power finance & risk

The exclusive source for power financing and trading news

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Web Exclusives

Moscow utility **Mosenergo** has tapped the **European Bank For Reconstruction and Development** for $79 million to help repay a maturing bond offering.

Banks working for **American Electric Power** have begun sounding out lenders about participating in the roughly $600 million non-recourse acquisition financing of two power plants in the U.K.

For the full stories go to *PFR*'s Web site (www.iippower.com)

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NEG SEEN COURTING POTENTIAL ACQUIRERS

PG&E National Energy Group (NEG) reportedly has begun sounding out potential suitors to acquire it, having been told by parent **PG&E Corp**. that it will listen to offers for its unregulated power generation and trading unit.

PG&E began considering cutting ties with its unregulated generation and trading unit following NEG's downgrade to junk status at the tail end of July. In making that move **Standard & Poor's** noted the Bethesda, Md., IPP would face trading collateral calls and also substantial commitments under financings that are tied to creditworthiness. One ex-staffer characterizes the shop as being one of the toughest and more sophisticated in terms of handling the credit quality of counterparties. The flipside of that is that those counterparties will have demanded reciprocal terms, and these will be biting following the downgrade.

(continued on page 7)

TRACTEBEL TO ENTER SPAIN THROUGH ENTERGY ACQUISITION

Tractebel is set to enter the Spanish generation market through the acquisition of two greenfield projects from **Entergy Wholesale Operations**. The prospect is leaving project financiers aligned to Tractebel salivating. "The idea of financing a Tractebel project in Spain is certainly appealing," enthuses one Paris-based lender. Tractebel has yet to formally approach its roster of lenders, but should do so once the acquisition has been formally announced. This could be as early as this week, speculates another official.

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BUFFETT'S MIDAMERICAN & TRANSCANADA REPORTEDLY SEEK CMS PIPELINE

Warren Buffett's **Berkshire Hathaway**, the parent of Des Moines, Iowa-based **MidAmerican Energy**, and **TransCanada**, a Calgary, Alberta-based natural gas pipeline business, are said to be separately courting **CMS Energy** to purchase its Panhandle Eastern Pipe Line unit, says a banker familiar with the matter. Panhandle operates a 6,300-mile pipeline network and delivers 2.7 billion cubic feet per day of natural gas to Midwest and East Coast markets. **Mark Hamburg**, cfo and treasurer at Berkshire Hathaway, did not return calls. **Glenn Herchak**, a spokesman at TransCanada, declined to comment on whether the company is interested in acquiring the Panhandle pipeline.

Kelly Farr, a CMS spokesman, declined comment except to say that the company has not yet

(continued on page 8)

Goldman Seen Landing CSFB Trading Chief

Mansoor Sheikh, former head of European power trading at **Credit Suisse First Boston**, has reportedly joined **Goldman Sachs**' energy desk in London. Power trading officials at Goldman declined to comment and Sheikh could not be reached.

Sheikh, an ex-**Enron** trader, left CSFB on April 8 after a little over a year at the investment bank. He departed after CSFB decided to pull the plug on its short-lived foray into power trading (PFR, 3/11).

Colombian IPP Renegotiates Ailing Loan

Chivor, a subsidiary of **AES Gener** and Colombia's fourth largest generator, has been granted a four-year extension through December 2006 to repay a $336 million internationally syndicated non-recourse project loan that has been in default since late last year.

A member of the bank syndicate says that as part of the loan restructuring package, the pricing on the loan has been jacked up 75 basis points to 3.25%, to reflect the increased risk involved in the long-dated financing. Chivor and its lenders have also incorporated a cash trap into the deal that will sweep up Chivor's generation revenues to help pay down the loan. "If conditions improve and the project performs better, then it might be able to pay off the debt even before 2006," he says.

Chivor defaulted on the loan in December 2001 after failing to secure a $150-200 million Colombian peso-denominated bond offering to help repay the debt (PFR, 1/14). Chivor attempted another bond deal later in the quarter, but again was unable to execute the deal. The banker says Chivor will probably attempt another bond offering at a later date to pay down the project loan if it is able to access the capital markets.

Bank of America led the financing. Other members of the syndicate include co-arrangers **Erste Bank**, **HypoVereinsbank**, **BNP Paribas**, **Natexis Banques Populaires**, **Dresdner Kleinwort Wasserstein**, **Royal Bank of Canada** and **J.P. Morgan** (PFR, 12/3/01). Officials at AES Gener did not return calls and syndicate banks either declined to comment or did not return calls.

NEG Exec. Launches Consultancy, Hedge Fund

Bachar Samawi, one of the founding executives of **PG&E National Energy Group**'s energy trading operation, left the independent power producer last month to set up his own strategic consultancy **GammaWealth Strategy & Research**. Samawi, latterly v.p. of new business initiatives at NEG, says in addition to the strategic side of the business he is in the process of setting up a hedge fund. Both arms of the business will range across markets he's been active in before, including energy, FX, fixed income and weather.

Samawi says the move to go it alone was prompted by the ebbing fortunes of the energy market. The changing environment has made it more difficult for large energy players to stay in the market because of the negative credit issues involved in running a trading shop, but it also has created market volatility and an opportunity for other forms of capital to exploit the situation, he explains. Samawi is currently trading his own capital as part of an effort to generate a track record. He is targeting building a $5-25 million fund by the end of his first year.

With NEG reigning in its trading activities in the wake of current market turmoil (see story, page 1), Samawi says now seems a good time to make the break. He was unsure of whether NEG had replaced him, but thinks it unlikely. Calls to NEG were not returned.

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Pepco Readies $1.5B Bond Relaunch

Pepco, a newly created utility holding company formed from the merger of **Potomac Electric Power** and **Conectiv**, is looking to relaunch a $1.5 billion bond offering that it pulled at the end of July because of weak pricing. An official who has spoken to the company about its plan says the utility intends to bring the deal to market shortly after the Labor Day weekend. He says, "The tone of the bond market for utilities is improving so Pepco's reasoning is to do the deal while the market is receptive and it can get decent pricing. "

Although unaware of the Pepco deal, **Susan Vorhees**, a fixed-income utility analyst at **J.P. Morgan** in New York, says a number of power deals have successfully been launched over the past two weeks including a $550 million offering from **Tampa Electric** and **Constellation Energy**'s $500 million deal (see stories, page 5). "These deals are an indication that there is nice demand in the market and there is a bit of a bond market rally. Overall, spreads aren't wildly attractive, but the overall pricing makes them good deals anyway," she says.

Andrew Williams, cfo of Pepco, said during a conference call last month that the utility considered it unwise to tap the market at the time because pricing on the bond issue had widened to 300 basis points over comparable Treasuries (PFR, 8/12). Instead, Williams said the utility arranged a one-year bank loan to fund the merger of Potomac Electric Power and Conectiv.

Calls to Williams last week were not returned and **Charles Taylor**, a Pepco spokesman, declined comment beyond saying, "We continue to assess the market to see whether conditions are favorable. When we think the time is right we will announce the offering."

Reliant Launches Orion Mini-Perm Refinancing

Reliant Resources last Tuesday unveiled plans for refinancing its maturing Orion New York and Orion Midwest non-recourse mini-perm loans into one cross-collateralized facility. The beleaguered IPP will now begin the arduous task of corralling all the banks in the existing facilities' two syndicates to agree to the $1.5 billion restructuring and a three-year extension of the loan. "I think it will go through. But some banks will take it to the wire and they'll need to get beaten up," says one financier. Officials at Reliant did not respond to questions.

Pricing on the new **Bank of America** and **BNP Paribas** led deal starts at LIBOR plus 250 basis points—against spreads on the existing mini perms of 200 basis points—and then edges up in 25 basis point increments every six months, says a banker. Calls to BofA and BNP officials were not returned.

The restructuring will keep the $412 million outstanding on the New York mini perm and the $1.1 billion in the Midwest deal as separate loans, but tied to one collateral pool. The creation of a single asset pool reflects the fact that while the New York plants have performed well, the Midwest facility has been dogged by unplanned outages (PFR, 8/12). In effect, the New York deal needs to support the refinancing of the Midwest assets, say bankers.

For the deal to progress, all the syndicate members must sign up, aside from two banks that were only involved in the New York deal, says one banker. Those two will have their commitments paid down because it didn't make sense for them to sign up to the Midwest deal, as that move would weaken the credit quality of their Orion exposure. If they were not to be paid off, the pair could have blocked the whole refinancing effort, notes the banker. All the other banks are in both deals, so it is in their interest for Midwest to survive, he says, adding he didn't know the identity of the two.

Reliant is shooting to get the deal wrapped the end of September, ahead of the October maturing of the Midwest deal. *PFR* was unable to ascertain by press time how the other legs of Reliant's monster $6.1 billion refinancing effort (PFR, 8/26) are proceeding.

S.C. Utility Readies Deal, Waits For Rates To Fall

The **South Carolina Public Service Authority** (Santee Cooper) is looking to tap the bond market within the next few weeks with either a $325 million or $110 million offering of electric revenue bonds depending on market conditions.

Rod Murchinson, treasurer, says the utility could come to market immediately with the smaller deal, but the strategy is to wait and see if it can lock in cheaper rates within the next few weeks. If interest rates fall by some eight basis points then Santee Cooper will execute the larger transaction, Murchinson says. Such pricing would represent a 5% fall in its interest repayment bill over where it could fund the deal now, he calculates.

Proceeds of either deal will be used to refund debt issued in 1993. Murchinson says the utility will refinance $120 million of bonds if it does the smaller offering and $322 million if it does the larger transaction. The smaller deal would save Santee Cooper $1.1-1.3 million annually and the larger offering would save the municipality approximately $2 million. A smaller offering would consist of multiple tranches with maturities extending out to 2011 and the larger one would have tenors of up to 20 years.

Murchinson was unable to discuss the structure and terms of the upcoming offering as the deal is still at an early stage. **Bear Stearns** is the lead underwriter for the deal and co-managers are **Salomon Smith Barney** and **Goldman Sachs**. Murchison says that Santee Cooper typically rotates the lead position among these three banks.

InterGen Looks To Refinance Wildflower Loan

Burlington, Mass.-based InterGen is looking to rework its $135 million Wildflower non-recourse loan that refinanced two peaker plants in Southern California. **Andy Rovito**, director of finance, says the 364-day non-recourse bridge loan matures Dec. 31 so the independent power producer has started working on replacing it. He adds that the dollar size will be reduced, but referred further questions to finance staffers more closely involved in the discussions, who did not return calls. The current facility was wrapped as a club deal (PFR, 1/14). The new lead could not be determined.

The facility covers the 90 MW Larkspur plant in San Diego and the 135 MW Indigo unit in Palm Springs. The gas-fired plants, which have been operational since last summer, are operated on a tolling basis with energy marketer **Coral Energy**.

Bankers Weigh Up The Tractebel Price Pitch

Tractebel North America finance officials have been hitting the pavement in New York City to pitch a deal template for its $1.6 billion financing of four U.S. power plants. While bankers say the indicative pricing of 1 3/8% over LIBOR on the four separate loans is frugal, they are divided on whether they can squeeze better terms out of Tractebel. Pricing has been on project financiers' minds since the draft deal terms were first floated (PFR, 8/12).

Even with the dearth of other generation project loans in the market, one seasoned project financier thinks many banks will balk at the Tractebel loan over pricing. But not all bankers agree. If pricing stays this low, "yet people do it anyhow, then it isn't too low," muses one banker, who'd like to see the spread edge up an 1/8%, but expects lenders to accept the present terms anyhow. Officials at **Credit Suisse First Boston**, which is leading the deal, declined comment.

The four loans will all be in the $400 million range, will represent some 85% of each project's costs, and offer debt service coverage ratios of 3:2, says one banker. On top of that, there are also long-term tolling agreements backed by the company's well-heeled Belgian parent. Because of the secure toll and Tractebel's belief that it has strong relationships to call in, particularly with European banks, the company may stick with pricing at the 1 3/8% level, says a financier close to the deal. He notes that adding an 1/8% would grease the wheels on the deal for little extra cost for the company, but it's still unclear whether this will happen.

CSFB is looking to sign up around 20 banks to the syndicate for the deals by the end of the month, and the roadshow moves to Europe this week with a bank meeting planned for Brussels.

Alliant Unit Takes Bids On Wisconsin Financing

Alliant Energy Generation is seeking bids on non-recourse financing for its $109 million acquisition of a 309 MW plant in Neenah, Wis. **Mark Condon**, cfo at the Oakbrook Terrace, Ill. non-regulated generation arm of **Alliant Energy Resources**, says around 10 banks have been approached and the company is expecting responses by Friday. The plant is being acquired from **Mirant** in a deal set to close in the fourth quarter (PFR, 7/22).

Condon says the likely structure will be $60 million debt and $50 million in equity, reflecting the fact that although there is a solid offtake contract with **WE Energies** it only has six more years to run. Alliant is hoping for a maturity in the seven to 10 year range, but recognizes this may not be feasible because of the offtake maturity, he adds.

Pricing will be a key criteria in determining the bank selection, but given the current market conditions the company will also assess the ability to deliver on the bid and close the deal, Condon says. Once the bids are in, AEGen will decide whether to appoint a single lead or set up a club deal. The decision will likely be made next week.

AEP Lands Dexia, RBC For Lone Star Wind Deal

American Electric Power has landed **Dexia Crédit Local** and **Royal Bank of Canada** for senior slots on its approximately $120 million non-recourse deal funding its Desert Sky wind facility near Stockton, Texas. The two join lead **Fortis Capital**, which bagged the mandate in July (PFR, 7/14). One banker says another senior slot may be added before the deal heads into syndication. Calls to Dexia, RBC, Fortis and AEP were not returned by press time. Details of pricing and maturity could not be ascertained.

The deal is being closely watched by project financiers because many see it as an acid test on whether wind power financing will take off in the U.S. Deal flow has been strong in Europe, but with fewer tax and market brakes the U.S. sector has been dormant for a number of years, bankers say. A number of other deals for other North American players are slated to appear in the fourth quarter, says one wind financier, declining to elaborate.

AEP picked up the 160 MW project—then known as Indian Mesa—from **Enron Wind** at the end of last year. The facility is located in Iraan, 45 miles east of Fort Stockton.

Tenaska Takes in $320M On Va. Deal

Omaha, Neb.-based Tenaska has signed up seven banks ahead of the retail launch of its $497.2 million project financing for an 885 MW plant in Fluvanna County, Va. **Abbey National**, **Bank of Scotland** and **CoBank** have inked $50 million tickets to land arranger slots, and **Bank of Ireland**, **Landesbank Baden Württemberg**, **Lloyds TSB Bank** and **NIB Capital** have secured co-arranger titles with $35 million commitments, according to market officials. An early lender ticket from **John Hancock** adds another $30 million.

One official characterizes the wholesale round as a success, reflecting the solid nature of the construction plus seven year facility and Tenaska's focus on developing bank relationships. Pricing on the deal starts at LIBOR plus 150 basis points and heads up to 200 basis points. Retail syndication is set to start imminently and a bank meeting will be held Sept 12.

The deal for **Tenaska Virginia Partners** follows the company's standard approach with five banks sharing the lead arranger status. **DZ Bank** and **HypoVereinsbank** are co-bookrunners, **Bank of Tokyo-Mitsubishi** and **Credit Lyonnais** are co-syndication agents and **Dexia Crédit Local** is documentation agent, according to market officials (PFR, 8/5).

Salomon Loses Debt Analyst

Debbie Grosser, a fixed-income utility analyst at **Salomon Smith Barney** in New York, has left the Wall Street. firm. Market watchers say Grosser, who left last month, has yet to find a new post. Grosser's departure shifts the firm's coverage to **Brian Schmidt**, another utility analyst at the firm.

While at Salomon, Grosser reported to **John Melesius**, managing director of corporate bond research. Schmidt and Melesius did not return calls. Grosser could not be reached for comment.

Corporate Strategies

Constellation Bolsters Liquidity Margin

Constellation Energy Group tapped the fixed income market for $500 million in seven-year senior notes two weeks ago, locking in a liquidity cushion that reduces its need to tap the short-term commercial paper market. The rationale for the issue was that it allowed the Baltimore, Md.-based utility holding company to obtain longer-term funding at a favorable rate, says spokeswoman **Rose Kendig**, adding Constellation has no further comment on the financing.

The notes, which were issued at 99.841 and have a coupon of 6 1/8%, are not replacing any maturing issues, but rather provide long-term funding for expenditure Constellation was looking to fund via c.p., explains **Ellen Lapson**, managing director at **Fitch Ratings** in New York. While the notes may not provide cheaper funding than c.p., they do guarantee liquidity over a longer time period. "People are valuing the liquidity," she reflects.

By landing $1.28 billion in new revolving credit facilities in June and completing the bond issue, Constellation has ample liquidity to fund construction commitments and other contingencies for the rest of the year, Lapson says. The chief construction project for Constellation is the 750 MW High Desert plant. The Victorville, Calif., facility is scheduled to come online next summer, according to the Constellation Web site.

Lehman Brothers and **Salomon Smith Barney** were joint book runners on the deal. Lehman also led a $300 million offering of five-year notes for Constellation late last year (PFR, 12/17).

Tampa Electric Bulks Up Issue Size

Tampa Electric, a subsidiary of **TECO Energy**, increased the size of a bond offering late last month by $150 million to $550 million as debt investors returned to the recently shunned sector. **Donna DiDonato**, an analyst at **Fitch Ratings** in New York, says Tampa, Fla.-based TECO upsized the deal, issued on Aug. 21, because of improved investor sentiment. She adds the success of the deal is significant for the market as a whole as it was the first power sector offering in quite some time to be well received. "The bond offering was indicative of the market turning around for the better."

Susan Vorhees, a fixed-income utility analyst at **J.P. Morgan**, agrees that it could mark turn around in sentiment. "It was the first [power company offering] to come in a fairly long time and it was well received in the market," she says. **Laura Plumb**, a TECO spokeswoman, declined to comment.

The A1/A- rated notes were divided into two tranches of $400 million and $150 million. The larger tranche has a 10-year maturity, a coupon of 6.375% and pays a 230 basis point spread over Treasuries. The smaller tranche has a five-year tenor, a 5.375% coupon and yields 220 basis points over Treasuries. **Barclays Capital**, **J.P. Morgan** and **Salomon Smith Barney** led the deal.

A recent research report from Fitch explains that it gave the offering an A plus rating partly because of Tampa Electric's strong financial profile, which consists of an equity-to debt ratio in excess of 55%. It also highlights its strong annual customer and sales growth rates of 2.5% and 2.6%, respectively, over the past five years.

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

• **Midland Resources** has agreed to purchase 81% of Armenia's state-owned electric utility for $37 million. Most of the government proceeds will go to pay overdue salaries and welfare subsidies. The **European Bank for Reconstruction and Development** will hold the rest of the shares (*AP*, 8/26).

• China's **Shaanxi Provincial Electric Power Co.** has begun construction on a 2.4 GW coal-fired power plant in Hancheng city. When complete, the plant is expected to consume 3.5 million tons of coal each year (*Dow Jones*, 8/29).

Europe

• The U.K. government is considering an overhaul of the wholesale electricity trading market in a bid to tackle the deepening financial crisis at nuclear power generator **British Energy**. The Department of Trade and Industry is prepared to consider reforming the controversial pricing system put in place only last year (*Financial Times*, 8/26).

• The French finance ministry is pressuring **Electricité de France** to sell unprofitable foreign activities and shore up earnings ahead of an expected privatization. Holdings in Austria, Sweden and Hungary could be sold within a matter of months (*La Tribune*, 8/26).

U.S. & Canada

• **Enron** creditors filed a complaint against **Michael Kopper** seeking to seize the $12 million in illicit profits the former executive has agreed to hand over as part of his guilty plea to federal fraud charges. A temporary injunction was imposed on the funds prior to a court hearing (*Dow Jones*, 8/26).

• A **Federal Energy Regulatory Commission** judge expects to decide shortly on allegations **El Paso** withheld capacity on its natural gas pipelines during California's 2000-2001 energy crisis. The **California Public Utilities Commission**, **Pacific Gas & Electric** and **Southern California Edison** claim withholding of space on El Paso's pipelines to California contributed to a late-2000 natural gas price spike that raised the state's power prices (*Dow Jones*, 8/26).

• **Public Service Electric & Gas**, a New Jersey utility, has filed with the Securities and Exchange Commission to sell up to $1 billion in mortgage bonds and/or secured medium-term notes. The unit of **Public Service Enterprise Group** plans to use the proceeds for general corporate purposes, including the redemption or refunding of outstanding debt (*Reuters*, 8/25).

• **Calpine** will sell 23 million units of its new Canadian Calpine Power Income Fund, raising CAD230 million ($148 million). Calpine said it will hold 29 million trust units for future sales (*Reuters*, 8/26).

• A number of big private-equity firms are taking a close look at the energy industry in the hopes of picking up potentially lucrative assets on the cheap. In recent weeks, deep-pocketed firms such as **Texas Pacific**, the **Blackstone Group**, **Thomas H. Lee Partners**, **Madison Dearborn Partners** and **Apollo Advisors** have begun analyzing the financial prospects of power plants and pipelines (*Wall Street Journal*, 8/27).

• **Dynegy** plans to split the office of CFO among three senior executives, who will together oversee its financial, accounting and strategic planning departments. The executive appointments come at a tough time: the company is re-auditing three years worth of financial statements and also restating its results for 2001 (*Reuters*, 8/27).

• **Enron** has opened up bidding on 12 of its main assets, including **Portland General Electric**, pipelines, power plants and Sao Paulo utility **Elektro Electricidade e Servicos**. The auction, which is to be completed by the end of November, is being run by **Blackstone Group**. Earlier this year, the company valued the assets at between $8.5-10 billion (*Wall Street Journal*, 8/28).

• **Entergy** is looking to raise the amount of debt it can offer under a previously filed shelf by $500 million to $2 billion (*Dow Jones*, 8/28).

• **Xcel Energy**'s **NRG Energy** unit completed the sale of its 50% stake in the 192 MW Collinsville Power Station located 50 miles west of Bowen, Queensland Australia. The sale to a unit of **Transfield Services** means the company is now the 100% owner and operator of the 35-year old coal-fired power station (*Dow Jones*, 8/28).

Financing Record (AUGUST 22 - AUGUST 29)

Bonds

Issue Date	Maturity	Issuer	Amount	Offer Price	Type of Security	Coupon (%)	Spread To Treasury	Moody's	S&P	Bookrunner(s)
08/22/02	09/01/09	Constellation Energy	500	99.841	Notes	6.125	234	Baa1	BBB+	SSB/Lehman
08/22/02	09/01/12	Kinder Morgan	750	99.716	Notes	6.5	223	Baa2	BBB	JPM/SSB/Wachovia
08/22/02	08/29/12	Northern States Power	450	100	Notes	8	375	A2	BBB+	Lehman
08/23/02	03/05/04	RWE	41.7	100	Fxd/Straight Bd	0.23	-	A1	AA-	SSB
08/26/02	08/29/12	CMP Group	15	100	MTNs	5.7	149	A3	BBB+	JP Morgan
08/26/02	08/26/07	Italenergia	806.8	100	Subord Bonds	4.7	-	NR	NR	Unimob/Bimob
08/27/02	09/01/07	Oncor Electric Delivery	200	99.602	Fst Mtg Bonds	5	175	Baa1	BBB+	Barclays
08/27/02	09/01/22	Oncor Electric Delivery	800	99.659	Fst Mtg Bonds	7	197	Baa1	BBB+	Barclays

M&A

Date Announced	Date Effective	Target Name	Target Advisors	Target Country	Acquiror	Acquiror Advisors	Acquiror Country	Value ($mil)
08/23/02	-	Oceanenergia	-	Portugal	Electricidade de Portugal	-	Portugal	-
08/26/02	08/26/02	Armenian Electricity Grid	-	Armenia	Midland Resources	-	U.K.	37.000

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

NEG SEEN

(continued from page 1)

Without a new, stronger backer, NEG will likely have to wind down its trading and plant development program considerably. One banker likens that approach to the strategy at **Edison Mission Energy**, the IPP arm of **Edison International**.

Calls to **Tom Boren**, president and ceo at NEG, and **Sarah Barpoulis**, head of trading, were not returned by press time. **Greg Pruett**, spokesman at PG&E in San Francisco, says the company has disclosed in filings that it is considering asset sales and reorganizing the business at NEG, but he declined comment on the possibility of a sale of the company as a whole.

To many commentators NEG remains the crown jewel of the U.S. IPP industry having shunned the dash for "braggerwatts" across the globe in favor of a more measured project development program and disciplined energy trading operation. "It has one of the best managed trading units in the market," reflects one market official. "The intellectual capital is strong and the management is very strong," he continues. One ex-staffer adds, "It's the diagonal opposite of **Enron** in terms of accountability and integrity."

But one banker, who was unaware of the potential sale, counsels against the notion that the trading arm might have suitors lining down the street. "It's nice, but who cares?" he muses, referring to the fact that a string of trading shops are looking to sell, but no buyers seem interested.

In terms of assets, NEG has interests in nearly 7,500 MW of generating capacity, with a further 4,400 MW under construction. That would be a key factor in valuing the company, officials note. On the positive side the company has a sizeable portfolio of Northeast power plants fuelled by cheap coal, says one official, who adds this has traditionally been a cash cow for the company. However, one banker notes that acquirers are buying gas pipelines or plants with offtake agreements, not merchant facilities. The demand for low-risk makes it less likely NEG will be sold as whole. *—Peter Thompson*

BUFFETT'S MIDAMERICAN

(continued from page 1)

decided whether to go forward with the sale of the pipeline. CMS is also considering the sale of its 4,100-mile Trunkline pipeline, an LNG terminal at Lake Charles, La., **CMS Field Services**' gas gathering and processing assets and its stake in **Guardian Pipeline**. CMS announced it is exploring the sale of its gas assets last month.

Joan Goodman, a utility analyst at **Credit Suisse First Boston** in Chicago, speculates that CMS will have to offload the pipeline for a song because it needs to reduce its $7.7 billion debt pile in short order. "It is like a rock hanging around the company's neck," she says of the heavy debt load. A fire sale would mirror the hit Dynegy took last month, when it was forced to sell its Northern Natural Gas pipeline unit for $1.9 billion, well below the $2.8 billion it paid **Enron** for the asset just eight months earlier. Goodman declined to give a likely sale price for the Panhandle asset.

Putting the Panhandle pipeline on the block is a wise option for CMS as it is an asset it will probably be able to unload quickly. Goodman explains that pipelines are attractive purchases, in part because natural gas is the fuel type of choice for most electric utilities. "Companies are constantly pumping gas into these pipelines so they provide very stable cash flows," she says.

Both bidders have already bought U.S. piplelines in recent months. Buffett has been widely applauded in recent months for his investments in the embattled power and gas sector. As well as snapping up Dynegy's Northern Natural Gas Pipeline, Buffett's MidAmerican unit also acquired **Williams Cos**' Kern River interstate natural gas pipeline business in March for $960 million.

Meanwhile, this past month, TransCanada purchased Williams' stake in **Northern Border Partners** for $12 million. The partnership owns a 70% stake in the 1,249-mile **Northern Border Pipeline** that transports gas from Northern Montana to the Midwest.

TransCanada's Herchak says it is pursuing high quality natural gas pipelines and power assets across North America. "Obviously we are enthused by many of the current prospects that exist, but we are approaching new opportunities with caution and discipline," he says.

TransCanada has a network of approximately 23,000 miles of gas pipelines throughout North America and also owns 2,250 MW of generating capacity. *—Amanda Levin*

TRACTEBEL

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The sale of the Castelnou (800 MW) and Morata de Tajuna (1.2 GW) CCGT projects will mark Entergy's exit from the Iberian peninsula, a region it once held great store by. One banker says Entergy's unwillingness to pump more equity into the projects prompted the decision to sell.

Gareth Brett, senior managing director at Entergy in London, declined comment on the sale, but confirmed Entergy is "considering its strategic options in Spain."

Francoise Vanthemsche, spokeswoman at Tractebel subsidiary **Electrebel** in Brussels, also refused to be drawn on its interest in the Entergy projects, but admits it is scouring Spain for generation assets. "We were the first foreign company to trade the Spanish power pool, but [we] need to develop an asset base to trade off."

Castlenou, situated 125 miles west of Barcelona in Aragon, is the most advanced of the two projects. It already has permitting and development rights in place and Entergy had been looking to reach financial close on the $500 million project this year, notes one lender. The larger project situated outside Madrid is a less certain prospect having been held up by local protest, says the banker.

It is unclear whether Entergy is selling turbine options and/or offtake contracts as part of the deal. Such considerations will clearly impact the price tag. By way of a ballpark figure **Iberdrola** paid Enron $105 million for a 1.2 GW in Spain this spring (PFR, 4/3). *—Will Ainger*

Quote Of The Week

"It is like a rock hanging around the company's neck."—**Joan Goodman**, *a utility analyst at* ***Credit Suisse First Boston****, describing* ***CMS Energy****'s onerous $7.7 billion debt portfolio (see story, page 1).*

One Year Ago In Power Finance & Risk

Dynegy had emerged as the favorite to acquire **Edison Mission Energy**'s Ferrybridge (1,900 MW) and Fiddler's Ferry (1,400 MW) power plants, after other bidders seemed to go cold on the U.K. coal-fired assets. [**American Electric Power** purchased the plants for GBP650 million. This spring **Hank Jones**, AEP's head of European energy trading, told a London energy conference its purchase reflected its relatively bullish view of the U.K. wholesale market.]

