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TXU Time!

Shareholders voted to approve **Kohlberg Kravis Roberts & Co.** and **TPG's** purchase of TXU as *PFR* went to press.

See story page, 7

Dexia, HSH Launch Noble Syndication

Dexia Crédit Local and **HSH Nordbank** kicked off syndication of \$561.5 million in loans backing three wind projects **Noble Environmental Power** is building last Thursday.

See story, page 3

At Press Time

Retail Syndication of Sandy Creek
Set For Launch Tomorrow 2

In The News

Senior CIT Staffer Named Fortis
U.S. Syndications Head 3
Project Finance Advisor Hires Two 3
HVB, NordLB Wrap Airtricity
Roscoe Syndication 3
SocGen Taps Calyon For PF Slot 4
Banks Submit Bids For Dutch IPP 4

Corporate Strategies

Texas MLP Shops \$800M
To Repay Debt, Fund Capex 5
Rate Decision Drives Exelon Buyback 5
LADWP Readies \$675M Notes Issue 5

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Diamond Mines For Wind

MITSUBISHI SUB PLOTS U.S. RENEWABLE ROLLUP



Tetsuji Nakagawa

Mitsubishi-owned **Diamond Generating Corp.** is looking to amass a portfolio of renewable generation in the U.S., enamored by the tax credits it can use to offset taxes it will start having to pay as of next year. "From the management, we have a strong message that we have to focus on renewable projects. We are open for greenfield opportunities and acquisitions, but we have not identified a specific company to target," says **Tetsuji Nakagawa**, president of the IPP in Los Angeles.

Diamond's original estimate of when its income would be taxable was 2011. But because it has acquired rather than built its more recent projects—232 MW **Wildflower Energy** and 177 MW **Morris Cogeneration**—and the assets produced higher income, it absorbed losses it would have used to lower its tax bill faster. "It's something of a

(continued on page 8)

INTERNATIONAL POWER EYES REFINANCING

International Power is considering refinancing its larger domestic assets at a holding company level, reflecting its new partnership with **Mitsui & Co.** The U.K. IPP transferred to Mitsui 25% stakes in the 1,050 MW coal-fired **Rugeley** plant, 500 MW gas-fired **Deeside** facility and the 140 MW oil-fired **Indian Queens** operation. The Japanese company also took a 5% stake in 2,088 MW **First Hydro** and 1,200 MW gas-fired **Saltend**.

Peter Barlow, director of finance at International Power in London, could not be reached by press time and a spokesman had no comment.

"It may be a fishing expedition, but a refinancing on a portfolio basis would show their creativity and give Mitsui some equity upside quite quickly," says a banker, explaining the refinancing would allow dividends to be upstreamed from the facilities.

(continued on page 8)

ALASKA UTILITY MERGER TALKS HEAT UP

A possible merger between City of Anchorage-owned **Municipal Light & Power** and coop **Chugach Electric Association** came a step closer with a meeting last Thursday to discuss a formal review.

The meeting was chaired by Anchorage Mayor **Mark Begich** and Chugach Board Chair **Elizabeth Vazquez** and also was attended by members of the public. The next step will be the completion of the evaluation study discussed at the meeting, according to **Ron Nichols**, managing director of energy consultant **Navigant Consulting**, which is working on the review. That study should be ready early next month.

Fred Boness, an independent consultant for both sides who values the tie-up at around \$500 million, says the strain on infrastructure has been a key driver behind their talks. "Both have aging facilities with increased demand," he says. "The idea of a merger is not new and

(continued on page 8)

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

At Press Time

Incentive Bolsters Canada Wind Assets

Wind energy capacity in Canada has increased by 1 GW over the past 18 months, partly due to the federal government's wind power production incentive introduced in 2002, according to a report by Natixis Bleichroeder. The growth spurt puts Canada just behind the U.K. and Portugal. It has 1.59 GW already installed, and 7 GW planned—3 GW of which is now under construction or about to be authorized.

"[The incentive] has moved the wind market along briskly in Canada," says William Flaherty, senior v.p. at Natixis in Boston. Under the program, the government pays about half the additional cost of producing power from wind compared to conventional supply for the first 10 years of a project.

Leads Tee Up Retail Syndication of \$1B Sandy Creek

Credit Suisse and Royal Bank of Scotland are set to launch retail syndication of a \$1 billion loan Tuesday funding LS Power's 800 MW Sandy Creek coal plant in Riesel, Texas. The package consists of an eight-year, \$200 million term loan and \$800 million construction loan, both priced at LIBOR plus 250 basis points. As first reported in *PFR Daily* last Thursday, on offer are \$15 million and \$25 million tickets or higher.

Originally, LS had envisaged a two-pronged, \$1.2 billion financing, split into a \$1 billion, three-tranche portion at the operating level, priced at 225, and a \$200 million holdco portion. The deal was then restructured from a mixed term loan B deal to an all bank deal because of the credit market meltdown, and LS and joint venture partner Dynegy stepped in and underwrote the holdco piece with equity that will be financed at a later date.

"The deal was designed to go into the term loan B market and the bank market," explains says Joe Esteves, managing director at LS Power Group in New York. "But you never know where the strongest appetite is going to be. It is a unique project and there is no real template. So we restructured the transaction to focus exclusively on the bank market. Thankfully, what we found is that the market is deep. Banks saw this as an opportunity to show their worth compared to the term loan B market, which can be more fickle."

After planning a club deal involving 10 banks that would each take \$100 million tickets (PFR, 8/24), 15 banks were invited to participate as senior managing agents. Twelve came in, giving the deal a \$500 million oversubscription. Among them were Natixis and Union Bank of California, which each offered \$250 million commitments but were scaled back to \$100 million, as well as BNP Paribas, Calyon, CoBank, Dexia Crédit Local, GE Energy Financial Services, ING Capital, Scotia Capital and WestLB, which each took \$100 million. "There were a few banks that said they wanted to underwrite more and we specifically discouraged that," says Esteves. "The deal was that if we got 10 banks, we wouldn't use the higher amount." Firms that were teetering, but did not commit were Fortis Capital, Société Générale and CIT, who may come in at retail. Merrill Lynch was initially listed as a third lead, but dropped out for reasons that could not be learned.

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INTELLIGENCE FIRST

Fortis Taps CIT Energy For U.S. Syndications Head

Fortis Capital has hired John Sullivan from CIT Energy to be its U.S. head of syndications in the capital markets group, replacing Trond Rokholt, who stepped down earlier this year (PFR, 4/20). He started last Thursday, reporting to James Frischling, managing director and head of U.S. structured credit in New York. Sullivan had previously worked with Eric Chilton, now Fortis' U.S. head of corporate and investment banking, at Barclays Capital. Chilton and Frischling were unavailable for comment.

Sullivan's departure two weeks ago leaves CIT Energy without a designated head, because as managing director of energy capital markets he was running the group on an interim basis. Walter Owens, president of corporate finance, and Peter Connolly, head of syndications, are understood to be managing CIT's energy business on a committee basis and are actively searching for a new group head, but further details could not be gleaned and they did not return calls by press time. "CIT remains committed to financing middle market companies and private equity firms involved in the energy sector," a spokesman said.

Dexia, HSH Kick Off Noble Syndication Thursday

Dexia Crédit Local and HSH Nordbank launched syndication last Thursday of \$561.5 million in non-recourse loans supporting three wind projects Noble Environmental Power is constructing in upstate New York. A bank meeting was held at 9:30 am at lender counsel Chadbourne & Parke's office in Manhattan.

The facilities are 100.5 MW Bliss in Wyoming County, and 100.5 MW Clinton and 81 MW Ellenburg in Clinton County. GE Energy Financial Services has committed \$209 million in tax equity covering all 282 MW (PFR, 6/22), which was awarded 10-year incentives from the New York State Energy Research and Development Authority. Power from the farms will be sold spot, but lenders will have no merchant exposure thanks to a financial hedge structured by Credit Suisse last month.

Tickets of roughly \$45 million are on offer to 10-15 banks, according to deal trackers, who note that two sub-underwriters, Royal Bank of Scotland and Scotia Capital, committed \$70 million apiece in July. The package itself, which has a 10-year tenor to match the hedge, consists of a construction loan that converts to a term loan, an equity bridge loan and letters of credit supporting debt service reserves. Pricing was unveiled at the bank meeting, but could not be learned by press time.

Officials at the lead arrangers either declined comment or did not return calls. Calls to the sponsor in Essex, Conn., were not returned.

P-F Advisory Shop Adds Directors



John Sachs

Energy and infrastructure project finance advisory Taylor-DeJongh has added two directors. John Sachs has joined in Washington, D.C., from PricewaterhouseCoopers and Timothy Holder has been tapped to open a new office in Manama, Bahrain.

Sachs, who joined Aug. 27, reports to Terry Newendorp, chairman and ceo.

Newendorp says his M&A experience fits with Taylor-DeJongh's push in that area. At PWC, he was lead financial advisor for an unidentified buyer on its 2004 purchase of a 60% interest in Carthage Power, the largest privately owned IPP in Tunisia.

Holder started last Monday and has 17 years' investment banking experience, the last four of which were as a director at advisory firm Business Development Asia's Bahrain office. "Timothy's work in equity investment fits in well with our expansion in the region," says Newendorp.

Airtricity Roscoe Loan Syndication Wrapped

HypoVereinsbank and NordLB have completed the syndication of a \$399.16 million loan bankrolling Airtricity's 209 MW Roscoe wind farm near Abilene in Texas. Co-lead BayernLB opted to hold its portion (PFR, 6/22).

The debt consists of a \$305 million, one-year construction loan, a \$21.74 million, one-year letter of credit and \$72.42 million term loan that goes out a maximum of nine and a quarter years. The term loan, together with a chunk of tax equity provided by GE Energy Financial Services and Wachovia, will repay the construction loan, believed to be priced at 125 basis points over LIBOR. Ciaran O'Brien, cfo of the Dublin-sponsor's U.S. operation, had no comment.

Four banks came into the deal with slugs of around \$30 million—Allied Irish Bank, Helaba, US Bank and, more recently, Mizuho Corporate Bank. Calls to the banks were not returned. The project has a five-year PPA with TXU Wholesale, after which power will be sold on a merchant basis. Roscoe is due to enter commercial operation in early 2008.

Debt funding a follow-on project, 126.5 MW Champion in central New York, is next, and will be arranged by the same leads. A multi-year, synthetic PPA was inked with Corral Energy Holding, a unit of Royal Dutch Shell, and represents the first Airtricity project in North America to be constructed with a traditional offtake agreement. The farm is slated for completion early next year.

Spanish Developer Lines Up Funds For 50 MW Solar Unit

Grupo Cobra, part of Spanish construction company **ACS Group's** industrial services division, closed on a EUR 383.5 million (\$525 million) multi-tranche loan supporting its planned Extresol-1 solar thermal project in Torre de Miguel Sesmero in the province of Badajoz late last month. The lead arrangers were **Banco Sabadell**, **Banesto**, **BBVA**, **BNP Paribas**, **Caixa General de Depósitos**, **Caja Madrid**, **Dexia Crédit Local**, **Natixis** and **WestLB**.

The 50 MW facility, which uses cylinder-parabolic collectors, will be part of Europe's second largest such complex, and is slated for completion in 2009. Cobra is the lead investor in the project, having committed EUR300 million.

The debt is split into three tranches—a 22-year, EUR325 million senior term loan; a four-year, EUR52.5 million revolver for tax; and a 22-year, EUR6 million guarantee facility. The margin on the senior term facility is 100 basis points over EURIBOR from drawdown until the project becomes operational, after which it falls to 95 and steps up to 105 over the life of the loan. The commitment fee is 35 basis points. The revolver pays 45 basis points and pricing on the guarantee facility is 105.

Dexia, Rabo Ready Dutch Offshore Wind Syndication

Dexia Crédit Local and **Rabobank** are preparing retail syndication of a EUR126 million (\$172 million) debt package for the initial 30 MW phase of **C-Power's** offshore wind farm off the coast of Zeebrugge, Belgium. C-Power is a project vehicle owned by a consortium led by **EdF Energies Nouvelles**, a unit of **Électricité de France**.

Dexia is the sole lead arranger, providing 15-year, EUR106 million (\$144.7 million) of non-recourse debt, and Rabo is providing EUR20 million (\$27.3 million) of mezzanine debt. Three to four banks are due to come in on the mid tier, before the leads take the deal out to general syndication later this month, says **Jérôme Guillet**, director of energy projects at Dexia in Paris, adding, "We are waiting for final, firm commitments."

Officials at Rabo did not return calls by press time and details on the ticket sizes, pricing and participant banks could not be learned.

The project will be the first part of a planned EUR500 million (\$684.2 million), 300 MW development scheduled to be operational by 2010 (PFR, 2/16). Last October, Dexia and Rabo arranged loans for a project known as Q7, the first offshore wind farm to be project financed.

SocGen Taps Calyon For Power Finance Chief

Allan Baker has been hired from Calyon to be **Société Générale's** global head of power project finance in London, a new position reportedly aimed at improving coordination between regions. Baker and officials at SocGen, including **Robin Baker**, head of energy for Europe, Middle East and Africa, did not return calls by press time.

Baker resigned last week as managing director and head of power and energy at Calyon in London after 13 years with the firm and **Crédit Lyonnais**. Officials at Calyon did not return calls.

Xavier de Rollat, a nuclear project finance specialist at **HSBC** in London, is also reportedly heading to SocGen. De Rollat, who last advised **Enel** subsidiary **Slovenske Elektrarne** on financing its nuclear rollout in Mochovce in the Slovak Republic (PFR, 2/9, 9/3), did not return calls.

Dutch IPP To Take Proposals On 870MW CCGT

Co-sponsors **Électricité de France** and **Delta** asked lenders to submit proposals last Friday on financing options for their 870 MW combined-cycle gas-turbine plant in the Sloe district, the industrial and port area in Vlissingen, The Netherlands.

Sloe, which is in its sixth month of construction, is estimated to cost EUR535 million (\$728 million), of which EUR510 million will be debt funded, according to one official with knowledge of the project. Some 15 banks are interested in financing the plant, including **Royal Bank of Scotland** and **HSBC**. "This deal is still drawing a lot of interest because of the credit quality of the sponsors and there is almost no construction risk for the lenders. It will probably all come down to pricing," said one banker.

After taking expressions of interest from lenders in June (PFR, 6/15), the sponsors are looking initially for a corporate-level loan, then a limited-recourse financing after completion of the project, scheduled for 2009. The target for wrapping the deal, on which U.K. boutique **Project Financing Solutions** is advising, is late November.

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Corporate Strategies

Texas MLP Sells \$800M To Retire Debt, Fund Capex

Enterprise Products Operating plans to use the \$800 million in proceeds from its sale of 10-year, 6.3% senior notes to repay the Oct. 15 maturity of \$500 million in 4% senior notes and term-out debt under its **Wachovia**-led revolver. "It's a good sign that they were able to go into the market with a sizeable offering, even with a choppy market," says **Bryan Caviness**, senior director at **Fitch Ratings** in New York, which rated the bonds BBB-.

The bookrunners were **RBS Greenwich Capital**, **Citigroup** and **Banc of America**. "These banks have strong capabilities in these areas, and have done a great job for us before," says **Bryan Bulawa**, v.p. and treasurer at Houston master limited partnership **Enterprise Products Partners**, EPO's parent.

Proceeds also will be used to fund the issuer's capital expenditure goals for the remainder of the year, including construction of the 750 million cubic feet per day Pioneer natural-gas processing plant in Opal, Wyo.; the 750 mmcf/d Meeker processing plant in Meeker, Colo.; and the Jonah Phase Five gas pipeline project in southwest Wyoming. Estimated costs for these projects have not been disclosed.

As of June 30, Enterprise Products had about \$6.2 billion of consolidated debt.

III. Rate Resolution Fuels Exelon Stock Repurchase

Exelon Corp.'s decision to repurchase \$1.25 billion of outstanding stock is driven by a desire to boost shareholder returns once the regulatory risks had been cleared up. "Exelon had been holding off doing anything until the [Illinois] rate issue was resolved," says **Robert Hornick**, senior director at **Fitch Ratings** in New York. "If they are not buying anything on the immediate horizon, this is a way that they can deploy their cash and provide a return to shareholders."

Exelon is expected to complete the repurchase within the next six months. The move by the Chicago-based utility is prompted by the so-called value return policy it established last December. That set a base dividend it will grow modestly over time, and envisages the use of share repurchases to return cash to shareholders in the absence of higher value-added growth opportunities. "Two years ago, I would have favored dividends over share buybacks," said CEO **John Rowe** at a **Lehman Brothers** energy and power executive conference in New York yesterday. "But what we are doing is a reflection of policy, not some secret signal about what we are planning to do in December."

Because performance has been better than expected, the

company also narrowed its earnings guidance for the year to \$4.15-\$4.30 per share from a wider range of \$4.00-\$4.30 per share. The revision excludes contributions associated with the electric rate settlement in Illinois, in which local power providers agreed to fund \$1 billion rate relief to consumers. "With power prices remaining high and its asset costs low, Exelon is generating enough cash flow to do what they are doing," explains Hornick.

LADWP Preps Fixed, Variable Issue



Mario Ignacio

The **Los Angeles Department of Water and Power** plans to sell \$675 million in fixed and floating-rate power revenue bonds this month and next. The nation's largest muni utility likes to keep about 25-30% of total debt at variable rates, says **Mario Ignacio**, director of finance and risk control in Los Angeles, as doing so can lower the overall cost of

borrowing. "It's a way for us to manage our asset liabilities," he says. "In the past, we have issued fixed, because historically rates have not been any lower. As rates go up, we will probably put in more variable." The fixed notes have serial maturities extending from 2009 to 2039, while the variable notes go out to 2042.

Proceeds will help fund \$2.34 billion of infrastructure improvements under its integrated resource plan; \$1.9 billion of renewable projects and related transmission so it can meet California's Renewable Portfolio Standard of 20% by 2010 and 35% by 2020; and \$700 million on repowering three plants—1,565 MW Haynes, 774 MW Scattergood and 1,175 MW Castaic Pump Storage—located within the city.

LADWP has a \$5.7 billion capital expenditure program over the next five years and plans to borrow up to \$4.5 billion to complete it. With \$4.3 billion already outstanding, this will more than double its debt burden.

The \$675 million offer is broken into a \$125 million, variable-rate chunk, which will be wrapped, and a \$550 million fixed-rate chunk, which may not be. Bond insurers will be appointed after their proposals are submitted today, says Ignacio. The notes are rated AA- by **Fitch Ratings**. Of the fixed portion **JPMorgan** will underwrite a \$350 million tranche, slated to price Sept. 26, while **Siebert Financial** will manage a \$200 million tranche, set to price Oct. 2. Of the variable notes, **Merrill Lynch** will underwrite a \$100 million tranche and **De La Rosa & Co.** will manage a \$25 million tranche, both set to price the week of Oct. 15. The four firms, along with **Goldman Sachs** and **Lehman Brothers**, are part of a three-year bank group chosen from a 2005 RFP. The next RFP will be put out at the end of this year, with a selection made early next.

Project Finance Deal Book

Deal Book is a matrix of energy project finance deals that PFR is tracking in the energy sector. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report updates or provide additional information on the status of financings, please call Katy Burne, Managing Editor, at (212) 224-3165 or e-mail kburne@iineews.com.

Live Deals: North America

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
Northland Power	Thorold CoGen (265 MW, Gas)	Thorold, Ontario	BMO, Manulife, Sun Life	Construction Loan	C\$415M	20 yr	Sept. syndication expected.
SUEZ Energy International	Central Termoelectrica	Northern Chile	TBA	TBA			Looking for banks for \$500M.
LS Power	Sandy Creek (800 MW, Coal)	Riesel, Texas	Credit Suisse, RBS	Term loan	\$1.2B	8 yr	Retail Syndication to launch 9/11.
Carlyle/Riverstone	Portfolio (1.5 GW Gas)	Various, Texas	TBA	TBA	\$900M		RFP sent out 7/23.
Granite Ridge	Granite Ridge (720 MW, Gas)	Londonderry, N.H.	TBA	TBA	\$500-\$600M		Choosing lead banks.
AES	Termoelectrico de Penoles (230 MW Petcoke)	Tamuin, Mexico	TBA	TBA	TBA	TBA	Choosing lead bank.
RES	Hackberry Wind (165 MW Wind)	Shackleford Co., Texas	TBA	TBA	TBA	TBA	Looking for lead banks.
Borealis Infrastructure	Bruce Power (4.6 GW)	Tiverton, Ont.	Scotia, Dexia	TBA	C\$750M (\$710M)	TBA	Syndication launched 7/3.
LEP Holdings	Liberty Electric Power (568MW Gas) recap	Eddystone, Pa.	Credit Suisse, JPMorgan, Deutsche Bank	First lien Second lien	\$400M \$200M	TBA TBA	Timeline unclear.
Nacogdoches Power	Nacogdoches (100MW Biomass, 300MW Gas)	Sacul, Texas	TBA	TBA			Looking for debt/equity for \$600M project.
J-Power USA	Pala (86.5 MW Gas)	San Diego Co., Calif.	TBA	TBA			Looking for lead bank.
MACH Gen	Portfolio (800 MW Coal)	Various	Credit Suisse	TBA	\$850M	TBA	Refinancing of \$850M second lien.
Acciona Solar Power	Nevada Solar One (64 MW)	Boulder City, Nev.	Santander, BBVA, La Caixa	Term loan	\$140M		Syndication expected in Sept.
Airtricity	2008 Turbine Supply	Various	HVB, Mizuho	\$325M			Timeline unclear.
Shell WindEnergy, Dominion	Mt.Storm (264 MW, Wind)	Grant Co., W.Va.	TBA	Construction financing	\$288M	TBA	Fortis tipped as sole lead. Hedge with merchant tail expected.
Invenergy	St. Clair Power Station (570 MW Gas)	Sarnia, Ontario, Canada	RBC	Construction term loan LC facility	\$383M \$96M	5 yr	Syndication re-launched 7/2.
Perennial Power	Hermiston (474 MW Gas)	Hermiston, Ore.	TBA	TBA	\$130M	10 yr	Status unclear.
Noble Environmental Power	Altona, Ellenberg, Clinton and Bliss (339 MW Wind)	Altona, Ellenberg, Clinton and Bliss, N.Y.	HSH Nordbank, Dexia	Non-recourse loan	\$445M	TBA	Selecting sub-underwriters. Syndication launched 9/6.

Live Deals: Europe/Middle East/Africa

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
Eolicas de Portugal	Eolicas de Portugal (1.2 GW Wind)	Porto, Portugal	TBA	TBA	TBA		Selecting lenders.
Cobra, ACS Group	La Boga II (355 MW Wind)	Andalucia, Spain	Natixis, La Caixa	Term loan	EUR205M (\$283M)		Debt slated to close 7/20.
Abaste	El Bonillo (20 MW Solar)	El Bonillo, Spain	Deutsche Bank	Bond Offering	\$207M	24.5 yr	Iberdrola offtake.
Industrial Promotion Services, Sithe Global	Bujagali (250 MW Hydro)	Southern Uganda	International France Corp., Absa Capital, EIB, Standard Chartered	Term loan	\$630M	TBA	Uganda Electricity Transmission Co. offtake.
Spanish Egyptian Gas Co.	Damietta LNG	Damietta, Egypt	TBA	Term loan Bank Facility	\$600M \$250M	15 yr	25 year tolling agreement
Solucar Energia	SolNova (100MW, Solar)	Sanlucar La Major, Spain	Caja Madrid, SocGen, Calyon Natixis, Santander	TBA	EUR450-500M		September syndication expected.
Botswana Power Corp.	Morpule (1.2GW Coal)	Palapye, Botswana	TBA	TBA			Project Financing Solutions advising.
InterGen	Rijnmond Energie Center (820MW, Cogen)	Rotterdam, Netherlands	TBA	TBA			Refi of EUR240M (\$326M) in debt and 400MW expansion. Advizorum is advising.
AES	Cartagena (1.2GW, Gas) Refi	Cartagena, Spain	Calyon, Societe Generale	TBA			Terms to be set.
Babcock & Brown, Eurowatt	Wind Portfolio (120MW)	Various, France	La Caixa, Natixis	Term loan	EU183M (\$234M)		Syndication timeline unclear.
Dhofar Power Co.	Salalah (192 MW Gas Refi)	Salalah, Oman	Calyon	TBA	\$340M	TBA	Timeline unclear.
Tanjong Broup	Port Said East (683 MW Gas Refi)	Port Said, Egypt	Calyon	TBA	\$500-675M	TBA	Timeline unclear.
Ras Laffan Power Co. (AES)	Ras Laffan A (750 MW IWPP)	Doha, Qatar	TBA	TBA	\$572M		Looking for lead banks.
AES Oasis, Mitsui & Co.	Almanakher (370MW Gas)	Almanakher, Jordan	Sumitomi Mitsui, Overseas Private Investment Corp., JBIC	Senior facility Equity tranche	\$255M \$75M		Near close. National Electric Power Co. offtake.
Marubeni, Qatar Electricity and Water Petroleum	Messaieed (2GW Gas)	Mesaieed Industrial	Calyon	Term Loan	\$1.2B	25 yr	Syndication expected to wrap week of 9/3.
Electricite de France, Delta	Sloe (820 MW Gas)	Vlissingen, Netherlands	TBA	TBA			Project Finance Solutions advising.
Eclipse Energy	Ormonde (200 MW Wind/Gas)	Irish Sea	TBA	TBA	Apr. GBP200M		Choosing Banks.
Carron Energy	Severn Power (850 MW Gas)	South Wales	TBA	TBA			Choosing Banks. Lexicon Partners is advising.

TXU Buyers Zero In On Closure

Kohlberg Kravis Roberts & Co and **TPG** took a big step toward clinching the biggest leveraged buyout in history by getting shareholder approval as *PFR* went to press. Speculation was rife that the \$45 billion deal wouldn't go ahead when the credit market pullback became a full on surrender and there was talk of the banks paying the break-up fee. But these are not buyers used to hearing the word 'No' and the financing is fully committed. "I don't know how an investment bank walks away from its obligations," says an official at one of the underwriters.

Bankers could only recall one instance of lenders not honoring such a commitment, when a so-called material adverse change clause was invoked in light of the economic slump that followed Sept. 11, 2001. A lack of legal precedent made the clause difficult to interpret and the deal ended up coming to market shortly after.

Also, the buyout is simply too important—both for the future of the Dallas utility and Texas consumers. Investor advisory firms **Institutional Shareholder Services** and **Proxy Governance** have indicated their support, which will influence a large chunk of the vote. Even **Franklin Resources**, the last major shareholder to oppose the deal, reversed its stance Aug. 28 citing "changing market conditions." Two thirds of voters needed to signal their approval before the deal, which got the green light from the **Federal Energy Regulatory Commission** last week, goes ahead.

John Wilder, the TXU chief who is being ousted when it's all over, believed the 25% premium offered on top of TXU's share price was fair value all along. Now with the credit markets in

turmoil, others agree. "You've got a market in disarray," says one observer. "If people wanted to argue that it was not fully valued, they would be hard pressed to make that argument today." The fact Wilder began talks with the buyers before alerting TXU's board, charging there was no need until he had a deal, is another matter.

And what can we expect from the buyers? For one thing, the Fall **Edison Electric Institute** conference will never be the same. "Wilder chose to outline TXU's strategy at the EEI and you couldn't get in the room when he was presenting," recalls one

industry veteran, adding, "He was the guy everyone wanted to talk to." KKR and TPG will naturally be more guarded.

The prospective owners are considering bringing in an unaffiliated, third party investor for up to 20% of TXU's transmission and distribution business, **Oncor Electric Delivery Co.** to help pay down the debt. The investment would occur either at, or within six months of closing. **Warren**

Buffett's Berkshire Hathaway is understood to taking a hard look at **Oncor**, but it's not clear

what he makes of the price. Also, TXU is a far cry from the distressed company it was in 2002 when he invested \$100 million. It doesn't need a white knight. Also in the mix is **Hunt Transmission Services**, which recently hired former TXU cfo **Kirk Oliver** as a senior v.p. (*PFR*, 7/6). Acquisition vehicle **Texas Energy Future Holdings** will hold a majority of its interest in **Oncor** for a period of at least five years, according to filings. Hunt affiliate **Sharyland Utilities**, along with Chicago private equity firm **Madison Dearborn Partners** and **AIG Financial Products**, emerged as one of the potential buyers of **Oncor**, formerly **TXU Electric Delivery**, in April.



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.

North America

- **Brazos Electric Power Cooperative** has agreed to buy more than 40% of power to be generated at **Dynegy's** proposed **Sandy Creek Energy Station** to be built near **Riesel, Texas**—(see story, page 2) (*Houston Chronicle*, 9/5).
- **American Electric Power** does not plan to build any new nuclear plants due to delays that will push operational starts to 2020 (*Tulsa World*, 9/2).
- A federal appeals court voted against a judge's ruling in favor of **Merrill Lynch** in a dispute with **Allegheny Energy** over the

utility's 2001 purchase of **Merrill Lynch's** energy trading group (*Wall Street Journal*, 9/1).

- **Energy West** said it would reassign **David Cerotzke**, president and ceo, to the newly created position of vice chairman. **Thomas Smith** will serve as interim president (*Associated Press*, 8/31).

- A group of environmental and consumer groups urged Indiana Governor **Mitch Daniels** to oppose **Duke Energy's** proposed 630 MW, \$2 billion coal gasification plant near **Edwardsport, Ind.** (*Associated Press*, 9/6).

Weekly Recap (cont'd)

Europe

- **Suez and Gaz de France** agreed to merge, creating one of the world's largest power groups with an estimated market value of EUR70 billion (\$94.9 billion) (*Financial Times*, 9/3).
- **Centrica** said it would seek to buy **Gaz de France's** 25.56% interest in Belgium's **SPE**, giving it control of the nation's second largest power business (*The Independent*, 9/4).
- **CEZ** said it is interested in bidding for the construction license for a 68 MW hydro plant in Macedonia (*Datamonitor*, 9/4).
- **Drax Group** said it would return GBP100 million (\$202.1 million) to shareholders (*Financial Times*, 9/6).

INTERNATIONAL POWER

(continued from page 1)

That said, other observers have mixed views as to whether a refinancing could provide any upside. Rugeley was refinanced late last year via **HypoVereinsbank**, **ING Bank**, **Calyon** and **Royal Bank of Scotland** (PFR, 11/17, 8/25/06). But a reworking of the debt tied to Saltend was completed two and a half years ago via a five-bank syndicate and, according to one banker "has a lot of fat." First Hydro was financed with a bond, which would be costly to pre-pay because of the make-whole premium, but may be affordable if the refinancing is sufficiently levered. Deeside is separate because it was financed on balance sheet.

—K.B.

MITSUBISHI SUB

(continued from page 1)

high-grade problem to have," says **Paula Zagrecki**, director of finance. "We have run through our losses more quickly than expected, so we are a few years ahead of schedule."

Wind is the biggest priority, says Nakagawa, adding that biomass and geothermal sites also are under consideration. Mitsubishi had developed both before it exited the U.S. market in 1996 to focus on Asia. But it has no experience in wind, beyond some early stage projects in Europe, details of which could not be disclosed. The company does not plan to hire a designated staffer to run the effort, which would see 1-2 GW of contracted renewable assets brought online over an unspecified timeframe.

The Japanese company has a turbine manufacturer, **Mitsubishi Heavy Industries**, but supply is tight until 2010. "Diamond won't jump to the queue, so this is more of a long term strategy," says Zagrecki.

The sum Mitsubishi has earmarked for its U.S. renewable

push is not fixed, because projects proposed by its subsidiaries have to compete for the \$500 million to \$1 billion it has available overall for energy. But Diamond has already invested \$200 million in the U.S. and is aiming to double or triple that over the next five years. Its existing portfolio is all gas-fired.

—Katy Burne

ALASKA UTILITY

(continued from page 1)

novel. It's come up about three times in the past 20 years. But the board and management of both utilities are now on board, which hadn't happened before."

There is also now a big rate differential between the two utilities, with ML&P customers enjoying much lower rates due to its one-third stake in the Beluga River gas field in northern Cook Inlet. **Chevron** and **ConocoPhillips** own the other two thirds. "Chugach customers want to benefit in the same way ML&P customers do," Boness says. ML&P has 333 MW of generation, while Chugach has 510 MW, but they have adjoining service territories with some overlap. Anchorage has a third utility, Palmer-based the **Matanuska Electric Association**, but it is not involved in the discussions.

Until more data is assessed, it is not clear which utility would acquire the other. ML&P is municipally owned, but Chugach is a cooperative so its owners would have to vote on any deal and its tax-exempt status may complicate its efforts to combine. Other alternatives will be analyzed as well, such as establishing a joint generating and transmission venture, leaving the two companies under separate ownership and operation. A follow-up meeting has been tentatively set for Oct. 29 and an action recommendation is expected by the year-end. —Mark Bonamo

Quote Of The Week

"In the past, we have issued fixed, because historically rates have not been any lower. As rates go up, we will probably put in more variable." —**Mario Ignacio**, director of finance and risk control for the **Los Angeles Department of Water and Power**, about its desire to keep 25-30% of total debt at variable rates to lower the cost of borrowing (see story, page 5).

One Year Ago In Power Finance & Risk

Credit Suisse kicked off the sale of 805 MW gas-fired Lake Road in Dayville, Conn., on behalf of its hedge fund and private equity firm owners affiliated with **Cargill**, **Bear Stearns** and **Merrill Lynch**. [BG North America acquired the plant for \$685 million (PFR, 12/20), beating out **Energy Capital Partners**.]