

# power finance & risk

The exclusive source for power financing and trading news

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A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

AUGUST 19, 2002

VOL. V, NO. 33

## Web Exclusive

Joint ventures between embattled energy traders and deep-pocketed financial player could still be on the cards, despite the failure of power traders to find suitable partners so far.

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

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## GOLDMAN RE-IGNITES U.S. POWER TRADING

Goldman Sachs is quietly rebuilding its New York power trading team following the termination of a non-compete clause with Constellation Energy earlier this year. Rivals and headhunters say the firm is hiring and recently landed Eleanor Morrison, formerly with Allegheny Energy, who joins today. Alan Yamamura, v.p. on the desk, referred questions to more senior colleagues, none of whom were available by press time. Calls to Goldman media relations officials were not returned and Morrison could not be reached.

Goldman was bound by a non-compete clause covering power trading as a result of its involvement in setting up Constellation's merchant operation, Constellation Power Source. Constellation announced late last year that it was paying Goldman \$355 million to terminate the relationship.

"They are hiring, but they're picky," says one market official. The focus of Goldman's

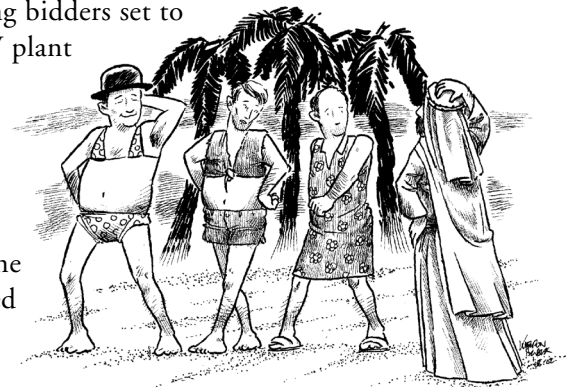
(continued on page 12)

## TRIO SLUG IT OUT FOR 1.7 GW ABU DHABI MANDATE

The long-awaited auction of Abu Dhabi's Um Al Nar power and water project finally heats up next month with three surviving bidders set to submit sealed offers to land the 1.7 GW plant acquisition and expansion mandate.

Bankers say two consortia comprising Tractebel and Enel Power, and International Power, Mitsui and Tokyo Electric Power Co., and a solo bidder, TotalFinaElf, are all that remain of a nine strong pre-qualification roster announced this spring (PFR, 4/22).

The surviving bidders have been asked



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## TXU PREPS \$1.6B BOND OFFERING

Dallas-based TXU is planning to tap the U.S. bond market with a \$1.6 billion public offering but is waiting on the sidelines until investor sentiment has improved. A banker close to the company says the Texan energy giant has retained Barclays Capital to lead the deal and is looking to make the offering as part of its routine capital raising and balance sheet management function. He declined to comment on the likely structure and pricing details. A TXU official confirmed the plan, but would not discuss the matter further. Carol Peters, a spokeswoman at TXU, declined to comment citing company policy. Officials at Barclays also declined comment.

Barclays plans to launch a road show to market the jumbo offering as soon as nervousness surrounding the U.S. power sector subsidies and power company fixed income spreads narrow. "The deal could be done two weeks from now, two months from now or

(continued on page 11)

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

## RBoS Launches Italian Wind Deal

Royal Bank of Scotland has launched a EUR133 million 14-year project loan to finance the construction of 11 wind farms in southern Italy. A banker familiar with the deal says the Milan-based Edison-sponsored loan is priced at 100 basis points over LIBOR initially before rising to a 120 basis point yield spread. RBoS is seeking banks to commit at the EUR20 million level, he says. Calls to Steve Gee, a syndicator at RBoS, were not returned.

## Aquila Weather Team Casts For New Home, DTE Seen As Likely Destination

The Aquila weather derivatives team is aiming to move en masse to a new home, and some industry watchers say DTE Energy Trading is a likely strong suitor. The Kansas City, Mo., player is shuttering its entire merchant trading operation and Chicago-based hedge fund Citadel Investment Group, a one time suitor for Aquila's trading operation, has agreed to offer posts to some of Aquila's energy trading staffers. However, DTE is a more likely home for Ravi Nathan, head of Aquila's weather team, and his colleagues, says one official. Randy Balhorn, president of the Ann Arbor, Mich.-based unregulated unit of DTE Energy, has been looking at how to enter the weather market for some time, but has not settled on a strategy as yet, explains the official. Balhorn declined comment.

An operation built around Nathan and staffers such as originator Brian Tobben and head trader Kevin Colgan would make sense for DTE, according to one market watcher. Nathan has told some people in the market that he is looking to put together a team move, but that the effort is in its initial stages. The exact size of the Aquila group could not be determined. Calls

to Nathan and Tobben were not returned by press time.

Citadel has been ramping up its energy trading operations and recently hired ex-Enron quant guru Vince Kaminski (PFR, 5/27), but a number of weather officials say Kaminski is not keen on the weather business. Kaminski referred questions to Scott Rafferty, investor relations, who declined all comment on the agreement with Aquila and potential hires.

One seasoned weather player says there is a stark contrast between the market now and how it was at the turn of the year when Mark Tawney's Enron weather team was looking at a number of suitors (PFR, 1/28) and eventually chose Swiss Re. There is simply a lot less talk of potential new entrants and a lot more bearishness about future flows, notes the weather trader. The Nathan-led operation would have been a much stronger draw a few months back, he adds.

## Reliant Seen Heading Toward Secured Bridge Refinancing

Houston-Based Reliant Resources is likely to pledge assets as part of the refinancing of a \$2.9 billion 364-day revolver used to fund the acquisition of Orion Power, according to officials tracking the deal. The company had initially planned to take out the facility with a bond issue (PFR, 2/11) but that route was blocked when it became embroiled in the round-trip trading affair. Officials say the firm is now looking to negotiate a more universal refinancing, which may include the \$800 million in bank debt that was termed out earlier this month (PFR, 7/22). To get banks to sign on for that, financiers say assets will have to be pledged to create a secured facility. Reliant is also plotting a refinancing for a chunk of non-recourse debt associated with the Orion acquisition (PFR, 8/12).

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## Deutsche Bank Releases Commodities Trio

Deutsche Bank has let go three senior staffers from its London-based commodities and energy group. **Michael Nutt**, managing director and global head of commodity marketing; **David Pierce**, head of emerging commodities, and **Roger Jones**, head of energy trading, were all shown the door at the end of July, say market watchers.

Officials say the moves don't reflect a reduced appetite for the commodity business at Deutsche Bank, rather it signifies a desire to replace some of the old guard with fresh blood. "The group is still hiring aggressively and remains committed to the market," notes one consultant. Underscoring this fact, Deutsche Bank last month hired **Petra Lottig**, an executive director and nine-year veteran of **Goldman Sachs**, as a managing director to spearhead its global commodities sales effort. **Kerim Derhalli**, global head of commodities, did not return calls.

## HVB Seeks Small Sub-Underwriting Team For Wind Project

**HypoVereinsbank** is presently talking with three banks about taking sub-underwriting co-arranger slots on a EUR213 million Spanish wind project loan it signed last month with **Euroventa Wind Energy**, a joint venture between **Terranova Energy** and **Tomen Power**. **Björn Domke**, a project financier at HVB in Munich, says the firm is only looking for a small co-arranger group because it anticipates healthy demand during general syndication next month. Indeed, Domke says some 26 banks have already made unsolicited calls to HVB about participating in the deal. HVB hopes to launch syndication in two weeks.

Domke says the strong interest partly reflects banks' healthy appetite for wind project risk, but also reflects specific details of this deal. He notes pricing will be sweeter than on a rival wind deal from **Edison** that is presently being syndicated (see story, page 3) and adds that bankers like the fact that the Euroventa wind farms are already up and running, thus mitigating construction risk.

The Euroventa facility comprises a EUR180 million 15-year term loan, a EUR32 million two-year VAT facility and a EUR1 million 15-year letter of credit. Proceeds will be used to refinancing the construction costs of six wind farms with 201 MW of combined capacity in the Asturias and Galicia regions of Spain. **Babcock & Brown** advised the sponsor on the financing.

## French Connection BNP Pips Deutsche Bank To Land EdF Mandate

**Electricité de France** has stunned market watchers by awarding **BNP Paribas** the second advisory mandate for its upcoming privatization and partial floatation. French power sector investment bankers had been predicting right up until the eleventh hour late last week that Deutsche Bank was a shoo-in to land the prized role (PFR, 8/12). The state-owned utility had already retained Paris-based **NM Rothschild** as one of its advisors. EdF spokesman **Stephan Gabard**, and **Olivier Petros**, Deutsche Bank's coverage banker for EdF, did not return calls.

BNP's coup, which was unveiled last Monday at a meeting in Paris between the French government, EdF, **Gaz de France** and their respective advisors, means that only two non-French banks—**Morgan Stanley** (advising the government on EdF) and **Merrill Lynch** (advising GdF)—have made the advisory roster.

Almost inevitably many bankers say EdF's decision to reward BNP smacks of Gallic favoritism. "Privatization is an extremely sensitive issue in France and this looks like a political call," notes one banker. Another market watcher suggests that the sight of signing over huge fees to a German bank could have played into the hands of France's left wing press.

Other bankers, however, suggest that EdF simply thinks it's time to pass deals on to other of its relationship banks. It has already given Deutsche Bank at least two advisory mandates over the past 18 months, and probably does not feel obliged to give it any more work.

## Advisor Predicts Strong Interest In Enron Asset

**Close Brothers Corporate Finance** has received strong interest in **Enron Teesside Operations** (EOTL) from potential acquirers and expects to receive indicative bids by the end of the month, according to **Martin Gudgeon**, managing director at the restructuring, M&A and corporate finance house in London. Gudgeon described EOTL as a cash-generative, profitable asset. The site provides utility and support services to several bulk chemical manufacturers and includes the 133 MW Wilton power plant, which can be powered by coal, natural gas or renewables.

ETOL is going back on the block some three-and-a-half years after its acquisition from **ICI** for GBP300 million. The asset is jointly owned by Enron Europe and financial institutions, which Gudgeon declined to name. Close Brothers is also working on restructuring other Enron assets, he said, declining to elaborate.

## Entergy Readies Bulgaria Financing

Entergy is expected to sign EUR340 million (\$332 million) in debt financing next month with **Credit Agricole Indosuez**, **Société Générale** and the **European Bank for Reconstruction and Development** to fund the modernization of its Maritza East III power plant in Bulgaria. A financier familiar with the matter says the regional development bank will likely take a EUR100 million ticket and the French banks will fund the remainder through a covered facility. The latter tranche is likely to be syndicated the following month. Calls to the EBRD were not returned and bankers at CAI and Socgen declined to comment.

Entergy will use the proceeds to upgrade Maritza, an 840 MW lignite coal-fired CHP station, situated 30 miles from the Turkish border in southeast Bulgaria. The 40-month redevelopment will include refitting turbines at the 1980-commissioned plant, replacing the controls system and installing flue gas desulfurization unit, notes one banker.

## U.K. Gas Traders Look To Restructure Dynegy Storage Contracts

Concern that Dynegy could be forced into bankruptcy has prompted U.K. energy traders such as BP, Centrica, Hetco and **Entergy-Koch Trading** to rapidly form an ad hoc pressure group to demand better security on the natural gas they store with the company's Dynegy Storage (formerly **BG Storage**) subsidiary. Officials at BP, Centrica, Hetco and EKT either declined to comment or did not return calls.

"There's definitely nervousness out there. I've never seen the industry form an action group so quickly," notes one gas trader. Another energy trader says the issue "is almost one of national security," noting that Dynegy owns 90% of the U.K.'s gas storage capacity and that the supply of gas to the retail market could be hit if Dynegy goes belly up. "[Dynegy Storage] is the lifeblood of winter peaking demand," he underscores.

At issue is who would own the gas held in Dynegy's cavernous Hornsea and Rough facilities that together can hold 111 billion cubic feet of natural gas. Under the present system, ownership of any gas stored transfers to Dynegy once in storage. This somewhat anomalous rule dates from the pre-privatization days when all gas storage and supply was controlled by a single entity **British Gas**, notes one trader. It also reflects the fact that once held in storage, it's impossible to differentiate each supplier's gas assets.

This rule could allow Dynegy's bank creditors to take control of virtually all of the U.K.'s gas supplies if the Houston energy concern goes to the wall, and then liquidate the position as it sees fit, says one trader.

The ad hoc committee, which includes 11 of the largest U.K. gas

traders and law firm **Clifford Chance**, met officials from Dynegy for the second time last Tuesday and hopes to have a solution in place by the end of August, says one member. The group hopes to incorporate an amendment to the gas storage contract that would see the gas companies treated as senior secured creditors—on an equal footing with bank lenders—in the event that Dynegy was forced into bankruptcy. Calls to Clifford Chance were not returned.

**Nigel Wakefield**, a Dynegy Storage official in Richmond, England, confirmed it is holding ongoing talks with the group over the issue of true title, but declined to comment on how the issue would be resolved.

## Morgan Stanley Loses Former Chief

Morgan Stanley has shown the door to **Glen Suarez**, a U.K. power sector relationship banker and formerly head of the firm's London-based European power group. Suarez departure is part of a company-wide series of investment banking job cuts announced earlier this month. A spokeswoman at the bulge bracket outfit declined to comment on Suarez, but says job losses in its global energy division have been minimal. Suarez could not be reached for comment.

## Delays Push Spanish Wind Project Toward Default

**Energias Eolicas Europeas's** \$862 million wind farm non-recourse loan, arranged last spring, is edging toward a technical default because of construction delays besetting the Spanish project. The jumbo 1,173 MW portfolio of wind farms was scheduled to be fully commissioned by Dec. 31, but a slower-than expected permitting process and the need to switch turbine supplier from **Enron Wind** to **General Electric** in the wake of Enron's collapse, have pushed back construction by six months, says a financier involved in the deal.

As a result, the agent bank for the loan, **Banco Bilbao Vizcaya Argentaria**, will ask the lending syndicate to sign a waiver early next month allowing the project to breach the construction timetable. This is likely to be signed, but it is also possible that the banks could look to restructure the deal into a smaller project, notes one lender.

The EEE project comprises 31 wind farms in the Castilla La Mancha region of Spain. The record-sized wind farm financing was arranged by **BBVA Westdeutsche Landesbank**, **Banco Espanol de Credito**, **Ahorro Corp.** and **Crédit Agricole Indosuez**. Co-arrangers included **Banca Nazionale Del Lavoro**, **Banco de Vasconia**, **Cajal Madrid**, **Barclays Bank**, **HypoVereinsbank** and **Industrial Bank of Japan**. Calls to BBVA were not returned and other members of the syndicate declined to comment.



## Latin America

### Eletropaulo Submits Restructuring Proposal

AES's debt stricken Brazilian subsidiary, **Eletropaulo Metropolitana Electricidade de Sao Paulo**, is seeking a one-year extension on \$580 million debt due this month as it looks to avert being forced into bankruptcy. Eletropaulo and its financial advisor **Lazard** have approached the wires utility's creditors and offered them an up-front cash payment equal to 15% of the face value of the debt in return for replacing 85% of the bonds with 12-month notes, says an official familiar with the matter. Lazard was

hired last month to assist in negotiating extensions for the maturing debt and a further \$110 million of bonds maturing in September (PFR, 7/29).

A restructuring of both bond series remains the most likely outcome of negotiations, notes one banker. He reasons the creditors, led by Brazil's development bank **Banco Nacional Desenvolvimento Economico e Social**, have little desire to take over the running of a bankrupt utility and will do their utmost to keep it afloat.

Calls to **Kenneth Woodcock**, a spokesman at AES, were not returned. Bankers at BNDES and Lazard did not return calls by press time.

## 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@iineews.com](mailto:alevin@iineews.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	Macaé	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



## Corporate Strategies

### Fortis Unit Lands Long-Term Funding For Hydro Development

St. John's, Newfoundland-based **Fortis Inc.** has secured \$65 million in non-recourse financing for a joint venture expanding capacity at two hydro facilities in Newfoundland. The 25-year facility was set up with a syndicate of mostly insurance companies headed up by Canadian firm **Clarica**, says **John Evans**, chief engineer at Fortis.

The funding is for the **Exploits River Hydro Partnership**, which is joint venture between Fortis' non-regulated unit **Central Newfoundland Energy** and global paper and newsprint player **Abitibi-Consolidated**. Under the partnership, Abitibi-Consolidated's hydroelectric plants at Grand Falls-Windsor and Bishop's Falls are being redeveloped to increase annual energy production by around 140 GWh.

Evans says the long-term maturity of the refinancing reflects the fact the additional power has been contracted under a 30-year power-purchase agreement with **Newfoundland and Labrador Hydro**. "It's a reasonably stable environment," he notes. Pricing on the non-recourse loan is fixed at around 7.5% for the entire tenor. Redevelopment of the Bishop's Falls hydroelectric plant is scheduled to be completed by year-end, and the installation of a new 30 MW unit at the Grand Falls-Windsor plant is due to be completed by December 2003.

Abitibi-Consolidated will continue to use the existing annual generation at its newsprint mill in Grand Falls-Windsor while the additional energy is covered by the PPA.

### Municipality Preps Bond Issuance

The **Sacramento Municipal Utility District** was looking to tap the municipal bond market late last week with a \$269 million offering of subordinated electric revenue refunding bonds to refinance a \$274.5 million bond series issued in 1992. **Lina Santoro**, an analyst at **Fitch Ratings** in New York, says SMUD is looking to refinance the debt to take advantage of the low interest rate environment. Calls to **Larry Stark**, assistant treasurer at SMUD, were not returned by press time.

Santoro was unaware of the specific bonds set to be refinanced, but says the deal should result in cost savings. She says the offering is expected to price Aug. 19 and will have a final maturity of Aug. 15, 2018. **Goldman Sachs** and **Morgan Stanley** are the lead underwriters on the deal.

The bonds have been rated A by Fitch partly because they are expected to be insured by triple-A rated monoline bond insurer **Ambac Insurance**, says Santoro. Additionally, SMUD has competitive rates, hedged power and gas supply positions, a supportive board of directors and a favorable customer base, she says.

The Sacramento municipality has entered into a variable-to-fixed interest-rate swap with Goldman Sachs, covering the life of the debt, according to Santoro. She adds that via the swap, SMUD has effectively locked in financing at 4.35%.

SMUD is a utility that provides electric services to 533,000 residential, commercial and governmental customers in Sacramento.

## 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

- **Aquila** is sticking with plans to build a \$600 million power station in southern England, despite its decision to exit energy trading and embark on a fire-sale of other assets. A spokesman said several firms had expressed serious interest in signing long-term tolling deals to take output from the planned 800 MW gas-fired plant at Marchwood, near Southampton. "As long as there is valid interest in the output from creditworthy companies then we will continue with the project," said the spokesman (*Reuters*, 8/10).

- **Electricité de France** will offer to sell 2,525 MW of French power generation rights, the largest volume since it began auctioning capacity last September. The state power utility plans to

offer 1,620 MW of baseload and 335 MW of peak capacity rights, as well as rights to 570 MW of cogeneration that EDF buys from smaller producers under long-term contracts (*Reuters*, 8/12).

- Shares in **British Energy**, the U.K.'s largest nuclear generator, plunged 30% on Tuesday amidst fears of mounting losses and worries that it may have to slash its dividend. The company announced that technical problems had forced it to shut two of its reactors in Scotland (*Financial Times*, 8/14).

- U.S. utility **Entergy** has put up for sale its only remaining power station in the U.K. just 18 months after starting it up. Entergy is seeking bids for its 800 MW Damhead Creek gas-fired

plant in Kent, southeast England. The relatively new plant, which came on line in February 2001, has been valued at around GBP300 million (\$463.4 million) (*Reuters*, 8/14).

## U.S. & Canada

- Ontario, Canada's biggest power market, says it has chosen two investment banks to hunt down buyers for a minority stake in its electricity distributor, **Hydro One**, after a court quashed an earlier plan for a CAD5.5 billion (\$3.5 billion) initial public offering. The Ontario government said it picked **Bank of Montreal** unit **BMO Nesbitt Burns** and **Canadian Imperial Bank of Commerce's CIBC World Markets** as advisers (*Reuters*, 8/9).

- The lights have been turned off on **FirstEnergy's** planned \$1.5 billion sale of four northern Ohio power plants to **NRG Energy**. The Akron-based utility says it had canceled the agreement with NRG "because of [an] affiliate's anticipatory breach of certain obligations in the agreement" (*Akron Beacon Journal*, 8/9).

- **Williams Cos.** continued efforts to downsize its troubled energy trading and marketing unit by announcing plans to close its operations in London. The company told 73 employees that a reduction in staff is likely to occur in the European trading and marketing office, according to Williams spokeswoman **Julie Gentz** (*The Daily Oklahoman*, 8/9).

- **J.P. Morgan Chase** is moving to limit the damage from disclosures it helped **Enron** conceal debt from investors. CEO **William Harrison** told employees the bank will create a new "policy review office" to examine proposed deals in light of potential risks to the bank's reputation. The bank has denied any wrongdoing in its transactions with Enron. But privately, bank executives concede their reputation has taken a blow (*Wall Street Journal*, 8/13).

- **El Paso Energy Management**, a subsidiary of the Houston power giant, has filed with the **Securities and Exchange Commission** to raise up to \$684.6 million in an IPO. The offshore oil and gas pipeline partnership plans to price the offering within a range of \$32.52-35.94 per share, with **Goldman Sachs** heading up the underwriting roster. The company's assets will essentially track the financial performance of **El Paso Energy Partners** (*CBS MarketWatch*, 8/13).

- **Entergy** plans to replace both steam generators and the heavy steel reactor lid at its Arkansas Nuclear Unit 1 power plant. The project, expected to cost about \$235 million, will take place during a planned fall 2005 refueling outage (*Dow Jones*, 8/13).

- California utility regulators have voted to add \$850 million to a proposed bond offering to cover the emergency power purchases the state made during the 2000-2001 energy crisis, increasing the size of the bond to a whopping \$11.95 billion. The move is designed to earn a higher investment-grade credit rating for the debt, believed to be one of the biggest municipal bonds ever (*Reuters*, 8/12).

- The chief accounting officer of Houston-based **Reliant Resources** will resign effective Aug. 16. Reliant, facing a **Securities and Exchange Commission** investigation over an accounting matter, described the departure of **Mary Ricciardello** as entirely voluntary, saying she told the company in May of her intention to leave. She stayed on until second-quarter financial reports were completed (*Houston Chronicle*, 8/10).

- The **Federal Energy Regulatory Commission** has launched formal investigations into three energy-trading companies after a preliminary probe found evidence they may have manipulated prices during California's energy crisis. **Enron**, **Avista** and **El Paso Electric** could face sanctions if they are found to have violated agency rules or federal law. These sanctions could include revoking the companies' ability to sell energy at market-based rates, a move that would return them to a regulated-rate system. The companies also could be ordered to pay refunds to California (*Wall Street Journal*, 8/14).

- The **Long Island Power Authority** has asked the **Department of Energy** to order a 330 MW power line between Long Island and Connecticut to begin operating this summer to help ensure adequate supplies meet soaring demand. Developers of the 24-mile Cross Sound Cable agreed earlier this month not to place the underwater line in service until this fall when they can bury it to the depth required by state and federal regulators. The operators say the line would be available for use if it is ordered to open it. (*Dow Jones*, 8/14).

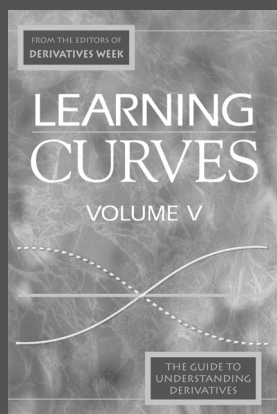
- New York's generation siting board has approved **Brookhaven Energy's** plans to build a 580 MW natural gas-fired plant on eastern Long Island, but the project may still not move forward. Brookhaven, a unit of **American National Power**, has said it will not start construction without an offtake contract in place and there are concerns the output would congest the island high voltage power lines (*Dow Jones*, 8/14).

- **Dynegy** and **Mirant** failed to certify their financial results last Wednesday. The embattled energy traders missed the deadline set by the **Securities and Exchange Commission** for company ceo's to certify their second quarter results (*Financial Times*, 8/13).

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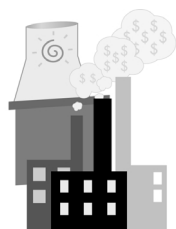
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## Generation Auction & Sale Calendar

*Following is a directory of ongoing generation asset sales. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes in the status of a sale, please call Will Ainger, managing editor, at (44-20) 7303-1735 or e-mail [wainger@euromoneyplc.com](mailto: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	Cinergitika	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.	1,875			
Enron	Wilton	U.K.	133	Coal/Oil/Gas	Close Brothers	Intention to sell.
Entergy	Damhead Creek	U.K.	800	Gas	N/A	
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	-	-
	Karpatsalm	India	330 (20%)	Naphtha	-	-
Polish Treasury	Elektroncieplownie Poznanskie	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		Merrill Lynch	Is looking to sell an undisclosed number of its coal assets.
	Monticello	Texas	1,900	Coal		
	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 collapse of NRG deal.
	New Haven	Conn.	1,100 (combined)			

—Amanda Levin

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

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## GOLDMAN

(continued from page 1)

new push is believed to be on structured financial products, which was once the preserve of power-affiliated merchant operations such as **Enron**. "Who is providing financial structured products? No one," another official adds.

Goldman is joining a growing number of non-traditional players, such as **Bank of America** (PFR, 6/24) and **Citigroup** (PFR, 8/5), and hedge funds, that are looking to take advantage of their stronger balance sheets and higher credit ratings to get into power trading. However, one trading veteran says this new generation of players has been slow to get started. With volumes so thin and established power traders still shedding staff there is no pressing need to dash into the market, he explains.

A spokeswoman at Allegheny, which recently announced it is scaling back its trading operation (PFR, 8/12), confirmed that Morrison worked at the company, but was unable to provide further comment.

—Peter Thompson

## TRIO SLUG

(continued from page 1)

to submit sealed offers on Sept. 23 in Abu Dhabi City and the **Abu Dhabi Water & Electricity Authority** then is expected to announce a winner the following month. ADWEA hopes to reach financial closure in the first quarter. The project could cost in excess of \$1.25 billion, calculates one financier.

Middle Eastern power bankers say ranking the chances of each candidate is nigh on impossible. All the bidders have strong political connections in Abu Dhabi, as well as a proven track record in winning big-ticket power contracts in the emirate. Tractebel and TFE jointly won the rights to acquire and expand Abu Dhabi's Taweelah A1 project in 1999, and last year International Power—in conjunction with **CMS Energy**—won the development rights for the Al Shuweihat power project.

While no single player or consortium could be called a short-odds favorite to win the ADWEA mandate, seasoned market watchers say evaluating each bidder's line up of financial backers gives an indication of where banks think the mandate is heading. "Banks don't like nailing their colors to a mast too early. They will only back a bidder once they think it's got a healthy chance of winning," says one City financier.

With less than a month to go before the auction many lenders are still jockeying for position behind the respective bidders, but the alliances inked so far suggest the Tractebel/Enel pair is a well-fancied runner, notes the London financier. Bankers says the Franco-Italian pairing has five of the strongest European project finance shops standing behind its bid; **BNP Paribas**, **Credit Lyonnais**,

**Credit Agricole Indosuez**, **Société Générale** and **Barclays Capital**. TFE's roster includes **Citibank** and **Mizuho**. **Royal Bank of Scotland** is also talking to TFE about joining its team. Lastly the International Power/Mitsui/Tokyo Electric consortia has teamed up with **Bank of Tokyo-Mitsubishi** and is presently talking to a number of other lenders. **Peter Barlow**, head of project finance at International Power, declined comment on which other lenders it is in talks with, but says it is looking to put together a line up shortly. The other bidders did not return calls and the various banks involved in the bidding process either declined to comment or did not return calls.

Inevitably, however, with the quality of the bidders so even, the outcome could come down to pricing. Each bidder will have to offer a price for buying the 1.1 GW existing power and water desalination plant off ADWEA and also set a long-term tariff for selling power and water to the state.

ADWEA is seeking a developer to purchase Um Al Nar and convert it from a 1.1 GW and 80 million gallons plant into a 1.75 GW and 150 million gallons a day facility. The pre-qualified bidders that have dropped out of the auction over the past six months are German utilities **STEAG** and **RWE**, **AES**, **Marubeni**, **EDF International** and **Korea Electric Power Co.**

—Will Ainger

## Calendar

- **MEED Conferences** will host its annual *Project Finance Conference* on Oct. 15-16 at the Sheraton Bahrain Hotel in Manama, Bahrain. Speakers include **Terry Newendorp**, chairman of **Taylor de Jongh** and **Ronald Spiers**, Middle East director at **International Power**. For further information, call (44 20) 7505-8654.

## Quote Of The Week

*"It's a reasonably stable environment."*—**John Evans**, chief engineer at **Fortis Inc.**, commenting of the security provided by signing a long-term power purchase agreement on a new hydro facility it is building (see story, page 6).

## One Year Ago In Power Finance & Risk

Market watchers were questioning **Enron's** official explanation of why CEO **Jeffrey Skilling** abruptly resigned from the company the previous week, saying he was likely forced out or made a scapegoat. [To this day, despite Enron's subsequent collapse into bankruptcy, Skilling has stood by the line that he resigned for personal reasons, rather than because he had knowledge of any problems at the company.]