

power finance & risk

The exclusive source for power financing and trading news

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Exelon Exits Weather Mart

Exelon has pulled the plug on its U.S. weather, emission, coal and congestion trading business and has let go several staff, including **Peter Frantz**, head of weather derivatives.

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DTE SEEN EYEING 2.4 GW NRG PLANT ...

DTE Energy has reportedly entered negotiations with NRG Energy to acquire the latter's majority stake in a 2.4 GW coal-fired power plant in Louisiana. A banker familiar with the matter says a deal could be hammered out within the next few days. While terms have not been sealed, the banker says NRG will likely receive some \$1 billion for its 90% stake in Big Cajun II, in New Roads, La., one of four Pelican State thermal power plants it put on the block this spring along with other south-central generation assets (PFR, 6/3/02).

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... AS HYDRO ONE, MACQUARIE REPORTEDLY BID FOR DTE'S MICHIGAN NETWORK

Canadian wires utility Hydro One and an infrastructure investment fund run by Australian investment bank Macquarie Corporate Finance have been shortlisted to acquire DTE Energy's Michigan-based wires unit, **International Transmission System**, according to a banker who is familiar with the deal. They join **Trans-Elect**, on a three-strong bidding roster (PFR, 9/9). **Al Manchee**, a Hydro One spokesman, was unable to provide comment by press time. **Thomas Yanagi**, a senior manager at Macquarie who looks at infrastructure investment



(continued on page 11)

The Next Domino?

DUKE NIXES MEXICAN EXPANSION, LATAM ASSETS COULD BE NEXT

Duke Energy International has joined the long line of U.S. companies queuing to bail out of Latin America and has also lost interest in Mexico. **Harvey Padewer**, group president of Duke Energy's energy services division, says the company has nixed plans to build a Mexican business because of regulatory uncertainty in the region. Another Duke official says the company is looking to sell much of its Latin American generation

(continued on page 12)

BHP BUILDS EUROPEAN TRADING DESK

BHP Billiton, one of the world's largest mining and natural resource concerns, has begun building a European power-trading desk and is reportedly considering acquiring thermal generation assets to back the effort. The Melbourne, Australia, headquartered company has hired **Paul Adair**, formerly a Singapore power trader at **Enron**, to spearhead the effort out of BHP's European trading floor in The Hague, the Netherlands. Adair declined to comment.

Mark Lidiard, a BHP spokesman in London, says the company is in the process of

(continued on page 12)

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

Mich. Tech Outfit Taps Private Asset Manager For Equity Financing

Unisolar, a Troy, Mich.-based manufacturer of thin-film solar-power cells, is seeking \$20 million in private equity financing and has tapped private asset manager **de Visscher & Co.** to raise the cash. The financing is Unisolar's second round of private equity financing, according to **François de Visscher**, president and founder of the Greenwich, Conn.-based investment and advisory company, which manages the portfolio of Belgium's de Visscher family.

De Visscher says he is seeking a minimum of two other single-family investment offices to invest in the solar project. He says the firm has started speaking to a few family offices but has not yet received any commitments.

Black Hills Looks West For Assets

Rapid City, S.D.-based **Blacks Hills Corp.** is on the lookout to acquire coal and natural gas-fired assets in the western region of the U.S. **Mark Thies**, senior v.p. and cfo, says the company is on the hunt for generation assets to take advantage of depressed asset valuations that have arisen from the fallout of the merchant energy sector.

However, Thies says that Black Hills will not make any acquisitions immediately and will only strike if it deems the quality and price of the asset to be attractive enough. He says the company is also looking to build projects as a way to expand its generation portfolio, but notes that it makes sense right now to acquire assets because of the low valuations.

"There will be a need for additional generation as many companies have canceled or postponed the construction of new plants," says Thies. "We also believe that natural gas will be the

fuel of choice in the future because it's clean. Coal will also play a role because it is cost effective."

Black Hills' current portfolio consists of a mix of gas-fired peaker and coal-fired baseload plants. Thies says it has 646 MW of generation capacity on line, with an additional 393 MW in construction that will come on line by the end of next year.

DrKW Exits Project Lending Biz, Turns To Advice

Dresdner Kleinwort Wasserstein has pulled the plug on its project finance lending business and in its place is establishing an 11-strong global power and energy project finance advisory business, under **Graham Lofts**, managing director, in London.

The new group will offer clients advice on financing new projects or funding acquisitions, but will not provide them with access to Dresdner's balance sheet. "It is important for a bank to safeguard the cost of capital," explains **Charles Morgan**, managing director and head of energy corporate finance in London. "Is it really in an investment bank's best interest to commit capital for 20 years?" he asks, referring to the lengthy tenor of most European power project loans.

Dresdner's decision to exit the project lending business marks the culmination of a two-year unwinding of its project lending business. In the late 1990s the bank was one of the most active arrangers of power project financing in both the Americas and Europe, but began cutting back its commitment in early 2001 (PFR, 4/16/01). At the time a Dresdner official said the firm only wanted to provide non-recourse lending to core clients. The aim now is to pull back from all project lending. Dresdner will still provide corporate facilities to its energy sector clients.

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Barclays Launches U.K. Trading

Barclays Capital began trading the U.K. power market at the turn of the month. **Richard Lewis**, head of power, says the move is the first stage of a broader rollout into gas and power trading across Europe. The next step will be to commence U.K. gas trading before Barclays pushes into mainland Europe, says the former **Enron** honcho who joined Barclays this spring to launch its energy-trading unit (PFR, 3/25).

Exelon Pulls The Plug On Weather, Emissions Trading

Exelon has decided to exit weather derivatives, emissions, coal and congestion trading after designating these markets illiquid, according to market officials who have spoken to the company. As a result of the decision it has let go several staff, including **Peter Frantz**, head of weather derivatives in Kennett Square, Pa. Calls to Frantz were referred to **Ben Armstrong**, a company spokesman, who says **Exelon Generation** continues to actively trade the commodity markets. He was unable to comment on Frantz or the four markets the company is exiting. Frantz could not be reached.

Brokers note Exelon was an active participant in the emissions trading market but was not a major player in weather derivatives, a market it was in for almost exactly one year. "We're just watching everyone drop by the wayside," one broker comments ruefully. Exelon follows a decision by most of the major power companies, including most recently **Aquila**, in slashing their trading operations against a backdrop of deteriorating credit quality, swooning liquidity and shriveling risk appetite.

S&P Warns Of Mini-Perm Refinancing Risk

Standard & Poor's believes the erosion in merchant players' credit quality and deteriorating market fundamentals are set to pose significant refinancing risk for the \$30-50 billion of U.S. construction loans and mini-perms that it estimates must be refinanced over the next three years.

Financiers have been fretting over the slew of upcoming refinancings for some time (PFR, 2/4), but S&P Director **Arleen Spangler**, who authored a recent report on the issue, says the issue has become even more critical over the past year because IPPs' access to capital and power plant valuations have deteriorated.

The report argues that the premise of the mini-perm structure was that their short-term nature would allow IPPs to build plants and generate operating histories before seeking long-term financing. Banks believed this would clear the way for longer-term bond market take-outs because construction risk would be

removed. However, a weak forward curve, suggestions of overdevelopment leading to a glut in capacity and resulting questions over original asset valuations mean that capital market takeouts may not now be feasible. "The problem is you are financing a 20-year asset with a five-year facility," Spangler notes.

Project financiers say they recognize the issue is a major one for the industry, but also note the refinancing risk was not downplayed when deals were booked. One banker says when ever he has presented a mini-perm deal to his credit committee, refinancing risk always was addressed. "We knew what we were doing," he declares. Another adds that the structure was valid and remains so, because it did away with the typical 15-20 year deal where banks often got locked in to low margins. "Mini-perms in effect give you a four-year option allowing you to negotiate an increase in pricing," he reflects.

Banks Seen Clearing Way For Damhead Sale

Moves to sell Damhead Creek, **Entergy Wholesale Operations'** ailing U.K. merchant power plant, moved a step closer earlier this month after the lead banks involved in funding the 800 MW gas-fired facility pushed for a loan restructuring that would make an outright sale easier to executive.

A steering committee, led by **Royal Bank of Scotland**, held a meeting for the 20-strong Damhead banking syndicate in London Sept. 5. Though no agreement was reached, participants say there was a clear recognition by the syndicate that a sale of the plant is in the best interests of both Entergy and its lenders. "The aim now is to execute a sale that covers Damhead's project debt," says one syndicate member, noting that Entergy already has written off its equity stake in the plant. He adds that a restructuring proposal likely will be hammered out in short order.

A project banker at RBoS confirmed that a sale of Damhead is on the cards, but stresses that the syndicate is not forcing Entergy's hand. "They've made a corporate decision to exit the U.K. It is not a fire sale forced on them by the banks."

"Lenders' main concern is that Entergy brings us a deal that works," concludes the banker.

Entergy arranged the project loan in December 1988 to finance the construction of Damhead, in Kent. The loan consisted of two tranches, a GBP464 million, 17-year senior piece and a GBP36 million, 12-year subordinated piece. Entergy provided roughly GBP40 million in equity capital. Calls to **Gareth Brett**, senior managing director at Entergy in London, were not returned.

While considered one of the most efficient power plants in the U.K., Damhead has struggled to turn a profit over the past year because of the near 40% fall in U.K. wholesale power prices.

CL Adds Junior Tier To Calpine Loan

Mandated lead **Credit Lyonnais** is looking to round out syndication of a small Colorado project loan for Calpine through the addition of a \$25 million retail round. The decision to add a junior lending tier has surprised many in the market, who had assumed syndication already had closed, albeit with limited success. The French bank is aiming to close the retail round by next Monday, notes one financier. Credit Lyonnais officials declined to comment.

Bankers say the \$106 million project loan, which is funding a gas-fired peaker in Denver, has proved a tough deal to place simply because of the amount of exposure many lenders have to the San Jose, Calif.-based IPP. However, one market official notes that in the current market, few deals are sailing through syndication.

The deal for the 300 MW Blue Bruce Energy Center has **HypoVereinsbank** signed up as syndication agent and **Bank of Nova Scotia** as documentation agent (PFR, 8/26). In addition **Hamburgische-Landesbank** has signed on for a \$10 million ticket, says a banker.

The six-year loan is backed by a 10-year tolling agreement with **Public Service Co. of Colorado**. Pricing on the deal starts at 150 basis points over LIBOR, heading up in increments to a 2% spread in its final year, says the financier. The deal was fully underwritten by Credit Lyonnais.

TECO Cuts Loan Target, Reportedly Pushes Back Timetable

TECO Power Services has again cut the amount of non-recourse funding it is looking to raise in its planned TriCo deal to around the \$400 million mark, and in addition project financiers have been told not to expect the deal anytime soon. Lead bankers had been signaling this summer that a \$500 million loan for TECO's 599 MW Dell power plant in Dell, Ark., the 599 MW McAdams unit in Kosciusko, Miss., and the 477 MW Frontera plant in Texas, was imminent (PFR, 7/22). Calls to **Laura Plumb**, spokeswoman at TECO in Tampa, Fla., were not returned.

A recent research note from analysts at **Lehman Brothers** said the company is now looking to secure \$400 million in financing by the fourth quarter. The company had originally planned a \$647 million facility, but this was spiked because the plants' engineering and procurement contractor was **Enron** affiliate **National Energy Production Co.** (PFR, 1/21). One project financier explains that even though a new contractor is now in place, the market sentiment toward sizeable merchant deals has turned decidedly bearish. That is

likely why the deal is smaller and also why it has been pushed back in the hope that appetite may return, he adds. Calls to lead **Credit Suisse First Boston** were not returned by press time.

Northeast Utilities Eyes PJM, N.Y. Assets

Hartford, Conn.-based **Northeast Utilities** is on the lookout to acquire gas-fired generation assets in the New Jersey, Pennsylvania and Maryland (PJM) power pool and New York state over the next 18 months. **John Forsgren**, vice chairman and cfo, says the company is scouring these markets to take advantage of depressed asset valuations.

However, Forsgren says **Northeast Utilities** is unlikely to make any quick acquisitions as it remains unimpressed by the quality and price of plants on the block. "Assets are trading hands now at lower prices than they were three or four years ago, but they still aren't as low as they should be. Also, we think the assets that are on the block aren't really attractive."

Northeast Utilities is looking to acquire gas-fired plants specifically, in order to diversify the fuel mix of its unregulated business, **Northeast Generation**, which is primarily made up of hydroelectric plants, says Forsgren. The company has 29 hydroelectric plants with a combined capacity of 2,500 MW in its 3,700 MW portfolio.

Ameren Plans \$160M Equity Offering

Ameren plans to raise a further \$160 million in equity financing over the next 12 months to help fund its \$1.4 billion acquisition of **CILCORP** from **AES**, which is expected to close next March, according to **Warren Baxter**, cfo at the St. Louis energy concern. The utility holding company already has tapped the stock market once to fund the CILCORP purchase. It issued 8.05 million shares at \$42 each on Sept. 6 in a deal led by **Goldman Sachs** and **Lehman Brothers**.

The recent stock offering was increased from \$252 million to \$338 million because of favorable market conditions. "We think that upsizing the deal was a prudent thing to do as the issuance was going smoothly and we received good pricing," says Baxter. He declined further comment on this or the upcoming equity deal.

Ameren has \$10 billion of assets and serves 1.5 million electric customers and 300,000 natural gas customers in a 44,500-square-mile area of Missouri and Illinois. Its shares closed at \$42.76 last Monday and have a 12-month range of \$34.72-45.25

Dominion Unit Wraps Oversubscribed Revolver

Consolidated Natural Gas, a subsidiary of Richmond, Va.-based Dominion, has set up a new 364-day revolver via lead bank **Barclays Capital** and, despite broader energy market negativity, has had to cut back syndicate allocations because of strong demand.

A market official says the \$500 million facility drew in some 19 banks, adding that allocations at the \$50 million tier had to be cut to \$40 million. The strong nature of the credit combined with high upfront fees, were the key drivers behind the demand, he adds. He declined to reveal the fees, but says the facility has fully drawn pricing of 67.5 basis points over LIBOR and has no term out provision. Bankers at Barclays declined comment and a Dominion spokesman was unable to provide details by press time. The loan replaces two current facilities and is Barclays' first lead role for CNG, says a banker.

U.K. Woes Offer Credit Wrap Opportunities

XL Capital Assurance sees the downturn in the U.K. wholesale generation market creating new business opportunities for the New York monoline credit insurer.

While XL has until now viewed infrastructure financing as the primary source for bond market credit guarantees in Europe, the need for restructuring in the embattled U.K. power sector is also offering scope for credit wraps. "We're selectively looking at opportunities in the U.K." says **Phil Henson**, managing director.

Henson argues that tough power market conditions will likely lead to a raft of power plant sales and says these could be funded in the debt capital markets with the additions of credit wraps.

XL has begun focusing more closely on Europe following the establishment last month of an office in London. XL's push into Europe will be based from this office, says **Alberto Ramos**, managing director for project finance.

Corporate Strategy

PSEG Plugs Balance Sheet

Public Service Enterprise Group will use the proceeds from a recent \$400 million issue of mandatory convertibles to plug a balance sheet hole created by write downs of a series of investments, including its Argentina business, in the second quarter. **Robert Busch**, president and coo of PSEG Services and cfo at utility PSE&G, says the funds will also cover upcoming equity needs associated with generation development at **PSEG Power**.

The Newark, N.J.-based company sold eight million three-year convertibles with a stated value of \$50 each and there was an additional 1.2 million greenshoe allotment. The convertibles pay a

10.25% coupon and require the holder to buy PSEG common stock in the \$33.54-40.24 range when the notes expire. Busch says PSEG would have preferred not to sell equity at those levels, but given the current wider market conditions it's pleased to get the deal done. "It is frustrating to sell at those absolute levels," he reflects. PSEG was trading at \$33.39 last Wednesday.

A banking group headed by **Merrill Lynch** and **Morgan Stanley** led the offer. PSEG works with a range of underwriters—"We work with all the brand names,"—as Busch puts it—and made the selection on this deal with an eye toward getting a strong retail uptake on the notes, says Busch. Final allotments have yet to be figured out, but he expects retail to account for about 15% of the issue, which is in line with what PSEG wanted.



Latin America

IDB Close To Granting Brazil Financing

The **Inter-American Development Bank** is close to approving a \$150 million loan to partly fund the construction of **Termoacu**, a 340 MW combined-cycle gas-turbine plant in Rio Grande, Brazil. An IDB official says the development bank has already given funding for the project preliminary internal approval and likely will ink a deal by the turn of the year.

Project sponsors **Iberdrola**, which has a 70% stake, and **Petrobras** (30%) are also seeking \$140 million in non-recourse loans from commercial banks to fund the plant,

which is scheduled to come on line in 2004 (PFR, 7/15). The names of the banks and status of the loans could not be ascertained by press time. Officials at Iberdrola and Petrobras did not return calls.

The IDB's recent decision to grant \$40 million in multilateral financing to the \$350 million, 540 MW **Termopernambuco** project in Brazil reflects the bank's appetite for investing in Brazilian generation schemes and increases the likelihood that it will approve the **Termoacu** funding, says the IDB official.

Iberdrola, **BB Banco de Investimento** and **Previ** will also fund the **Termopernambuco** project through a \$150 million project loan being arranged by **Banco Bilbao Vizcaya Argentaria** and **Société Générale**.

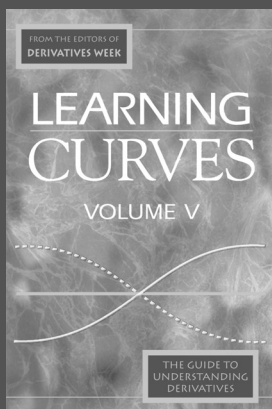
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Brazil Financing Faces Delays

Dresdner Kleinwort Wasserstein is struggling to syndicate a roughly \$250-\$300 million non-recourse loan earmarked to refinance the construction costs of a plant being developed by Houston energy concern **El Paso**. The 469 MW plant, dubbed **Araucaria**, is located in Brazil's Parana state.

The refinancing was delayed once before. A New York banker told *PFR* in June that Dresdner had not yet received enough commitments from lenders to fully syndicate the deal and was looking to sign the loan and complete syndication during the fourth quarter (*PFR*, 6/29). He now says financing will likely be delayed until next year while Dresdner tries to bring in more lenders to round out the deal.

Houston energy concern **El Paso** is developing the \$340-\$350 million **Araucaria** project in conjunction with **Cia Paranaense de Energia** (Copel) and **Petrobras**, which both own 20% stakes. Once commissioned, the plant will sell its output to Copel under a 25-year power-purchase agreement.

Bankers at Dresdner and officials at El Paso declined to comment on the matter. Calls to Copel and Petrobras were not returned.

Mexican Project Nears Financial Close

Lead arrangers **Citibank** and **Mizuho Financial** expect to close a \$200 million long-term non-recourse loan toward the end of this month to partly finance the construction of **Altamira**, a \$300 million, 495 MW combined-cycle gas-turbine plant in northeastern Mexico.

Bank of Tokyo-Mitsubishi and **ING Barings** have come on board as co-arrangers and several other banks have signed junior syndication tickets, says a New York project financier. He declined to reveal the names of the banks and their commitment levels.

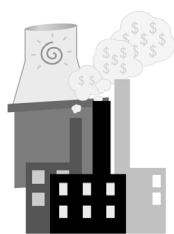
Project sponsors **Electricité de France** (51%) and **Mitsubishi** (49%) are jointly providing \$100 million in equity financing for **Altamira** (*PFR*, 7/22). The facility will sell all of its output to the **Comision Federal de Electricidad**, Mexico's national power company, under a 25-year power purchase agreement.

Bankers at Citibank, BoTM, ING and Mizuho either declined comment or did not return phone calls.

Latin American Power Financing Calendar

*Following is a directory of upcoming projects and related financing in the Latin American power sector. To report new deals or provide updates, please call **Amanda Levin**, Reporter, at (212) 224-3292 or email: alevin@iineews.com*

Sponsor	Project	Project Type	Size (MW)	Cost (\$mil)	Country	Advisor/Financier	Status	PFR Issue
Alcoa	Santa Isabel	Hydro	1,087	700	Brazil	Citi	Financing delayed till 2003	7/22/02
Ceran	-	Hydroelectric	360	111	Brazil	BNDES	Will launch the loan shortly	10/8/01
Corporacion Venezolana de Guyana	Tocoma Dam	Hydroelectric	-	2,100	Venezuela	-	Expects to bring project on line by 2006	6/25/01
Duke Energy International	Pederneiras	Gas-fired	500	270	Brazil	-	Will finance with equity capital.	3/11/02
EdF, Mitsubishi	Altamira	Gas-fired	495	300	Mexico	Citi/Fuji	Expects to seal financing this month.	7/16/02
Electricite de France	Rio Bravo III	Gas-fired	500	290	Mexico	SocGen	Arranging a \$217M project loan	8/26/02
El Paso	-	Gas-fired	200	200	Mexico	-	Expects to bring project on line by 2003	4/16/01
El Paso	Araucaria	Gas-fired	469	340	Brazil	Dresdner	Financing delayed until Q4	7/4/02
El Paso	Macaé	Gas-fired	400	700-800	Brazil	SocGen	Financing due shortly	7/9/02
Elina Suereste	Manuel Moneno Sores	Transmission	-	269	Mexico	BNP	Is arranging a \$236M loan	8/26/02
Iberdrola	Vera Cruz	Gas-fired	800	700	Mexico	-	Will finance with equity	8/26/02
Iberdrola/Petrobras	Termoacu	Gas-fired	340	-	Brazil	IDB	IDB is evaluating the project	7/16/02
InterGen	Carioba	Gas-fired	945	670	Brazil	-	Project delayed until Q1 of 2003	2/25/02
PSEG Global	SAESA	Distribution company	N/A	450	Chile	J.P. Morgan	Considering taking out a \$300M loan to fund the acquisition	9/24/01
PSEG Global	Electroandes	Hydroelectric	183	227	Peru	BBVA Banco Continental/ Banco de Credito	Is planning \$100m in loan and bond financing	7/27/01
Sempra Energy Resources	Mexicali	Gas-fired	600	350	Mexico	SocGen	In the process of arranging a corporate loan	3/11/02
Tractebel/Alcoa	Estreito	Hydro	1,087	700	Brazil	Citi	Waiting for enviromental permits	7/22/02
Union Fenosa	La Laguna II	-	450	-	Mexico	-	-	7/2/01
Union Fenosa	Tuxpan III & IV	Gas-fired	938	600	Mexico	Deutsche Bank BOTM	Expects to bring plant on line by 2003	6/4/01



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
AES	Yarra Power Station	Australia	510	Gas	-	Has appointed an advisor
	Jeeralang	Australia	449	Gas		
	Mt Stuart	Australia	288	Gas		
American Electric Power/ Central and Southwest Corp.	Northeastern units 3 & 4	Okla.	300	Coal	N/A	Reviewing sale strategies.
	Lon C. Hill	Texas	546	Gas		
	Nueces Bay	Texas	559	Gas		
	Ennis S. Joslin	Texas	249	Gas		
ADWEA	Um Al Nar	Abu Dhabi	1,100	Gas & Water Desalination	CSFB	Looking to sell plants in 2003.
AES Fifoots Point	Fifoots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant by end of April
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Looking to sell plant this summer.
Cinergy	Cinergitika	Czech Rep.	230	CHP	J.P. Morgan	Expects to sell assets this summer
	Energetika Chropyne	Czech Rep.	48	CHP		
	EPR Ely	U.K.	36	Straw		
	Moravske Teplamy	Czech Rep.	410	CHP		
	Pizenska Energetika	Czech Rep.	406	CHP		
	Redditch	U.K.	29	Gas		
	Teptama Otrokovice	Czech Rep.	349 (11%)	CHP		
CMS Energy	Loy Yang	Melbourne, Australia	2,000	Coal	Not chosen	Announced intention to sell.
	Ensenada	Argentina	128	Gas-fired	J.P. Morgan	
	CT Mendoza	Argentina	520	Gas-fired	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydroelectric	J.P. Morgan	
DPL	All plants	Ohio	3,500	N/A	Morgan Stanley	
Enel	Interpower	Italy	2,611	Various	CSFB, Lehman, Merrill	Having sold Elettrogen and Eurogen it will sell one more generation portfolio shortly.
Enron	Nowa Sarzyna	Poland	116		PwC (administrator)	Intention to sell.
	Sarlux	Italy	551			
	Trakya	Turkey	478			
	Chengdu Cogen	China	284			
	Northern Marianas	Guam	80			
	Bantagas	Philippines	110			
	Dabhol	India	2,184			
	Subic Bay	Philippines	116			
	Teesside	U.K.	1,875			
Enron	Wilton	U.K.	133	Coal/Oil/Gas	Close Brothers	Intention to sell.
Entergy	Damhead Creek	U.K.	800	Gas	N/A	
IVO Energy	Grangemouth***	U.K.	130	Gas	-	Looking to refocus in Nordic region.
	Edenderry	Ireland	120	Peat		
Niagara Mohawk Power	Nine Mile Point 1	N.Y.	1,614	Nuclear	N/A	Awaiting bids.
	Nine Mile Point 2	N.Y.	1,140	Nuclear	N/A	
NRG	Gladstone Power	Australia	1,500 (37.5% stake)	Coal	ABN AMRO	Awaiting bids.
	Flinders	Australia	760	Coal		
	Loy Yang A	Australia	2,000 (25% stake)	Coal		
	Hsinchu	Taiwan	400 (60% stake)	Gasfired		

Continued

Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
NRG	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil	ABN AMRO	Awaiting bids.
	Collinsville	Australia	192 (50% stake)	Coal		
	TermoRio	Brazil	1040 (50% stake)	Gas	Deutsche Bank	Awaiting bids.
	COBEE	Boliva	220 (98% stake)	Hydro/Gas		
	Itiquira Energetica	Brazil	160 (98% stake)	Hydro		
	Cementos Pacasmayo	Peru	66	Hydro/Oil		
	Bulo Bulo	Bolivia	90 (60% stake)	Gas-fired		
	Cahua	Peru	45	Hydro		
NRG/Xcel	CEEP	Poland	10 (10% stake)	-	Goldman	Has already sold two Eastern European plants. Awaiting further bids.
	Enfield	U.K.	380 (25%)	Gas-fired		
	Killingholme A	U.K.	680	Natural Gas		
	MIBRAG	Germany	238 (50% stake)	Coal		
NRG	Big Cajun II	La.	2,400 (90%)	Coal	-	Has shortlisted three bidders
	Pike	Miss.	1,192	Gas		
	Batesville	Miss.	1,129	Gas		
	Brazos Valley	Texas	633	Gas		
	Kaufman	Texas	545	Gas		
	Big Cajun	La.	458	Gas		
	McClain	Okla.	500 (77%)	Gas		
	Bayou Cove	La.	320	Gas		
	Sabine River	Texas	420 (50%)	Gas		
	Sterlington	La.	202	Gas		
	Mustang	Texas	485 (25%)	Gas		
	Pryor Cogen	Okla.	88 (20%)	Gas		
	Timber	Fla.	13.8	Biomass		
	Power Smith	Okla.	80 (9.6%)	Gas		
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch & Scotia Capital	Expects to sell Lennox and Lakeview shortly.
	Lakeview	Ontario	1,140	Coal		
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
Pacific Gas & Electric	68 Plants	Calif.	3,800	Hydro	Morgan Stanley	Awaiting PUC approval. Expect sale to close shortly.
PESG Global	Tanir Bavi	India	220 (74%)	Naphtha	-	-
	Karpatsalm	India	330 (20%)	Naphtha	-	-
Polish Treasury	Elektroncieplownie Poznanskie	Poland		CHP	-	Bids due in June.
Reliant Resource	Argener	Argentina	160	CHP		
TXU	Lake Creek	Texas	323	Gas	Merrill Lynch	Reviewing sales strategy.
	Tradinghouse	Texas	1,340			
	River Crest	Texas	110			
	Mountain Creek	Texas	893			
	Parkdale	Texas	327			
	North Main	Texas	123	Coal	Merrill Lynch	Is looking to sell an undisclosed number of its coal assets.
	Monticello	Texas	1,900			
	Martin Lake	Texas	2,250			
	Big Brown	Texas	1,150			
Wisconsin Energy	Sandow	Texas	545			
	Bridgeport	Conn.	1,100 (combined)		CSFB	Has put up for sale following collapse of NRG deal.
	New Haven	Conn.	1,100 (combined)			

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 & Australasia

- **NRG Energy** has received seven final bids for its Australian generation assets. **Tractebel**, Malaysian company **Genting Bhd**, Hong Kong's **CLP Holdings** and New Zealand's **Contact Energy** all bid for Flinders power station in South Australia. **Contact Energy**, **International Power** and Japan's **Electric Power Development Co.** have submitted offers for NRG Energy's 37.5% stake in Gladstone power station in Queensland (*Reuters*, 9/10).

Europe & Middle East

- **British Energy's** share price collapsed 65% last Monday despite receiving a GBP410 million (\$638.9 million) government bailout to allow time for a restructuring at the nuclear generator. The emergency funding, which runs until Sept. 27, leaves the government and the company just three weeks to negotiate a long-term rescue package. The fall saw British Energy's market value drop to GBP173.8 million compared with more than GBP2 billion 12 months ago (*Financial Times*, 9/10).
- **Electricidade de Portugal** will create a new unit, **EDP Trading**, to handle its wholesale electricity business. The timing of the unit's creation depends on market conditions and government regulation. **EdP's** wholesale business is currently run by **EDP Energia**, which also handles its retail effort. **EDP Trading** will focus on serving large clients who, thanks to liberalization, can choose their electricity provider (*Diario Economico*, 9/10).
- **NRG Energy** has agreed to sell certain assets in Hungary and the Czech Republic for \$193 million in cash. The unit of **Xcel Energy** is selling its **Csepel Holdings** power facilities, a 45% interest in the **ECKG** power station, and a 75% stake in **Entrade**, an electricity-trading firm, to **Aare-Tessin**, Switzerland's largest energy trader. Minneapolis-based **Xcel** said the total value of the deal including debt is \$525 million. The transaction will reduce the debt and credit obligations on NRG's balance sheet by about \$200 million (*WSJ Online*, 9/11).
- The U.K. administrators of **Enron** have emerged as creditors of **British Energy** under a contract that binds the stricken nuclear firm to buy power at prices some 80% above current U.K. levels. British Energy, which won emergency government

cash to stave off insolvency, valued the liability in its March 2002 accounts at GBP349 million (\$544 million) (*Reuters*, 9/9).

- **Sempra Energy Europe** has joined **Powernext**, the French electricity exchange. Powernext has 27 active members (*Dow Jones*, 9/11).
- **American Electric Power**, the owner of the Fiddler's Ferry and Ferrybridge power plants, is understood to have put the two assets, which account for 8% of the U.K. generation market, up for sale (*Financial Times*, 9/12).

U.S. & Canada

- The fire sale at **Mirant** continued last Friday as the Atlanta-based energy company liquidated yet another international asset. The latest to go is Mirant's 49% stake in **Western Power Distribution**, a U.K. power distributor. Mirant sold the business to majority holder **PPL Corp.** for \$235 million, a loss of \$326 million on its purchase price (*The Atlanta Journal-Constitution*, 9/7).
- Federal energy regulators have proposed limiting public access to details about planned interstate pipelines, electric transmission lines and other critical energy infrastructure in response to the Sept. 11 terrorist attacks. But the **Federal Energy Regulatory Commission** plans to relax a rule imposed a month after the attacks and resume posting on its Web site maps of pipelines and other energy operations (*Houston Chronicle*, 9/6).
- The U.S. Department of Justice is involving itself in the pending sale of **Central Illinois Light**. But the Justice Department request for information regarding the \$1.4 billion sale is not unusual given the size of the transaction, according to **Ameren** (*Journal Star*, 9/7).
- **Allegheny Energy** dismissed its top power trading official **Dan Gordon** after an internal investigation found some of his business dealings violated conflict of interest policies. The Hagerstown, Md., company said the transactions were not expected to lead to a restatement of any of its financial results. Gordon had planned to leave the company next year following the announcement of a cutback in trading. The probe found evidence he conducted business with a computer software company in which he had an undisclosed financial interest (*Reuters*, 9/5).

● **Consolidated Edison** and five of its insurers have filed a \$314.5 million lawsuit against the **Port Authority of New York and New Jersey**, asserting that diesel tanks in 7 World Trade Center were improperly designed and maintained. The suit charges that fires fed by the fuel in those tanks played a major role in the collapse of the building. A major ConEd electrical substation that sat beneath 7 World Trade Center was destroyed when the building collapsed (*New York Times*, 9/11).

● **American Electric Power** will mothball as many as 16 Texas power plants, depending on the requirements of the state's power grid regulator, the Electricity Reliability Council of Texas. AEP has asked ERCOT to decide by the end of the month which of the company's 16 gas-fired power plants will be required to continue running to ensure the reliability of the region's power grid. It will mothball the others to cut operating costs (*Reuters*, 9/11).

... AS HYDRO

(continued from page 1)

opportunities, declined to comment.

Dave Meador, cfo at DTE, told *PFR* earlier this month it plans to whittle down the shortlist to one bidder imminently and announce a sale of the \$375 million asset by year-end. "The sale will help cashflow at a time when we are looking for acquisitions," Meador said. "But it's not definite that we are going to buy anything. It has to be the right opportunity at the right price." Meador did not return calls seeking additional comment last week, nor did officials at DTE's advisor, **Credit Suisse First Boston**.

A power banker who was unaware of details of the pending sale says the three bidders are all strong contenders

that have long shown an appetite for U.S. transmission networks. However, he says Trans-Elect would likely be able to offer the richest bid as it should be able to squeeze more profit from the regulated asset than its rivals. He argues that Trans-Elect's ownership of adjacent power grid **Michigan Electric Transmission Co.** gives it considerable scope for economies of scale-type cost-cutting measures. Trans-Elect bought **Consumers Energy's** 5,400-mile Michigan transmission system, for some \$290 million last year. It also bought a 7,200-mile Canadian grid from **AltaLink** for CAD860 million (\$570 million) in July.

Hydro One operates Ontario's 18,000 mile transmission grid and a largely rural low-voltage distribution system serving 1.2 million customers throughout the province.

—A.L. & W.A.

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BHP BUILDS

(continued from page 1)

building up a trading effort under Adair, but says it has yet to enter the market. However, he dismissed talk of the company buying power plants. "Maybe some banker, somewhere, is pitching us a deal, but it's not our focus."

Lidiard says the aim of building a power-trading desk is to help BHP manage the risks associated with its coal and gas marketing business. BHP sells a significant amount of structured long-term coal and gas contracts to power generators. Power trading will allow it to better hedge these contracts, he explains.

One rival power executive says BHP is looking to add U.K. generation as an outlet for its significant reserves of gas and coal, while another official characterized BHP's plans as a "classic merchant trading strategy, whereby it trades around a portfolio of power plants to maximize their profitability."

BHP produces aluminum, iron ore, copper, energy coal and metallurgical coal and gas. It has a \$31 billion market capitalization and last year had revenues of \$19 billion.

—Will Ainger

DUKE NIXES

(continued from page 1)

portfolio, but declined to provide specifics. Padewer could not be reached for additional comment on Duke's plans for its LatAm assets.

The decision to scratch Mexican expansion plans is perhaps the most surprising given the relative stability of the country's power sector in recent years. Just last month **Moody's Investors Service** upgraded the rating of five Mexican plants to Baa2 from Baa3 because of an improving outlook.

Back in May, the Duke official said the energy giant was looking to develop projects along the Texas border in northeastern Mexico to take advantage of the low valuations that had arisen from the regulatory and economic crises plaguing Latin America (PFR, 5/6). He added that Duke was in the process of examining potential opportunities and was planning to act over the next several months.

According to a New York banker, Duke's Latam strategy is unsurprising given the constant changes in the Latin America's regulatory environment and the political problems that continually plague the region. "We have seen a lot of companies trying to get out because the issues the energy sector faces in Latin America will not be rectified in the near-term." With regard to Mexico, specifically, he says that although it has done well compared to other countries in the region, there is growing sentiment that, "Mexico will be

the next domino to fall."

Duke's Latin American generation portfolio consists of 2,307 MW of hydroelectric capacity in Brazil, 548 MW of hydroelectric and thermal generation in Argentina, 275 MW of thermal capacity in El Salvador, 685 MW of thermal and hydroelectric power in Peru, 173 MW of thermal power Ecuador and 126 MW of hydroelectric capacity in Bolivia.

—A.L.

DTE SEEN

(continued from page 1)

NRG spokeswoman **Lesa Bader** says the IPP and its advisor **Merrill Lynch** have received formal bids for up to 100% of the portfolio. She declined to name the bidders but says NRG expects to announce a sale by year-end. Calls to Merrill were not returned.

Buying the plant would fit into DTE's strategy of snapping up gas- and coal-fired capacity while prices are low. Earlier this month DTE CFO **Dave Meador** told *PFR* the Detroit-based company is seeking plants in the Eastern U.S. and would finance any deal through stock and the possible sale of its wires business (PFR, 9/9). Meador did not return calls late last week and **Amy Messano**, a DTE spokeswoman, declined to comment.

A sale would also fit NRG's game plan of selling capacity to improve financial liquidity. The divestiture program seems to have picked up pace in recent days. Last Wednesday it announced it had agreed to sell its Csepel and ECKG power generating facilities in Eastern Europe for \$525 million. On Aug. 20 NRG sold its 50% stake in 192 MW Collinsville plant in Australia, to **Transfield Services**.

NRG's other assets in Louisiana include two natural gas-fired facilities: Big Cajun I (458 MW) in Baton Rouge and Bayou Cove in Jennings (320 MW).

—Amanda Levin & Will Ainger

Quote Of The Week

"It is frustrating to sell at those absolute levels."—**Robert Busch**, president and cfo of **PSE&G**, bemoaning the low conversion price at which it had to strike a \$400 million convertible bond offering earlier this month (see story, page 5).

One Year Ago In Power Finance & Risk

Lead arrangers of the \$1.3 billion non-recourse loan financing the Al Shuweihat S1 power project in Abu Dhabi sent out invitations for co-arrangers to join the loan syndicate. [Following the Sept. 11 terrorist attacks, pricing on the deal was sweetened and a \$250 million Islamic tranche was carved out to attract more regional participation. Syndication closed in March.]