analyst in San Francisco says he anticipates Mirant Philippines will sell for somewhere in the neighborhood of \$3.2-3.8 billion. He estimates EBITDA of \$375-400 million in 2007, and he anticipates a deal for the assets being completed that values the assets based on an earnings multiple of 8.5-9.5X.

Ray Wood, managing director at Credit Suisse in New York, did not return a call and **Corry Leigh**, spokeswoman for Mirant, declined to comment. —P.R.

BNP, LEHMAN

(continued from page 1)

offtake agreements with **Progress Energy Florida** and **Tampa Electric Company**.

Pricing on the debt has not been determined, but that should be revealed at the bank meeting—likely at the Parker Meridian Hotel in midtown Manhattan, say bankers. Closing on the syndication is targeted for the next few weeks, one observer says.

AIG and Ontario already owned 50% of Mulberry and Orange facilities and are purchasing the remaining stake. The joint venture set up a bifurcated ownership structure for the operation. O&M Star owns 50% of the Orange and Mulberry plants and the remaining interest in the facilities is held by another AIG/Ontario collaboration **Northern Star Generation**.

—Mark DeCambre

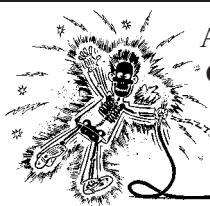
TXU AUCTION

(continued from page 1)

About 45 plants at 17 sites are up for grabs, of which 12 individual plants with a capacity to generate about 3.2 GW are mothballed (PFR, 5/1). Decommissioning costs could be in the range of \$50 million per plant if they are shut down, says a banker tracking the auction.

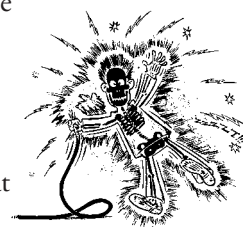
—Peter Roth

Alternating Current



After quarterbacking a contrarian strategy at **Constellation Energy Group** over the past few years, **Mayo A. Shattuck III** has been short listed to fill the boots of **National Football League**

Commissioner **Paul Tagliabue**. The Constellation chief's chances are the equivalent of a Hail Mary pass, given that NFL Chief Operating Officer **Roger Goodell** is also in the running. But don't underestimate the innovative Shattuck.



In case it's forgotten in these days of soaring power demand—Shattuck was one of the few officials to stage a blitz to pocket traders and power contracts which were being discarded like trash in the immediate post-**Enron** era. While not the same as inventing the zone blitz (That honor goes to **Pittsburgh Steeler's** Defensive Coordinator **Dick LeBeau**), his moves are looking pretty savvy these days.

Shattuck's always had football aspirations: **Art Modell** tapped him to help handle the relocation of his **Cleveland Browns** to Baltimore, infuriating Cleveland residents, and now Shattuck has his sights set on irking Baltimore ratepayers in his bid to merge with **FPL Group**.

At 51, Shattuck is married to **Molly Shattuck**, a cheerleader for the Ravens, who has set the rarefied air of sports blogs alight because she was 38 when she landed the gig—and she's hot . . . well . . . not quite **Christie Brinkley** at 52 hot, but hot.

Quote Of The Week

"I think it is certainly a case where you have concrete data to illustrate where it is economic to do upgrades."—**Jone-Lin Wang**, senior director and head of research at **Cambridge Energy Research Associates** in Washington, D.C., explaining how heat waves that hit the Northeast last week are highlighting a need for improved electric transmission and delivery (see story, page 2).