

power finance & risk

The exclusive source for power financing and trading news

www.iipower.com

A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

AUGUST 25, 2003

VOL. VI, NO. 34

KKR Bankrolls Transco Unit

Kohlberg Kravis Roberts is bankrolling its power line transmission arm, **International Transmission Co.**, with a multi-billion dollar checkbook to fund new investments.

See story, page 4

In The News

Mothballing May Hurt Grid	2
Boutique Adds Analyst	2
CAI Pitches Wind Deal	3
Calpine Clubs Up In Wis.	3
CCFC1: RIP	3
Grid Players Fire Up Financing	3

Latin America

WestLB Eyes Underwriter	3
-------------------------	---

Blackout Aftermath

T&D To Get Rate Boost	4
Trans-Elect Official Backs The Market	4

Financing Strategies

Consumers Taps Mart	5
ComEd Reworks Debt Chunk	5
Oncor Finds Securitization Takers	5

Departments

Generation Auction & Sale Calendar	7
Weekly Recap	10
Financing Record	11

COPYRIGHT NOTICE: No part of this publication may be copied, photocopied or duplicated in any form or by any means without Institutional Investor's prior written consent. Copying of this publication is in violation of the Federal Copyright Law (17 USC 101 et seq.). Violators may be subject to criminal penalties as well as liability for substantial monetary damages, including statutory damages up to \$100,000 per infringement, costs and attorney's fees. Copyright 2003 Institutional Investor, Inc. All rights reserved.

For information regarding individual subscription rates, please contact Joe Mattiello at (212) 224-3457.

For information regarding group subscription rates and electronic licenses, please contact Dan Lalor at (212) 224-3045.

BLACKOUT COULD SPARK \$30B ABS MART

The cost of upgrading North America's creaky transmission infrastructure could lead to the creation of a new \$30 billion asset-backed securities market as politicians and energy companies look to prevent another wholesale collapse of the power grid. Industry players say they are devising plans to finance transmission upgrades across the U.S. through the securitization of new tariffs on consumers' energy bills. The structure of such debt transactions would be similar to existing rate-reduction or stranded cost deals, through which utilities have recovered past investment costs in newly deregulated power markets.

(continued on page 12)

AEP PUTS QF QUARTET ON THE BLOCK

American Electric Power is set to auction four U.S. gas-fired qualifying facilities in Florida and Colorado and has hired **Credit Suisse First Boston** to advise on the sale. The portfolio includes partial stakes in the 120 MW Mulberry and 103 MW Orange plants in Florida, and the 68 MW Brush II and 272 MW Thermo Cogen plants in Colorado, says **Melissa McHenry**, an AEP spokeswoman. El Paso, which owns the remaining interest in the Florida plants, is auctioning its interest via **Banc of America Securities** (PFR, 6/2).

One banker says AEP is launching the sale now to piggyback on **El Paso Corp.**'s

(continued on page 12)

INVENERGY & GTCR TO BUY TECO POWER PLANT

The joint venture between Invenergy and Chicago-based private equity firm **GTCR Golder Rauner** is about to purchase a 370 MW power plant from **TECO Energy**. **Michael Polsky**, president and ceo of Invenergy in Chicago, says the firm is about to make its first generation purchase, declining to elaborate. "The information is public, so I am not denying it," says Polsky. Spokespersons at TECO did not return calls.

In filings with the **Federal Energy Regulatory Commission** dated Aug. 8 and 13, the Invenergy/GTCR joint venture asked FERC to expedite the regulatory process so

(continued on page 12)

ROCKLAND, POLSKY SLUG IT OUT FOR TRACTEBEL ASSETS

Rockland Capital Energy Investments and a joint venture between veteran IPP entrepreneur **Michael Polsky** and private equity shop **GTCR Golder Rauner** have been shortlisted to acquire a pair of **Tractebel North America** power plants in California. An industry official says Tractebel has whittled down potential buyers to Polsky's firm **Invenergy** and **Rockland**, a boutique recently launched by a quartet of former **El Paso Corp.** originators (PFR, 6/8). An official at Rockland declined all comment. Calls to

(continued on page 11)

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

New Orleans Firm Hires Analyst

Hibernia Southcoast Capital, a New Orleans-based investment banking boutique, has hired Michael Lapides, formerly a principal consultant at Washington, D.C.-based PA Consulting, to beef up equity research coverage of the power industry. Lapides will work alongside the firm's veteran utility analyst Marty Malloy.

The addition of Lapides is part of a broader plan at Hibernia to expand research in an effort to grow out of its boutique status. The firm recently hired three other equity analysts.

Blackout Worries Spur FirstEnergy Debt Trade

FirstEnergy Corp.'s bank debt traded in the secondary loan market for the first time last week following investor concern that it may have unwittingly caused the Aug. 14 blackout. A bank lender sold an \$8 million position at around the 96 3/4 mark, say loan traders.

FirstEnergy has about \$1.349 billion of bank debt outstanding under \$1.5 billion of credit facilities. The company is still an investment-grade credit, but Standard & Poor's has placed its BBB rating on watch with negative implications.

The blackout is not the only problem plaguing FirstEnergy. Corrosion at its Davis-Besse nuclear plant caused the plant to be shut down earlier this year, causing the utility company to spend some \$400 million correcting the problem and buying additional power in the wholesale market, says a FirstEnergy spokeswoman.

Power Companies Hawk O&M Expertise

Independent power producers Calpine, Constellation Energy and Southern Power have been lobbying commercial bankers to assume the operation and management of embattled power plants that the banks have or are about to foreclose on.

Constellation and Southern recently made presentations to Citigroup outlining their operational expertise and desire to land O&M contracts, notes one banker.

Meanwhile Calpine is focusing on bids to run plants it would like to purchase at a later date. James Macias, executive v.p. and head of corporate operations at San Jose, Calif.-based Calpine, says the recent wave of foreclosures and bankruptcies has intensified the company's efforts to get into O&M. "A lot of project owners are defaulting," says Macias, but he doubts they'll sell the plants while prices are so low.

Calpine is bidding to run some defaulted PG&E National Energy Group plants that are controlled by a Citi-led bank group, and also has its eye on NRG Energy assets and Exelon plants in New England that banks may shortly repossess (PFR, 8/4), says Macias. DTE Energy is also in the running for the NEG O&M contract (PFR, 7/7).

O&M contracts offer paltry fees, but may offer other advantages in the long run. "This isn't a lot of money," says Macias. "It's a way to position yourself...operating a plant puts you in a good spot to buy it out."

He continues, "We're in discussions to run one plant in particular, and our exit plan includes a buyout."

Rose Kendig, spokeswoman at Baltimore-based Constellation, declined comment on which O&M contracts it is pitching for. Calls to Southern were not returned.

power finance & risk

EDITORIAL

TOM LAMONT Editor
STEVE MURRAY Deputy Editor
VICTOR KREMER Executive Editor [London] (44 20) 7303-1748
WILL AINGER Managing Editor [London] (44 20) 7303-1735
PETER THOMPSON Senior Reporter [Chicago] (773) 525-6978
NINA SOVICH Associate Reporter [New York] (212) 224-3226
ARADHNA DAYAL Hong Kong Bureau Chief (852) 2912-8009
STANLEY WILSON Washington Bureau Chief (202) 393-0728
ROCHELLE BRETON Editorial Assistant
JANA BRENNING, KIERON BLACK Sketch Artists

PRODUCTION

DANY PEÑA Director
LYNETTE STOCK, DEBORAH ZAKEN Managers
MICHELLE TOM, ILIJA MILADINOV,
MELISSA ENSMINGER, RAQUEL RODRIGUEZ Associates
JENNY LO Senior Web Production Designer
TIMOTHY O'SHAUGHNESSY Web Production Associate
MARIA JODICE Advertising Production Manager
(212) 224-3267

PUBLISHING

GUY CROSSLEY Group Publisher
ELAYNE GLICK Director of Marketing & Circulation
(212) 224-3069
STACEY FINK Marketing Manager (212) 224-3099

ADVERTISING

MICHAEL McCAFFERY Publisher, Director of Advertising
(212) 224-3534
NAZNEEN KANGA Publisher, (212) 224-3005
PAT BERTUCCI, MAGGIE DIAZ, KEVIN DOWNEY,
KRISTIN HEBERT, TAMARA WARD
Associate Publishers
USHA BHATE Marketing Director
JENNIFER FIGUEROA Media Kits (212) 224-3895

INDIVIDUAL SUBSCRIPTIONS

JOE MATTIELLO Director of Sales (212) 224-3457
KEN LERNER Senior Account Executive (212) 224-3043
THOMAS GANNAGE-STEWART (London)
(44-20) 7779-8998
ADI HELLER (Hong Kong) (852) 28426929,
Account Executives

GROUP SUBSCRIPTIONS/ELECTRONIC LICENSES

DAN LALOR Director (212) 224-3045

REPRINTS

AJANI MALIK Reprint Manager [New York] (212) 224-3205
amalik@iinvestor.net

CUSTOMER AND SUBSCRIBER SERVICES

New York (212) 224-3800, London (44-20) 7778491
CHRISTINE RAMIREZ Director

CHRISTOPHER BROWN Chief Executive Officer

Subscriptions: To subscribe, call New York at (212) 224-3012, London at (44-20) 7770-8998 or fax (212) 224-3491. One Year-US\$2,495 (in Canada add \$30 postage, others outside U.S. add \$75).

Power Finance & Risk is a general circulation newsweekly. No statement in this issue is to be construed as a recommendation to buy or sell securities or to provide investment advice.

Power Finance & Risk ©2003 Institutional Investor, Inc.
Circulation Offices: 225 Park Avenue South, New York, NY 10003. Tel: (212) 224-3800. Fax: (212) 224-3491.

For further information, please contact us at:
customerservice@iinvestor.com

CAI Touts \$80M Wind Farm Loan

Credit Agricole Indosuez is pitching an \$80 million, 15-year non-recourse loan that will finance construction of an 85.5 MW wind farm in Murray County, Minn. U.S. energy outfit **enXco** is developing the renewable energy project (PFR, 6/23). Financiers say CAI is pitching pricing of 175-212.5 basis points over LIBOR. Debt will cover some 65% of the project's costs. Calls to CAI officials were not returned by press time.

The Chanarambie Wind Energy Project will consist of 57 1.5 MW **General Electric Wind Energy** turbines. According to a release from enXco, construction is slated to wrap by November. **Xcel Energy** is an offtaker under a 20-year power-purchase agreement with the facility.

CoBank, NordLB Join Calpine Loan

CoBank and NordLB have joined a lead arranger group comprising **Bayerische Landesbank**, **Credit Lyonnais** and **HypoVereinsbank** that will underwrite a \$230 million mini-perm loan funding construction of Calpine's 600 MW gas-fired **Riverside Energy Center**. The club loan is expected to close next week.

Despite the loan's relatively small size, a retail syndication round will follow shortly after financial close as few of the lead banks want to hold more than \$25 million of the credit, explains one financier. Officials at CL, which is handling the syndication effort, were unavailable for comment last week.

The mini-perm loan has a short-term tenor of construction plus three years (PFR, 8/11). The facility, located in Beloit, Wis., is due on-line next June and has a 10-year off-take agreement with **Alliant Energy-Wisconsin Power & Light** for 453 MW of output.

Calpine Pays Down Landmark Construction Facility

San Jose, Calif.-based Calpine paid off the \$900 million balance on its CCFC1 non-recourse construction facility Aug 14 and bankers are offering mixed reviews of how the innovative financing fared over its life. "There was little bit more noise than you would have liked, but it paid off," says one lender, reflecting on some of the performance numbers from the plants. But another adds that given the high quality of the plant collateral backing the deal, there was a lot unnecessary fretting. "This was totally overcollateralized. There was very little risk," he adds.

The loan was paid off ahead of its October maturity as planned with the proceeds from a \$750 million **Goldman Sachs** led loan and cash on hand from the IPP's string of successful financing initiatives (PFR, 8/11).

The construction facility was seen as a landmark deal given its size and the then novel use of pooling the plant collateral so that

finished plants would support those still under construction. Whether the structure was in the end a success is a moot point now, says one banker, because there will be little opportunity for another sponsor to try and use the structure. "For us to get to the point where a company is building at the rate Calpine was in 1999 [when the loan was set up] is a long way off," he says reflecting on the current generation overcapacity.

Calls to **Katherine Potter**, spokeswoman at Calpine, were not returned.

Transmission Co's Relaunch \$1B Interconnector Financing

National grid operators **National Grid Transco** and **Statnett** have relaunched plans to fund a \$1 billion interconnector between the U.K. and Norway in the non-recourse bank loan market. An official at financial advisor **Babcock & Brown** says the firm approached 15 or so banks in mid August about financing the project. He declined further comment on the terms. Market watchers say revised pricing on the 23-year deal starts at roughly 130 basis points over LIBOR. NGT and Statnett were forced to go back to the drawing board after an initial term sheet, launched in April, met a cool response from lenders (PFR, 6/9).



Latin America

WestLB Seeks Underwriter For Mexican Hydro Bonds

Lead arranger **Westdeutsche Landesbank** is looking for an investment bank to underwrite the bond component of a \$683 million financing package that will fund construction of the 750 MW El Cajon hydroelectric project in Nayarit, Mexico, says a WestLB banker in New York. The official says the deal is being split between a U.S. dollar-denominated project loan that will be syndicated by WestLB to both international lenders and local Mexican banks and a capital markets component that will be sold to institutional investors. The exact split has yet to be determined. Financing is scheduled to close by October 31, says the banker.

The WestLB official says the marketing effort to other lenders is going strongly, but another financier questions the bank market's appetite for such a large Mexican power deal. He notes other smaller Mexican deals have struggled to reach financial close over the past two years.

Price talk on the four-year-and-nine-month loan starts at LIBOR plus 275 basis points (PFR, 7/7). El Cajon's sponsor **Empresas ICA Sociedad Controladora** already has broken ground on the project and is initially financing construction with a \$90 million bridge loan from WestLB.

Blackout Aftermath

KKR Bankrolls Transmission Unit

Private equity giant **Kohlberg Kravis Roberts** is bankrolling its power line investment vehicle, **International Transmission Co.**, with a multi-billion dollar checkbook to fund investments across North America.

Linda Blair, v.p. of business development at ITC in Ann Arbor, Mich., says KKR and its investment partner **Trimaran Capital Partners** have broadened the scope of their investment strategy beyond outright utility acquisitions to include financing upgrades of utilities' wires networks. In return, ITC will take an equity stake in the business, she explains.

An official at KKR says the New York buyout firm has \$7 billion to spend on new investments, of which a "significant portion" is earmarked to transmission investments. She declined to give a more precise figure or timeframe.

KKR has been eyeing the transmission sector for some time but last week's blackout across the Northeast and Midwest is creating new investment opportunities. "Clearly the blackout opens doors and may bring our strategy to fruition. We sense a significant amount of opportunity," says Blair.

KKR and Trimaran acquired Ann Arbor, Mich.-based ITC in February from **DTE Energy** for \$610 million (PFR, 2/10). ITC owns a near 3,000 mile transmission network covering **Detroit Edison's** service territory.

T&D Investment To Flow As Rate Freezes Expire, Predicts Consultant

Investor-owned utilities will be more willing to look at making significant T&D investment because many of the multi-year rate-base freezes that govern what they can charge consumers expire over the next few years, predicts one industry consultant.

Leonard Hyman, a senior associate consultant at **R.J. Rudden Associates**, says with the freezes in place IOUs have been disinclined to invest in transmission as they have been unable to generate returns through their rate bases because those rates have been capped. "A lot of the freezes will start coming off in the next year or two, which means if utilities want to invest they can cover it," he says.

Hyman estimates that nearly 50% of the IOU sector operates with either a rate-base freeze or some form of partial freeze where rates can only be changed in exceptional circumstances. Rudden's analysis points to 18% of the freezes expiring this year, rising to 30% next year and 47% by 2005. Many of these rate freezes were put in place in the late 1990s as parts of the state-by-state deregulation initiative, he notes.

The downturn of the deregulated energy market could also spur new investment in transmission upgrades as the perceived returns from unregulated investments don't look so attractive

these days. Hyman says chief financial officers at utility holding companies have been loath to invest in transmission because the returns looked so much better in other areas, such as competitive generation. With the overcapacity in U.S. generation that sector is now much less of a draw.

Inertia May Follow Blackout, Says Senior Trader

Despite the calls for accelerated deregulation, greater investment in North America's T&D infrastructure and even demands for re-regulation, the impetus to tackle the underlying causes of the recent blackout could fade now that the lights have come back on, according to a senior trader in New York. "The issues are very technical and subtle," he says, adding "I'm pessimistic that any real solution [will be found]."

Unlike the collapse of **Enron**, which triggered off a chain reaction resulting in the passage of the whistleblower provision of the Sarbanes-Oxley Act and investigations into the Houston energy trader's Byzantine finances and the conduct of its banks, the blackout could quickly slip from the public agenda, the trader warns. "Enron was a morality play," whereas the blackout may well be seen as an unfortunate one-off event.

Trans-Elect President Rejects Call For Rulebook Overhaul

Bernie Schroeder, president of the U.S.' largest for-profit independent transmission company, Trans-Elect, doesn't believe there is a case for overhauling the regulatory structure of North America's high-voltage electricity network.

In an interview with *PFR*, Schroeder notes there isn't a need for reform even if it becomes clear that flaws in the transmission grid were at the heart of last week's power failure. Rather, he argues, utilities need to decide whether they should remain in the transmission business. "My hope would be that utilities...will take a look at whether they want to be in the business," he says. He adds the **Federal Regulatory Energy Commission** has played an effective role in creating rules to encourage new players to make investments in transmission.

Trans-Elect was formed in 1999 to acquire transmission assets and now controls some 12,600 miles of high-voltage electricity lines. But officials at the company have acknowledged the deal flow is below what they initially forecast (PFR, 8/4) as utilities have proved reluctant to part with assets that provide a steady, regulated return. In May last year Trans-Elect completed its first major acquisition of a U.S. transmission network with the acquisition of **Consumers Energy's Michigan Electric Transmission Co.** unit

Financing Strategies

Consumers Issues Mortgage Bonds

Consumers Energy, a utility subsidiary of Jackson, Mich.-based **CMS Energy**, sold \$400 million in first-mortgage notes in the 144a market last week to pay down maturing debt. "It has been issuing a lot of bonds recently," says **Brian Fox**, a fixed-income analyst at Cleveland-based **McDonald Investments**. "It has bonds coming due year and this is an effort to reissue debt." A spokeswoman at CMS declined comment citing the deal was a private placement.

Fox says CMS' balance sheet looks healthier this year than last, and a pending November sale of its 2 GW Loy Yang coal-fired power plant in Australia should bolster its finances further. CMS owns a 50% stake in Loy Yang in conjunction with **NRG Energy** and Charlotte, N.C.-based **Horizon Energy** and is selling it to **Australia Gas & Light** for \$2.4 billion. CMS also plans to sell other small assets including real estate and transmission lines to increase liquidity. "This is part of their overall strategy to return to their basic business of running a utility in Michigan," says Fox.

The new bond offering comprises two \$200 million tranches that mature in 2009 and 2014. The shorter dated paper priced at 99.773 with a 4.80% coupon to yield of 4.85%. The longer dated paper has a 6% coupon and was priced at 99.841 to yield 6.02%. **Barclays Capital**, **Banc One Capital Markets** and **J.P. Morgan** were the joint lead managers for the sale.

ComEd Refinances Upcoming Maturities

Commonwealth Edison tapped the first-mortgage bond market for \$250 million last week as part of an ongoing effort to refinance a chunk of long-term debt that comes due within the next year. The seven-year 4.74 % notes will be used to redeem and refinance other first-mortgage issues.

Scott Beicke, analyst at **Standard & Poor's** in New York, notes that the **Exelon** subsidiary has said in recent financial regulatory filings that it intends to refinance some \$871 million of debt during the 12 months from March of this year. **Linda Marsicano**, spokeswoman at Exelon, did not return calls.

The bond offering was rated A minus by S&P. The rating agency notes that Chicago-based ComEd's business profile is supported by its low-risk electric transmission and distribution assets, supportive restructuring legislation in Illinois and a healthy service territory with a below-average industrial sales proportion of total sales. ComEd has benefited significantly from Illinois restructuring legislation that has allowed some \$6.8 billion of its capital to be securitized through stranded-cost deals. Some

\$3.4 billion of stranded cost bonds have been issued to date.

The bonds, which were sold at par, are redeemable by ComEd at any time at the greater of par or a redemption price that includes a make-whole premium of 15 basis points. **Banc One Securities**, **J.P. Morgan** and **Wachovia Securities** led the offering. Wachovia also led a similar summer-time issue for ComEd last year (PFR, 7/1).

TXU Taps Corporate Buyers For Tight Pricing

Oncor, a Dallas-based distribution utility owned by **TXU Corp.**, was able to achieve tight pricing on a \$500 million offering of rate-reduction bonds last week by tapping both traditional asset-backed security funds and corporate bond investors that typically accept lower yields.

Of the 30 investors who bought the triple-A rated ABS offering, 13 were corporate bond buyers, notes **Joseph Fichera**, ceo of **Saber Partners**, a boutique that is advising Texas on stranded-cost financing.

While corporate investors only bought some 40% of the Oncor paper, they demand less yield than traditional ABS buyers, and their appetite for the offering allowed Oncor to pitch the deal more aggressively to the ABS investment community, explains Fichera.

The bonds were issued in four tranches: \$103 million of a four-year bond, priced with a 2.269% yield; \$122 million of a seven-year bond, priced with a 4.033% yield; \$130 million of a 10-year bond, priced with a 4.955% yield; and \$145 million of a 12-year bond with a yield of 5.423%.

"We priced at the tight end or through where we expected," says **John Casey**, assistant treasurer for Oncor. He agrees that having corporate crossover buyers involved in the deal helped the pricing. He declined to say where Oncor had been expecting the bonds to price.

Are you getting the most out of your Power Finance & Risk subscription?

As a Power Finance & Risk subscriber, you're entitled to access the Power Finance & Risk Web site – absolutely free. Go to www.iipower.com to discover the added value to your subscription, including:

Earlier Delivery • A Virtual Library of Past Issues • Mid-week Breaking News Stories • Printer Friendly Stories • Web Links • Weekly Email Alert Service • Global Access

To access the Subscribers Only area of the site, you'll need a User ID and Password. To obtain these, please contact us at customerservice@iinews.com or at (212) 224-3800 between 8 a.m. and 6 p.m. EDT.

derivatives
week

and



present

The Inaugural **EUROPEAN DERIVATIVES ACCOUNTING SUMMIT**

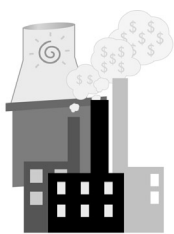
Mastering the complexities
of IAS 32, 39 and SIC 12

20th November 2003
London, Royal Garden Hotel

- Learn about implementation of new complex accounting standards
- Identify how to handle the transition period
- Meet key industry players and gain new clients through targeted networking

Register by 30th September 2003 and receive a £100 discount
www.euromoneyseminars.com/derivatives

Tel: USA TOLL FREE 1-800 437 9997 (free from within the USA) or UK+44 (0) 20 7779 8999



Generation Auction & Sale Calendar

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

Seller	Plants	Location	MW	Plant Type	Advisor	Status
AEP	Fiddler's Ferry	U.K.	2,000	Coal	N/A	Intention to sell.
	Ferry Bridge	U.K.	2,000	Coal		
	El Bajio	Mexico	600 (50%)	Gas	WestLB	Set to commence sale
	Mulberry	Fla.	120	Gas	CSFB	
	Orange	Fla.	103	Gas		
	Brush II	Colo.	68	Gas		
	Thermo Cogen	Colo.	272	Gas		
American Electric Power	Barney M. Davis	Texas	697	Gas/oil	CSFB	Launched sale process in June as part of deregulation of Texas market.
	E.S. Joslin	Texas	254	Gas/oil		
	J.L. Bates	Texas	182	Gas/oil		
	Laredo	Texas	178	Gas/oil		
	Lon C. Hill	Texas	559	Gas/oil		
	Victoria	Texas	491	Gas/oil		
	La Palma	Texas	255	Gas/oil		
	Nueces Bay	Texas	559	Gas/oil		
	Coletto Creek	Texas	632	Coal		
	Oklaunion	Texas	54 (7.8%)	Coal		
	Eagle Pass	Texas	6	Hydro		
	South Texas	Texas	630 (25%)	Nuclear		
AES	Yarra Power Station	Australia	510	Gas	-	Has appointed an advisor.
	Jeeralang	Australia	449	Gas		
	Mt Stuart	Australia	288	Gas		
AES Barry	Barry	U.K.	250	Gas	N/A	Centrica has tabled a bid.
AES Fifoots Point	Fifoots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant.
Allegheny Energy Supply	Armstrong	Penn.	356	Coal	J.P. Morgan	Ongoing.
	Hatfield	Penn.	1,600 (75%)	Coal		
	Mitchell	Penn.	442	Coal		
Alliant Energy	Southern Hydro	Victoria, Australia	500	Hydro	N/A	Intention to sell.
Aquila	Koma Kulshan	Wash.	14 (49.9%)	Hydro	Lehman Bros.	Launched Sale in June.
	Stockton Cogen	Calif.	60 (50%)	Coal		
	BAF Energy	Calif.	120 (23%)	Gas		
	Badger Creek	Calif.	50 (48.8%)	Gas		
	Lake Cogen	Fla.	110 (99.9%)	Gas		
	Pasco Cogen	Fla.	108 (49.9%)	Gas		
	Orlando Cogen	Fla.	126 (50%)	Gas		
	Rumford Cogen	Me.	85 (24.3)	Coal		
	Topsham	Me.	14 (50%)	Hydro		
	Selkirk Cogen	N.Y.	345 (19.9)	Gas		
	Onondaga Cogen	N.Y.	91	Gas		
	Mid-Georgia Cogen	Ga.	306 (50%)	Gas		
	Jamaica Private Power	Jamaica	65 (21.4%)	Diesel		
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention to sell.
Calpine	Watsonville	Calif.	30	Gas	Citigroup	Is looking to sell portfolio of contracted QFs.
	Greenleaf I	Calif.	50	Gas		
	Greenleaf II	Calif.	50	Gas		
	Agnews	Calif.	29	Gas		
	Parlin	N.J.	118	Gas		
	Morris	Ill.	177	Gas		
	Bethpage	N.Y.	54	Gas		
	KIAC	N.Y.	105	Gas		
	Stony Brook	N.Y.	40	Gas		
	Auburndale	Fla.	153	Gas		
	Grays Ferry	Penn.	148	Gas		
CenterPointEnergy	Texas Genco portfolio (12 plants)	Texas	14,175	Variety	-	Reliant Resources has option to purchase portfolio in early 2004
Cinergy	Cinergetika	Czech Rep.	230	CHP	J.P. Morgan	Expects to sell assets shortly.
	Energetika Chropyne	Czech Rep.	48	CHP		
	EPR Ely	U.K.	36	Straw		

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Cinergy	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	
Duke Energy North America	Lee Energy	Ill.	640	Gas	J.P. Morgan	
	Bridgeport Energy	Conn.	480 (67%)	Gas		
	Grays Harbor (in construction)	Wash.	650	Gas		
	Deming Energy (in construction)	N.M.	570	Gas		
	Moapa Energy	Nev.	1,200	Gas		
	Griffith Energy (50%)	Ariz.	600	Gas		
	Maine Independence	Maine	520	Gas		
El Paso Europe	Enfield	U.K.	396 (25%)	Gas	No Advisor	Looking to exit Europe.
	EMA Power	Hungary	70	Coal		
	Kladna	Czech Rep.	350	Coal		
El Paso North America (merchant assets)	Barstrop	Texas	543 (50%)	Gas	Citigroup	Final bids due late summer.
	Bayonne	N.J.	171	Gas		
	Camden	N.J.	150	Gas		
	CDECCA	Conn.	58	Gas		
	Fulton	N.Y.	45	Gas		
	Newark Bay	N.J.	123	Gas		
	Pawtucket	R.I.	67	Gas		
	Rensselaer	N.Y.	79	Gas		
	San Joaquin	Calif	48	Gas		
El Paso North America (Contracted assets)	Ace	Calif.	100 (48%)	Coal	Banc of America	Launched Sale in June.
	Mt Poso	Calif.	50 (16%)	Coal		
	NCA 1	Nev.	86 (50%)	Gas		
	Front Range	Colo.	480 (50%)	Gas		
	Badger Creek*	Calif.	46 (26%)	Gas		
	Bear Mt*	Calif.	45 (51%)	Gas		
	Chalk Cliff*	Calif.	45 (51%)	Gas		
	Corona*	Calif.	50 (20%)	Gas		
	Crockett*	Calif.	240 (5%)	Gas		
	Double C*	Calif.	46 (26%)	Gas		
	High Sierra*	Calif.	46 (26%)	Gas		
	Kern Front*	Calif.	46 (26%)	Gas		
	Live Oak*	Calif.	45 (51%)	Gas		
	McKittrick*	Calif.	45 (51%)	Gas		
	Cambria	Penn.	85	Coal		
	Colver	Penn.	100 (28%)	Coal		
	Gilberton	Penn.	80 (10%)	Coal		
	Panther Creek	Penn.	82 (50%)	Coal		
	Dartmouth	Mass	68	Gas		
	MassPower	Mass	252 (50%)	Gas		
	Midland Cogen	Miss.	1,500 (44%)	Gas		
	Prime	N.J.	66 (50%)	Gas		
	Mid-Georgia	Ga.	300 (50%)	Gas		
	Mulberry	Fla.	115 (46%)	Gas		
	Orange	Fla.	96 (50%)	Gas		
	Orlando	Fla.	114 (50%)	Gas		
	Vandola	Fla.	680 (50%)	Gas		
Endesa	Conatillor	Chile	172	Hydro	N/A	Ongoing.
Fife Power	Fife	U.K.	115	Coal	KPMG (Administrator)	El Paso placed plant in administration.
InterGen	El Bajio	Mexico	600 (50%)	Gas	No Advisor	Ongoing
IVO Energy	Grangemouth	U.K.	130	Gas	-	Looking to refocus in Nordic region.
	Edenderry	Ireland	120	Peat		
Mirant	Kendall	Mass.	270	Oil	CSFB	Ongoing.
	Shady Hills	Fla.	474	Gas	BofA	Ongoing.
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538	Gas		Looking for advisor to assist with sale.
	Wichita Falls	Texas	77	Gas		Looking for advisor to assist with sale.

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
NRG/Xcel (Asia)	Gladstone Power	Australia	1,500 (37.5% stake)	Coal	ABN AMRO	Awaiting bids.
	Flinders	Australia	760	Coal		Sale agreed.
	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		
NRG/Xcel (Latin America)	TermoRio	Brazil	1040 (50% stake)	Gas	Deutsche Bank	Awaiting bids.
	COBEE	Bolivia	220 (98% stake)	Hydro/Gas		
	Itiquira Energetica	Brazil	160 (98% stake)	Hydro		
	Cementos Pacasmayo	Peru	66	Hydro/Oil		
	Bulo Bulo	Bolivia	90 (60% stake)	Gas-fired		
	Cahua	Peru	45	Hydro		
NRG/Xcel (Europe)	CEEP	Poland	10 (10% stake)	-	Goldman Sachs	Has already sold two Eastern European plants. Awaiting further bids.
	Enfield	U.K.	380 (25%)	Gas-fired		
	MIBRAG	Germany	238 (50% stake)	Coal		
NRG/Xcel (U.S.)	Big Cajun II	La.	2,400 (90%)	Coal	-	Has shortlisted three bidders. Shaw Group to take over.
	Pike	Miss.	1,192	Gas		
	Batesville	Miss.	1,129	Gas		
	Brazos Valley	Texas	633	Gas		
	Kaufman	Texas	545	Gas		
	Big Cajun	La.	458	Gas		
	McClain	Okla.	500 (77%)	Gas		
	Bayou Cove	La.	320	Gas		
	Sabine River	Texas	420 (50%)	Gas		
	Sterlington	La.	202	Gas		
	Mustang	Texas	485 (25%)	Gas		
	Pryor Cogen	Okla.	88 (20%)	Gas		
	Timber	Fla.	13.8	Biomass		
	Power Smith	Okla.	80 (9.6%)	Gas		
						OG&E agreed to buy.
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	-
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch & Scotia Capital	Ongoing.
	Lakeview	Ontario	1,140	Coal		
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
PESG Global	Tanir Bavi	India	220 (74%)	Naphtha	-	-
	Karpatalism	India	330 (20%)	Naphtha		
PG&E National Energy Group	Bear Swamp	Mass.	599	Hydro		Ongoing.
	Masspower	Mass.	267	Gas		
	Salem Harbor	Mass.	745	Coal & Oil		
	Pittsfield	Mass.	173	Gas		
	Brayton Point Station	Mass.	1,599	Coal		
	Manchester Street Station	R.I.	495	Gas		
Reliant Resources	Argener	Argentina	160	CHP		
SG-led bank group (NEG developed plants)	Athens	N.Y.	1,080	Gas	Blackstone	First round bids closed July 9.
	Covert	Mich.	1,170	Gas		
	Harquahala	Mass.	1,092	Gas		
	Millenium	Mass.	360	Gas		
Tractebel North America	Ripon Cogeneration	Calif.	49	Gas	Navigant	Launched sale in May.
	San Gabriel	Calif.	41	Gas		
TXU	Lake Creek	Texas	323	Gas	Merrill Lynch	Reviewing sales strategy.
	Tradinghouse	Texas	1,340			
	River Crest	Texas	110			
	Mountain Creek	Texas	893			
	Parkdale	Texas	327			
	North Main	Texas	123			
	Monticello	Texas	1,900	Coal		
	Martin Lake	Texas	2,250			
	Big Brown	Texas	1,150			
	Sandow	Texas	545			
TXU Europe	Shotton	U.K.	229	CHP	PWC	Awaiting bids.

Weekly Recap

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

Asia

- Pakistan plans to reduce its dependence on thermal generation through cheaper hydroelectric power and other indigenous fuels, says President **Pervez Musharraf**. The Pakistan government is working on several large hydro projects that would be completed by 2007, he added (*Reuters*, 8/21).

Europe & Middle East

- **Miller, McConville, Christen, Hutchison & Waffell** plans to bid for DRAX, the U.K. largest power plant. **Goldman Sachs** and **International Power** have already filed bids (*Financial Times*, 9/19).
- **Siemens Power Generation** has won a \$145 million mandate to build the first independent gas-fired power plant in **Saudi Arabia**. The Al-Jubail power plant will be located on the Arabian Gulf approximately 100 kilometers north of Dammam (*Asia Intelligence Wire*, 8/21).

U.S. & Canada

- **NRG Energy** believes a \$250 million interim loan will allow its Northeast U.S. generating subsidiary to continue operating through the end of the year, when NRG aims to emerge from Chapter 11 bankruptcy protection (*Dow Jones*, 8/19).
- Canadian pipeline partnership **Fort Chicago Energy Partners** has agreed to purchase **DTE Energy's** 16.41% interest in the Portland Natural Gas Transmission System, a pipeline that runs from the Quebec border to the Boston, for \$31.3 million (*Dow Jones*, 8/19).
- Washington-based **Pepco Holdings** issued a request for proposals to supply wholesale energy to a portion of its more than 700,000 customers in the District of Columbia and suburban Maryland (*Reuters*, 8/20).
- The House Energy and Commerce Committee will hold hearings on Sept. 3-4 as part of its probe into what caused this month's massive North American blackout (*Dow Jones*, 8/19).
- New York Gov. **George Pataki** asked U.S. Energy Secretary **Spencer Abraham** to extend the emergency order energizing the long-dormant Cross Sound Cable between Long Island, New York and Connecticut (*Reuters* 8/21).

- **Allegheny Energy** appointed **Joseph Richardson** president of its Allegheny Power energy delivery unit, replacing **Jay Pifer**. Pifer was named coo of the parent company in June (*Reuters*, 8/19).
- **OGE Energy** has agreed to buy a 77% stake in the McClain power plant near Newcastle, Okla., for \$159.9 million from **NRG Energy** (*Dow Jones*, 8/20).
- **Enron's** downtown Houston headquarters is being put up for sale. The Smith Street building, which once had the crooked "E" sign outside it, will be sold in a sealed auction process, subject to the approval of the bankruptcy court (*Houston Chronicle*, 8/20).
- **Allegheny Energy Supply** is buying out a 222 MW tolling agreement with **Black Hills Corp.** for \$114 million. Allegheny entered into the 15-year tolling agreement for Black Hills' Las Vegas Cogeneration II unit in May 2001. It went into commercial service in January (*Dow Jones*, 8/20).
- **Aquila CEO Richard Green** sold 551,018 shares of company stock to pay personal federal income taxes due as restrictions lapse on Aquila stock received by the CEO over the past several years. The majority of Green's compensation during these years has been in the form of stock (*Reuters*, 8/20).
- The **New York Independent System Operator** will likely adjust the real-time power prices it recorded between Thursday afternoon and Sunday night, when widespread power outages snarled the trading system. The ISO suspended real-time trading from 4 p.m. Thursday until late Sunday while it worked to restore the system (*Dow Jones*, 8/21).
- **TXU Energy** said the Public Utility Commission of Texas granted it a power price increase for the northern part of the state to cover rising natural gas costs. The increase will boost the average monthly customer electric bill by 3.7% (*Dow Jones*, 8/21).
- Other transmission lines on the Midwest's electricity grid failed prior to the **FirstEnergy's** power-line outages that preceded last week's massive blackout. "There were other lines that did trip off earlier in the day," **Jim Torgerson**, chief executive of the Midwest Independent Transmission System Operator said on a conference call (*Dow Jones*, 8/21).

ROCKLAND

(continued from page 1)

GTCR, Invenergy and Tractebel were not returned. An official at Navigant Consulting, Tractebel's advisor, declined comment.

Invenergy and GTCR last week stepped up to the plate to

acquire a 370 MW power plant from TECO Energy, first reported on *PFR's* Web site (www.iipower.com, 8/19).

The Tractebel portfolio consists of the 49 MW Ripon Cogeneration plant and the 41 MW San Gabriel plant in the Golden State. Both plants are believed to have long-dated off-take agreements.

—Victor Kremer

Financing Record (AUGUST 14 - AUGUST 21)

Bonds

Date	Maturity	Issuer	Amount (\$ mil)	Offer Price	Type of Security	Coupon (%)	Spread to Benchmark	Moody's	S&P	Bookrunner(s)
8/18/03	8/18/10	Commonwealth Edison	250	100	Fst Mtg Bonds	4.74	131	A3	A-	Banc One Capital Markets/JP Morgan/Wachovia Securities
8/19/03	2/17/09	Consumers Energy(CMS Energy)	200	99.773	Fst Mtg Bonds	4.84	160	Baa3	BBB-	Barclays/Banc One Capital Markets/JP Morgan
8/19/03	2/17/14	Consumers Energy(CMS Energy)	200	99.841	Fst Mtg Bonds	6	165	Baa3	BBB-	Barclays/Banc One Capital Markets/JP Morgan

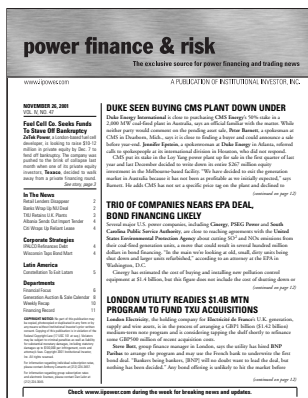
M&A

Date	Target	Target Advisors	Target Country	Acquiror	Acquiror Advisors	Acquiror Country	Deal Value(\$mil)
8/14/03	Graining	Merrill Lynch	Sweden	Sydskraft	Handelsbanken	Sweden	596.5
8/14/03	TrustPower-Meter Assets	-	New Zealand	NGC	-	New Zealand	4.18
8/15/03	Westar-Transmission & Distr	-	U.S.	Midwest	-	U.S.	-
8/18/03	D-Gas	-	Netherlands	E.ON Energie	-	Germany	-
8/18/03	Iberdrola	-	Spain	Investor Group	-	Spain	-
8/19/03	McClain Energy	Merrill Lynch	U.S.	Oklahoma Gas & Electric	Citigroup	U.S.	159.9
8/19/03	Portland Natural Gas	-	U.S.	Fort Chicago Energy	-	Canada	31.3
8/19/03	Sithe Energies	CSFB	U.S.	Reservoir Capital Group	-	U.S.	-
8/19/03	Undisclosed Natural Gas	-	Italy	Enel Gas	-	Italy	-

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

SUBSCRIPTION ORDER FORM

FIVE EASY WAYS TO ORDER:



1. FAX: 212-224-3671
2. TEL: 212-224-3570
3. EMAIL: USHOTLINE@IIINVESTOR.NET
4. WEB: WWW.IIPOWER.COM
5. MAIL: INSTITUTIONAL INVESTOR NEWS
THE HOTLINE, 8TH FLOOR
225 PARK AVE SOUTH
NEW YORK, NY 10003

☐ **YES!** Please send me 1 year (51 issues) of **Power Finance & Risk** at the special price of \$2,195*. Once I have subscribed I can select a permanent User ID and Password to the website www.iipower.com at no extra charge.

113786

NAME _____		
TITLE _____ FIRM _____		
ADDRESS _____		
CITY/STATE _____	POSTAL CODE/ZIP _____	COUNTRY _____
TEL _____	FAX _____	E-MAIL _____

Options for payment:

- ☐ Bill me
 ☐ Check enclosed (please make check payable to Institutional Investor News)
 ☐ I am paying by credit card:
 ☐ Visa
 ☐ Amex
 ☐ Mastercard

CREDIT CARD NUMBER _____	EXPIRATION DATE _____	SIGNATURE _____
--------------------------	-----------------------	-----------------

The information you provide will be safeguarded by the Euromoney Institutional Investor PLC group, whose subsidiaries may use it to keep you informed of relevant products and services. We occasionally allow reputable companies outside the Euromoney Group to mail details of products which may be of interest to you. As an international group, we may transfer your data on a global basis for the purposes indicated above.

() Please tick if you object to contact by telephone.

() Please tick if you object to contact by email.

() Please tick if you object to contact by fax.

() Please tick if you do not want us to share your information with other reputable businesses.

* In Canada, please add US\$30 for postage. Other non-U.S., please add US\$75.

INVENERGY & GTCR

(continued from page 1)

that the transfer can be completed by Sept. 30. "Given the absence of any substantive issues...no market study is required and therefore a 60-day notice period, which is applicable to merger transactions, is simply not required in this proceeding," according to a letter to the FERC by attorneys involved in the deal.

The 370 MW Hardee Power Station is located in Hardee County, Fla. The sale price could not be determined by press time, but a banker familiar with the plant estimates its value at \$185 million or \$500 per megawatt. "They have some nice long-term contracts on that plant with **Tampa Electric**," he says, "It's a nice plant." A prospective bidder on the plant estimates that at that price annual returns hover in the low teens.

Polsky is an IPP entrepreneur who sold his **SkyGen Energy** operation to **Calpine** for \$450 million three years back. Invenergy's Web site says the J.V. with GTCR aims to build a \$1 billion portfolio in generation and distribution assets.

—N.S.

BLACKOUT COULD

(continued from page 1)

"It's not a question of whether infrastructure will be upgraded—it will," says **Mark Williams**, a professor of finance at **Boston University**. "The question is: who's going to pay for it?" The answer, Williams believes, is ratepayers will have to foot the bill via higher rates and power companies will securitize this asset stream to finance the massive capital expenditure needed to upgrade the T&D system.

John Fernando, senior v.p. of structured finance at **Lehman Brothers** in New York, says some \$30 billion of rate-reduction bonds have been issued in the U.S. since the late 1990s, and forecasts transmission-financing ABS could easily mirror this in size. Lehman is already discussing such instruments.

For such transmission-related ABS to ever see the light of day state legislatures will have to pass laws allowing and guaranteeing additional transmission tariffs on consumers' utility bills. While raising new levies is always politically unpopular, Fernando argues politicians should be willing to pass such laws now that transmission reform is such a hot topic. But enacting legislation will still take time.

Investment bankers and ABS investors also are likely to push for transmission deals, says Fernando. "The rate reduction market is a dying market, with few deals left to be done. This is the replacement many are looking for."

Joseph Fichera, founder and ceo of **Saber Partners** in New York, which has been advising the **Texas Public Utilities**

Commission on stranded cost financing, says his firm has been discussing the idea of transmission ABS with several state utility commissions. "We've not been aggressively pitching it. It hasn't been a big issue, but maybe it will be now," he reflects.

AEP PUTS

(continued from page 1)

efforts to sell its stake in the Mulberry and Orange QFs. Interested parties already have done due diligence on the Florida plants so it makes sense for AEP to launch a concurrent sale process, reasons the banker. He adds CSFB has yet to issue a sale memorandum.

AEP is in the midst of a year-long effort to divest non-core assets. It recently hired **Westdeutsche Landesbank** to shop a 600 MW natural gas-fired plant in Mexico (PFR, 8/18) and reportedly has retained **Goldman Sachs** to sell its Louisiana Interstate Gas (LIG) Pipeline (PFR, 7/28). The Columbus, Ohio-based company also is marketing a 4.5 GW portfolio of gas, coal, hydro and nuclear power plants in Texas via **Credit Suisse First Boston**. AEP recently announced it had pushed back the deadline for indicative bids on the 12-plant Texas fleet from July to August and was looking for final bids in October (PFR, 8/4).

—Nina Sovich

Calendar

Infocast will hold its *Project Finance Workouts: Dealing With Distressed Energy Projects* conference at the **Crowne Plaza** hotel in New York, Sept. 17-18. For details call (818) 888-4444

Quote Of The Week

"My hope would be that utilities...will take a look at whether they want to be in the business." —**Bernie Schroeder**, president at independent transmission company **Trans-Elect**, on possible changes for the grid business in the wake of the blackout (see story, page 4).

One Year Ago In Power Finance & Risk

Reliant Resources was signaling to lenders that it wanted to refinance around \$6 billion in debt over the coming weeks. [The deals took longer than anticipated. While it was able to rework the \$1.33 billion **Orion Energy** mini-perms last October, (PFR, 11/4), the bulk of the corporate-level refinancing had to wait until the eleventh hour this spring and involved a major tussle between the lead bankers and **WestLB** which wanted to push for better terms (PFR, 4/5).]