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Drax Pushes \$800M Refi

Drax Group Limited is pursuing its \$800 million refinancing and public listing plans even as it is still being courted by **Constellation Energy Group** and **Perry Capital**.

For full story, go to www.iipower.com

DENA Preliminary Sale Flyers Out

Duke Energy has kicked off the sale of its **Duke Energy North America** plants, issuing teasers to prospective buyers last week.

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CARLYLE/RIVERSTONE VENTURE PLOTS \$2.5B ENERGY VEHICLE

Carlyle Group/Riverstone Holdings is planning to raise its largest fund—a \$2.5 billion *Carlyle/Riverstone Global Energy & Power Fund III*—focused on power and energy infrastructural investments. More than twice the size of a \$1.1 billion vehicle raised last year, the private equity venture anticipates opportunities will be plentiful to acquire individual generation assets as well as engage in company buyouts because the repeal of the Public

(continued on page 11)

LS POWER MULLS UNLOADING MACHGEN PAPER

LS Power is said to be contemplating dropping its ownership pursuit of a 3.7 GW generation fleet and dumping debt it owns in the plant after its management subsidiary was ousted as the plant's manager. Silver Spring, Md.-based **Competitive Power Ventures** has been appointed as the new manager.

Officials familiar with **LS Power's** thinking say the East Rutherford, N.J.-based private equity shop owns approximately 17-18% of the roughly \$1.2 billion in project paper associated with the facilities' construction. It might unload it because founder **Mike Segall**

(continued on page 12)

WPS EYES DEBT, EQUITY COMBO TO BANKROLL AQUILA ASSETS

WPS Resources plans on funding its \$558 million acquisition of a pair of natural gas distributors from **Aquila** with a combination of debt and equity. **Joe O'Leary**, cfo in Green Bay, Wis., says the details are still being worked on as the deal closes next year. For instance, it has yet to decide at which level to place the debt. "By issuing it at the corporate level we have some of the strongest credit ratings in the industry so it might be easier to do that," he adds.

Leads for the debt and equity haven't been chosen, but **WPS** is working with **J.P. Morgan Securities** as its financial advisor. O'Leary says the equity and debt issuances are contingent

(continued on page 12)

CALPINE DROPS ON CREDITOR SQUABBLE

Calpine's second lien term loan dropped five points to the 76-77 range and its 8.5% '08 bonds fell 11 points to 61.75 after the company knocked heads with its creditors last week. According to *PFR* sister publication *Credit Investment News*, angry holders of **Calpine's** first lien debt stopped the company from withdrawing proceeds from the sale of natural gas assets because **Calpine** did not pay them back at above par in a tender offer it did in June. "They had a chance to get paid back at par," says an analyst. "They were greedy. Now it is a case of sour grapes because they did not get what they wanted." **Calpine** says in a statement that it is

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



At Press Time Lazard Banker Lands At GE

Peter Marquis has joined GE Financial Services as a managing director in Stamford, Conn., in its energy and infrastructure unit. Marquis left Lazard Frères in New York seven months ago as a director in its mergers and acquisitions group (PFR, 2/7). He will be assisting the company as it identifies opportunities in energy development and will also identify possible investments, says Leanne Bell, managing director, his boss. He joined the team in early September, she says.

GE JV Targets \$20M Per Development

GE Financial Services and Starwood Energy have looking to drop \$20 million per generation project in the mid- to late-stage of development via their new joint venture. Investment decisions will be made on a case-by-case basis, however without targeting an annual price targets, says Leanne Bell, managing director for power at GE Energy, in Stamford, Conn.

The alliance is a 50-50 partnership and initial financing will be on balance sheet. "We'll write the checks in the form of a loan. Then when the project is fully developed, we can bring in project lenders, so that we can flip the money into equity," Bell says. All renewables are of interest, according to Bell, as is coal and gas. Regions such as the West Coast, Texas, Pennsylvania, New Jersey and Maryland will be targets.

"Rather than take exposure just for ourselves, we decided to find a like-minded investor like us to form an alliance," says Steve Zaminski, associate v.p. at Starwood, on why the traditionally property-focused investor hooked up with GE.

Duke Issues DENA Preliminary Sale Flyers

Duke Energy has kicked off the sale of its Duke Energy North America plants, issuing teasers to prospective buyers last week. The energy company, which is shedding merchant plants and trading books aside from the Midwest, sent out preliminary marketing material (PFR, 9/19) with additional info to follow. It had a plan to sell assets on the backburner during merger talks with Cinergy, but reconsidered the notion in July (PFR, 7/8). Calls to Duke were not immediately returned.

Duke will take a \$1.3 billion charge in the third quarter to account for the expected transactions. The assets include 6.2 GW of generating facilities. Goldman Sachs and Credit Suisse First Boston are handling the process, and Duke hopes to complete the sales within 12 months. Duke's Midwest merchant assets will be merged with Cinergy's unregulated plants. Officials at the Goldman and Cinergy declined to comment.

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Do you have questions, comments or criticisms about a story that appeared in *PFR*? Should we be covering more or less of a given area? The staff of *PFR* is committed as ever to evolving with the markets and we welcome your feedback. Feel free to contact Mark DeCambre, managing editor, at 212-224-3293 or mdecambre@iinews.com.

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**Institutional
Investor NEWS**
INTELLIGENCE FIRST

Pentium Plans Energy Fund

Pentium Fund, the Swiss hedge fund firm with approximately EUR400 million under management, is planning to launch an energy fund in the next two months. This will be the fund's third strategy to be rolled out in quick succession: it's also planning a commodity fund (PFR, 7/25). It has a total of seven funds under management.

The firm already has some exposure to energy via its *Pentium Real Assets Fund*, which invests about 20% in oil and gas, notes **Vicente Zaragoza**, ceo in Paris. "We wanted to do something more concentrated [on energy], and with a bit more of a long bias," he explains. "We're approaching winter and people will need a lot of energy. We think it's a resource that's going to be in short supply."

Pentium is in discussion with a large Russian energy company that might seed the fund, continues Zaragoza, declining to name the potential investor. About 10% of the fund is likely to be invested in external energy managers via managed accounts, with the rest invested in exchange-traded funds linked to futures. The fund will launch with about EUR50 million and will not have a specific capacity limit, he says.

Beantown Shop Looks To Refresh Trigen, Calpine Asset Financing

Boston-based **Thermal North America** is looking for \$312 million in senior secured credit facilities to refinance 10 district heating and cooling systems acquired from **Trigen Energy Corporation** in June, as well as non-recourse debt related to a 50% stake in generation facility Grays Ferry acquired from **Calpine** in July. Details of how the acquisitions were initially financed by Thermal could not be ascertained by press time.

Lead arranger **Lehman Brothers** launched syndication early this month and plans to have the deal closed within the next few weeks, watchers say. Calls to **Jeff Larson**, founder of **Sowood Capital Management**, which owns Thermal, were not returned.

The deal breaks down into a \$247 million term loan facility due 2013, a \$30 million synthetic letter of credit and a \$35 million revolving credit facility. Pricing information could not be obtained. Calls to Lehman bankers were not returned.

Scott Solomon, an analyst at **Moody's Investors Service** in New York, says the Trigen assets are strong because there is not much competition in the service areas, which include Boston, Baltimore, Kansas City, Oklahoma City and Philadelphia. Moody's has given Thermal's credit facilities a speculative Ba3 rating.

CIT Adds Project Veteran

CIT Group has hired **Mike Lorusso** as a director in its energy and infrastructure group in New York. The former head of the energy and project finance at **National Australia Bank** in New York left that organization last year when NAB opted to wind down its structured product group (PFR, 12/20). He reports to **Dan Morash**, head of the group, originating loans on power-related deals. "There's a drive for growth," Lorusso says, adding he was attracted to the organization because it is able to provide a variety of debt for power deals. "In today's market you need to be creative in structuring deals. That's the strength of being here."

A 20-year project finance vet, Lorusso built NAB's non-recourse business for five years. Before that he worked in Zurich, Switzerland, in financial services at **ABB**. For a four month spell, after leaving NAB last year, he worked at **General Motors Mortgage Acceptance Corp.** doing structured transactions, but left the firm because he saw a more appealing opportunity in CIT.

CenterPoint Eyes Leads For \$1.8B Transition Bond

CenterPoint Energy expects to pick leads by next week for a \$1.857 billion transition bond. **Joe Fichera**, ceo at securitization specialist **Saber Partners**, says **Barclays Capital**, **Credit Suisse First Boston**, **Lehman Brothers** and **RBS Greenwich**, are among the 14 banks being considered for a lead manager role, however, the selection may be held up depending upon the impact of Hurricane Rita on Houston, home of CenterPoint's headquarters.

CenterPoint originally intended to issue the bonds in the first half of 2005 (PFR, 12/10), but was put on hold because of an appeal of the transaction filed by consumer groups. According to a filing with the **Securities and Exchange Commission**, CenterPoint intends to retire debt or equity with the proceeds. The company is barred from using the funds for general corporate purposed or commercial purposes. The offering is expected to have a European syndication, adds Fichera

Idaho Firm Launches Paris Outpost

Sawtooth Investment Management, the Boise, Idaho-based hedge fund firm, has opened an office in Paris as part of its efforts to market to international investors. The firm launched an off-shore version of its *McOmber Energy Fund* this summer. **Susan Galiounghi** was hired to head the Paris office and will be principally responsible for marketing MEF to European and international institutions, says **Roger McOmber**, principal.

Galiounghi, a Franco-American marketing veteran, was most recently at **Credit Lyonnais**, where she was responsible for setting up the firm's U.S. research sales for institutions. Galiounghi says

additional hires were a possibility. "Eventually we'd like to see the office grow, but first we'd like to see more investors."

MEF has three trading strategies; balanced pairs, long/short and yield arbitrage. The \$63 million fund has returned nearly 12% this year. Last month it gained 2.339%. The minimum investment is \$1 million. Fees are 1% of assets and 20% of performance with a high-water mark. There is a one-year lockup, after which investors can withdraw capital on a quarterly basis.

Black Hills Weighs Wyo. Financing

Black Hills Corp. is mulling long-term financing options for its 90 MW Wygen II coal-fired plant it is in the process of constructing. Short-term, however, it can draw from a \$400 million revolving credit facility, says **Dale Jahr**, director of

investor relations in Rapid City, S.D. Calls to **Mark Thies**, cfo, were not returned. The plant, located in Wyoming, is expected to cost about \$169 million to build and come online in 2008.

All financing options, including non-recourse debt, are being reviewed, says Jahr. One of the 14 banks on the revolver will likely be awarded a lead position, and they include **ABN AMRO**, **Union Bank of California** and **Bank of Nova Scotia**. Calls to officials at the banks were not returned.

Last month, the plant received final regulatory approval from the **Wyoming Public Service Commission**, and has already been green-lighted by the Wyoming Department of Environmental Quality. The plant will be a regulated asset of Black Hill's utility sub **Cheyenne Light, Fuel & Power**.

Corporate Strategies

Energy East To Rework \$580M Debt Package

Energy East plans on refinancing about \$580 million in trust preferred securities and maturing notes. A chance to grab a cheaper package of debt now is the main driver for the Gloucester, Maine, holding company. The debt load comprises \$345 million in 30-year 8.25% trust preferred securities and \$233 million in maturing five-year 5.75% notes due next year, says **Howard Coon**, director of corporate finance. The energy company could place a bit more debt than it is replacing in order to have some additional capacity with proceeds earmarked for corporate operations, he notes, but says details will be solidified in a few months prior to its offering.

Leads have not been selected, but banks within Energy East's existing cadre will be considered strongly, he notes. Some of its larger banks include **Bank of America**, **JPMorgan Chase**, **Citigroup** and **Wachovia**, all of which hold participating roles on its revolving lines of credit.

Issued about five years ago, Energy East's 30-year notes are callable at par next July but the company intends on mixing up tenors and issuing both 10- and 30-year securities, when it retools in order to stagger its maturities, Coon says. The five-year debt matures November 2006. The company maintains a 60:40 debt-to-equity ratio.

Meanwhile, Energy East subsidiary **Connecticut Natural Gas Corp.**, has just shopped \$20 million in medium-term notes. The 30-year debt deal led by BofA was priced last week at 5.63%. The offering was issued from CNG's MTN debt shelf, which presently stands at \$60 million. The bonds were sold to **TIAA-CREF**, which Coon says has been a consistent investor in Energy East debt. A call to a Teacher spokesman was not returned.

BofA arranged the MTN debt shelf for CNG a few months ago so they got the first crack at offering the MTNs, explains Coon. "We traditionally have offered the first deal to whoever sets up the MTN," he notes. In May, another Energy East arm, **Central Maine Power** issued 5.78% non-callable 30-year MTNs (PFR, 5/9/05). That deal was underwritten by Citi.

FPL Places \$300M Mortgage Bonds

Florida Power & Light Co. has sold \$300 million of 30-year, fixed-rate mortgage bonds. The first mortgage debt was priced at 87.5 basis points over Treasuries, which is in line with comparable issuances for the Juno Beach, Fla., utility subsidiary of **FPL Group**, according to **Moody's Investors Service** analyst **Mike Haggerty**, in New York. He says the pricing is not quite as low as FPL's last offering in June, which was priced in the 70-basis-point range, when it "hit the sweet spot," but the current deal falls in with several earlier mortgage bond offerings. Calls to **Steve Stengel**, spokesman at FPL, and **Bob Barrett**, director of investor relations, were not returned.

Proceeds from the sale will be used to refinance existing debt and to fund various new construction projects FPL may have in the works. "This has been in their capital plan," Haggerty says, adding it was probably done to capitalize on attractive interest rates. FPL's existing debt rating will be rated by Moody's as Aa3, stable outlook, according to Haggerty.

The sale was underwritten by **Morgan Stanley** and **Wachovia Corp.**

Florida Power & Light serves 4.1 million customers in eastern and southern Florida, and has nearly 70,000 miles of transmission and distribution lines, as well as interests in nuclear and fossil-fueled power plants.

Corporate Strategies (cont'd)

EnCana Refis Via C\$500 MTN Issuance

EnCana Corporation has sold C\$500 million (\$424 million) in three-year medium-term notes to partially refinance nearly C\$1.5 billion in bond redemptions. Co-led by **Canadian Imperial Bank of Commerce** and **Bank of Nova Scotia**, the offering, which is in the process of being priced, is in line with a strategy of keeping leverage at 30-40%, says **Tom Hinton**, treasurer in Alberta. The midstream gas company is on target to hit the low end of its preferred spectrum, mostly by shedding assets, such as the \$1.5 billion sale of Ecuadorian pipeline assets announced last week.

The notes being redeemed were paying significantly above current market rates, so EnCana expects to be able to refinance at a lower rate. Some of the notes were called early, leading to a premium of about C\$150 million. But it still expects to replace the securities at lower rates and mitigate the additional cost.

Hinton says redeeming the securities, which were originally underwritten by **Royal Bank of Canada**, was part of EnCana's general housecleaning. "The notes were quite old and a little out of date for our current size," he explains. In selecting CIBC and Bank of Nova Scotia, the midstream company employed a strategy of rotating its lead lenders in order to manage its banking relationships.

The redeemed debt includes a C\$200M 5.95% portion due Oct. 1, 2007, C\$100M 5.80% notes due June 19, 2008 and C\$150M 6.10% notes due June 1 2009.

PSEG Eyes Debt Reduction, Stock Buyback

Public Service Electric and Gas is looking at using the \$102.7 million in asset-based stranded cost recovery bonds it recently placed to reduce debt and possibly to buy back stock, according to **Mort Plawner**, treasurer in Newark, N.J. The securitization is part of deregulation in the Garden State: PSEG has been allowed to securitize generation costs associated with deregulation.

The latest securitization was issued in tranches of approximately equal size at two, five, seven and nine-year maturities. The bonds are backed by special charges on customers' bills and are supported by a **New Jersey Board of Public Utilities** guarantee to raise the charge as necessary to ensure repayment. Plawner says this should be the last transaction of its type for PSEG for the foreseeable future. The first one took place in January 2001 and involved \$2.5 billion of debt.

Credit Suisse First Boston, **Barclays Capital** and boutique investment bank **M.R. Beal**, led the deal with **Saber Partners**, acting as advisor to the New Jersey Board.

The two-year tranche of the \$102.7 million deal was priced at five basis points under the LIBOR swap-based index; the five-year at one basis point below the index; the seven-year at four basis points over the index; and the nine-year at seven basis points above the index.

The deal attracted insurance companies and pensions that likely will hold onto the debt rather than flip it.

Financing Record (SEPTEMBER 14-SEPTEMBER 20)

Debt

Rule 144A	Issuer	Business Description	Amount (\$ mil)	Coupon (%)	Type of Security	Maturity	Offer Price	YTM(%)	Spread	S&P	Moody's	Fitch
9/14/05	Public Svc Enterprise Grp Inc	Electric,gas utility	375	Floats	Float Rate Nts	9/21/08	100	Floats		BBB-	Baa2	BBB
9/19/05	Florida Power & Light Co(FPL)	Electric utility	300	5.4	Fst Mtg Bonds	9/1/35	99.533	5.432	88	A	Aa3	AA-
9/20/05	Electricite d'Emosson SA	Electric utility	101.4	2.25	Fxd/Straight Bd	10/26/17	100.2	2.231		NR	NR	

M&A

Date Announced	Acquiror Name	Business Description	Target Nation	Target Name	Business Description	Target Nation	Value (\$mil)
9/16/05	Rutherford Creek Hydroelectric	Electric, Gas, and Water Distribution	Canada	Innergex Power Income Fund	Investment & Commodity Firms,Dealers,Exchanges	Canada	85.179
9/19/05	Aurora Hydro Connections Ltd	Electric, Gas, and Water Distribution	Canada	PowerStream Inc	Electric, Gas, and Water Distribution	Canada	
9/20/05	Vorarlberger Erdgas GmbH(VEG)	Electric, Gas, and Water Distribution	Austria	Vorarlberger Kraftwerke	Electric, Gas, and Water Distribution	Austria	

Source: **Thomson Financial Securities Data Company**. For more information, call **Rich Peterson** at (212) 806-3144.



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Generation Auction & Sale Calendar

Following is a directory of ongoing generation asset sales. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. New items are in bold. To report new auctions or changes in the status of a sale, please call Mark DeCambre, managing editor, at (212) 224-3293 or e-mail mdecambre@iineews.com.

Seller	Plants	Location	MW	Plant Type	Advisor	Status
AES	Wolf Hollow	Texas	730	Gas	N/A	In Play.
	Termomamonal	Colombia	90	Gas	None	
	Ottana	Italy	140	Gas		
Aquila	Racoon Creek	Ill.	340	Gas	Not chosen	Intention To Sell.
	Goose Creek	Ill.	340	Gas		
	Crossroads	Miss.	340	Gas		
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention To Sell.
Black Hills Energy	Pepperell	Mass.	40	Gas	-	Intention To Sell.
BNP -led bank group (Exelon developed plants)	Mystic River 7	Mass.	560	Oil/Gas	Lazard	Ongoing.
	Mystic River 8	Mass.	832	Gas		
	Mystic River 9	Mass.	832	Gas		
	Fore River	Mass.	832	Gas		
Calpine	Ontelaunee Energy	Ontelaunee Township Center, Penn.				Sold to LS Power for \$225M. Thermal North America Acquired Remaining Interest. Tenaska In Talks To Acquire 8% Interest For \$7M.
	Grays Ferry	Philidelphia	175 MW,	gas-fired,		
	Philadelphia Water	Philidelphia	23 MW	gas-fired diesel and biogas		Diamond Generating In Talks to Acquire. For \$82M. International Power And Mitsui & Co. Have. Agreed To Acquire For \$906M.
	Morris Power Plant,	Morris, Ill.	156 MW,	gas-fired		
	Saltend Energy Centre	Hull, England	1,200 MW,	gas-fired		
Citi & SocGen-led creditor group (TECO Energy developed plants)	Union	Ark.	2,200	Gas	Goldman	Ongoing.
	Gila River	Ariz.	2,300	Gas		
CMS Energy	Ensenada	Argentina	128	Gas	Not chosen	Announced Intention To Sell.
	CT Mendoza	Argentina	520	Gas	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydro	J.P. Morgan	
Citi-led bank group (NEG developed plants)	Lake Road	Conn.	840	Gas	Lehman Bros.	Cargill Bought Debt Portion (PFR, 12/27). Complete Energy Has Won The Bidding. Actively Pursuing A Sale.
	La Paloma	Calif.	1,121	Gas	Lehman Bros.	
	Lowell Power	Mass.	82	Gas	None	
Duke Energy North America	Bridgeport Energy Project	Bridgeport, Conn.	490 MW	Gas	CSFB Goldman Sachs	In Play (See Story, Page 2).
	Maine Independence Station	Penobscot County, Maine	520 MW	Gas		
	Bayside Power Project	St. John, New Brunswick	260 MW	Gas		
	Fort Frances Cogeneration Project	Fort Frances, Ontario	110 MW	Gas		
	Lee Energy Facility	Lee County, Ill.	640 MW	Gas		
	Vermillion Energy Facility	Vermillion County, Ind.	640 MW	Gas		
	St. Francis Energy Facility	Glennville, Mo.	500 MW	Gas		
	Washington Energy Facility	Washington County, Ohio	620 MW	Gas		
	Fayette Energy Facility	Fayette County, Pa.	620 MW	Gas		
	Hanging Rock Energy Facility	Lawrence County, Ohio	1,240 MW	Gas		
	Oakland Power Plant	Oakland, Calif.	165 MW	Gas		
	Moss Landing Power Plant	Monterey County, Calif.	2,538 MW	Gas		
	Morro Bay Power Plant	Morro Bay, Calif.	1,002 MW	Gas		
	South Bay Power Plant	Chula Vista, Calif.	700 MW	Gas		
	Griffith Energy Facility	Mohave County, Ariz.	600 MW	Gas		
	Arlington Valley Energy Facility	Maricopa County, Ariz.	570 MW	Gas		
	McMahon Cogeneration Plant	Taylor, British Columbia	117 MW	Gas		
El Paso Europe	Enfield	U.K.	396 (25%)	Gas	None	Ongoing.
	EMA Power	Hungary	70	Coal		
	Kladna	Czech Rep.	350	Coal		
El Paso North America (Merchant assets)	Berkshire	Mass.	261 (56.41%)	Gas		Final Bids Due. Negotiations Are Taking Place With BroadStreet Resources.
	CDECCA	Conn.	62	Gas		
	Eagle Point	N.J.	233	Gas		
	Pawtucket	R.I.	67	Gas		
	San Joaquin	Calif	48	Gas		
EnCana	Cavalier	Alberta	106	Gas	HSBC	Being Shopped To North American Power Group. Launched Sale In April.
	Balzac	Alberta	106	Gas	HSBC	
	Kingston	Ontario	110 (25%)	Gas	HSBC	



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Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Energy Investors Fund	Multitrade Crockett	Va. Calif.	79.5 (60%) 240 (24%)	Biomass Gas	None	BNP Paribas is advising on the saleBNP Paribas Is advising on the sale.
Entergy Asset Management	Robert Ritchie Warren Power RS Cogen Harrison County	Ark. Miss. La. Texas	544 314 425 (49%) 550 (70%)	Gas/oil Gas CHP Gas	None	Ongoing.
EPRL	Glanford Thetford Ely Westfield Elean	U.K. U.K. U.K. U.K. U.K.	14 39 13 10 38	Poultry Litter Poultry Litter Poultry Litter Poultry Litter Straw	Rothschild	Ongoing.
Exelon/PSEG	Eddystone Generating Station Linden Generating Station	Delaware County, Pa. Linden, N.J.	1,510 MW 775 MW	Coal and Gas Gas		Interviewing Banks To Advise On Sales.
HSBC-led creditor group	Attala	Miss.	526	Gas	HSBC	Sold To Entergy.
KBC-led creditor group	Milford	Conn	542	Gas	Lazard	Ongoing.
Mirant	Shady Hills West Georgia Bosque County Wichita Falls	Fla. Ga. Texas Texas	474 640 538 77	Gas Gas Gas Gas	BoFA	Ongoing.
Morrow Power	Boardman	Ore.	28	Gas	Marathon Capital	Evaluating Bids.
Nations Energy	Bayport Mungo Junction Southbridge	Texas Ohio Mass.	80 32 7	N/A		Considering Liquidation.
National Energy Gas & Transmission (USGen New England)	Salem Harbor Brayton Point Manchester St. Connecticut River Deerfield River	Mass. Mass. R.I. N.H. Mass.	745 1,599 495 479 89	Coal/Oil Coal Gas Hydro Hydro	Lazard	Dominion Has It Under Contract.
Oman (Ministry of Housing, Electricity & Water)	Rusail Ghubratt Wad AlJazzi	Oman Oman Oman	730 507 350	Gas CHP Gas	CSFB	-
Reliant Energy	Carr Street Astoria Gowanus Narrows	N.Y. N.Y. N.Y. N.Y.	95 1,276 549 281	Oil Gas Gas Gas	Goldman	Ongoing.
InterGen	La Rosita Redbud Cottonwood Magnolia El Bajio Termocali Rocksavage Spalding Coryton Rjinmond Knapsack Catadau Meizhou Island Power Quezon Callide C Millmerran	Mexico Okla Texas Miss. Mexico Columbia U.K. U.K. U.K. Netherlands Germany Spain China Singapore Philippines Australia Australia	1,100 1,220 1,235 900 600 235 748 860 732 820 790 1,200 724 750 460 920 880		Citigroup	AIG And Ontario Has Won The Bidding War.
SG-led bank group (NEG developed plants)	Athens Covert Harquahala Millennium	N.Y. Mich. Ariz. Mass.	1,080 1,170 1,092 360	Gas Gas Gas Gas	Blackstone	Assessing Bids.
STEAG Teco Energy	Iskenderun Dell Power Station McAdams Power Station	Turkey Ark. La.	1,320 540 599	Gas Gas Gas	Morgan Stanley	Ongoing. Reviewing Options.
Tractebel North America	Chehalis	Wash.	520	Gas	N/A	Looking To Sell Or Swap.
United Utilities	Landfill Generation Portolio	U.K.	50 MW	Landfill	RBC Capital Markets	Set To Launch Sale In May.
WPS Resources	Sunbury Generating Station	Shamokin Dam, Pa.	450 MW	Coal	Lazard	Buyers Are Stalling Over Fuel Contracts.

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.

The Americas

- Baltimore-based **Constellation Energy** is joining forces with French-owned **Areva** to create **UnitStar Nuclear**, a partnership intended to create a new business model for the nuclear power industry. The two companies said they would work together to manufacture, construct and then operate a reactor, and would retain partial ownership, selling the rest to a utility company or other investor (*The New York Times*, 9/16).
- Consumers and businesses can expect higher charges for electricity made by power plants that burn pricey natural gas. California and Texas, the two most populous states that are the most dependent on natural gas for power generation, are getting special attention because of high electricity rates that are expected to hit the country (*The Wall Street Journal*, 9/16).
- California's trailblazing lawsuit to cap global warming gases from coal-fired power plants as distant as Kentucky and Florida was tossed out of federal court Thursday on jurisdictional grounds. U.S. District Judge **Loretta A. Preska**, in Manhattan, ruled the case brought by the state Attorney General **Bill Lockyer** and prosecutors for seven other states and New York City raised sweeping questions of public policy best resolved by Congress and the president, not the courts (*The Sacramento Bee*, 9/16).
- **AES Corp.** is proposing that Boston Harbor's Outer Brewster Island be hollowed out to store liquefied natural gas, a proposal amounting to about \$500 million. AES says Outer Brewster, located 10 miles out to sea from downtown Boston and two miles north of Hull, is a perfect uninhabited island from which to store LNG and then distribute it to land as natural gas via the underwater Hub Pipeline (*Boston Herald*, 9/17).
- **Cinergy** and **Vectren** are moving ahead with plans to build a coal gasification power plant in Indiana. The companies will negotiate a contract with **General Electric** and **Bechtel** for a preliminary engineering and design study. Those companies recently finished an 11-month feasibility study for **Cinergy** (*Indianapolis Star*, 9/21).
- **Mirant** officials announced a limited reopening of their power plant in Alexandria Tuesday but said they had not yet made changes to the plant to reduce pollution levels that alarmed state environmental officials and prompted closure of

the plant last month (*Washington Post*, 9/21).

- Spot liquefied natural gas prices have surged to record highs near \$10 million British thermal units. Hurricane Katrina has reduced U.S. natural gas output while LNG projects in Nigeria, Australia and Egypt have lost nearly 1.6 million metric tons of output due to production problems in August and early September. LNG was selling around \$6 per million BTUs in July (*Purchasing.com*, 9/19).
 - California's Public Utilities Commission wants the federal government to require energy companies planning liquefied natural gas import terminals to provide early information on those facilities to state and local authorities. **Federal Energy Regulatory Commission** is set to issue final rules by Oct. 7 requiring owners of proposed LNG terminals to notify the agency at least six months before a formal application is filed (*Reuters*, 9/20).
 - **Duke Energy Corp.** will consider new generating plants with its planned acquisition of Midwest utility **Cinergy Corp.**, including new coal technology to reduce emissions linked to global warming, according to **Fred Fowler**, Duke's president and chief operating officer. He also said new nuclear generation is a fuel option for Duke in the longer term (*Reuters*, 9/20).
- Mirant**, a bankrupt U.S. power producer, won court approval to borrow as much as \$2.35 billion to repay creditors and cover operating expenses under a proposed plan to exit bankruptcy (*Bloomberg*, 9/21).
- Another natural gas pipeline will soon be constructed through Cherokee County, Texas, said officials with **Energy Transfer Partners**, the company to which the pipeline will belong. Energy Transfer has sufficient natural gas volumes that have been committed by producers to provide the initial economic justification for the pipeline, which is anticipated to cost about \$132 million. Additional pipelines planned as part of this multi-phase expansion are expected to cost an additional \$270 million (*Jacksonville Daily Progress*, 9/21).
 - The **Bank of New York** has denied debt-ridden West Coast power giant **Calpine** access to proceeds of a \$117 million asset sale after two large bondholders claimed the company is misusing the money (*New York Post*, 9/21).
 - **Innergex Power Income Fund** has reached an agreement

with **Innergex II Income Fund** to acquire the Rutherford Creek hydroelectric power plant in British Columbia, Canada. The \$100.4 million acquisition of the 49.9 MW facility, located near Pemberton, is subject to regulatory and third-party approvals. Of the acquisition cost, \$50.4 million will be paid in cash and \$50 million relates to the assumption of indebtedness incurred during project development (*International Water Power and Dam Construction*, 9/21).

Europe and Africa

- Nigeria will invest \$2.5 billion by 2007 to improve electricity supply, using windfall earnings from oil exports at record high prices, according to President **Olusegun Obasanjo** (*Reuters*, 9/20).

- Russia's **Gazprom** unveiled a short list last week of five foreign companies being considered as partners in a \$20 billion Arctic gas project that could supply U.S. markets for half a century. The firms include: Norway's **Statoil** and **Hydro**, the U.S.'s **Chevron** and **ConocoPhillips** and France's **Total**. Gazprom said it would keep 51% of the project and would hold further talks to select a final line-up to help it develop its first LNG project (*Reuters*, 9/16).

- Britain's **Drax Group** has rejected a takeover offer from U.S. utility group **Constellation Energy Group Inc.** and U.S. hedge fund **Perry Capital**. According to Drax, the proposal significantly undervalues the company and has no certainty of delivery, (*Reuters*, 9/20).

LSP-Kendall To Refinance Debt

A deal to refinance debt associated with **LSP-Kendall Energy** was expected to hit the market last week with **Credit Suisse First Boston**, **Lehman Brothers** and **Goldman Sachs** leading the loan. The \$412 million term loan is being talked at LIBOR plus 2 3/4% with a call premium 102, 101. The Kendall Energy Plant is located in Minooka, Ill., and consists of four 300 MW combined cycle units. **LS Power** developed the asset and sold it to **NRG Energy** about five years ago, but reacquired it last December. A call to LS Power was not returned.

CARLYLE/RIVERSTONE

(continued from page 1)

Utility Holding Company Act (PUHCA) lowers regulatory hurdles, says one potential investor. **Michael Hoffman**, managing director in New York, declined to comment.

The two firms have been major players in the energy sector, currently taking aim, with venture partner **FPL Group**, at New York peaker assets valued at \$600 million-\$1 billion being auctioned by **Reliant Resources** (PFR, 9/19). The joint venture makes investments globally with its primary focus on the midstream, upstream, power, and oilfield service sectors.

With PUCHA repealed, the fund can now make plays in independent buyer companies as well as regulated assets. The buying power of the fund will be many times greater than its \$2.5 billion using leverage. The leverage amount could not be determined. Typically the fund targets returns more than 20% to its investors on an internal-rate-of-return basis.

Earlier this year, the venture between the private equity shops **The Carlyle Group** and **Riverstone Holdings**, launched a more \$300 million renewable energy vehicle. —*Mark DeCambre*

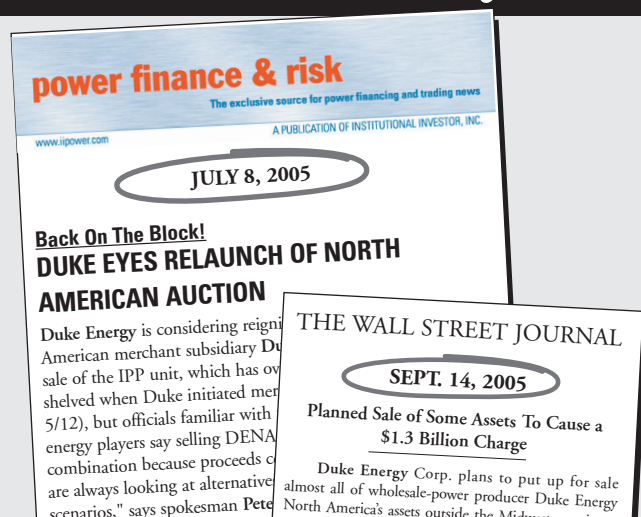
CALPINE DROPS

(continued from page 1)

evaluating its options in response to the letter and intends to pursue its legal rights to resolve the dispute. At press time Friday, the firm had reportedly hired a law firm to push its position, but the name of the firm could not be determined.

According to **Calyon Securities**, the account containing the proceeds from the sale of natural gas assets is down to \$395 million. In a research note, Calyon says this suggests that Calpine has "already 'recycled' \$313 million of asset sale proceeds into operating cash flow." Calyon says in the report that asset sale proceeds in the escrow account can only be used to redeem secured debt at par or better, but operating cash flow can be used

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to repurchase any debt at prevailing market discounts.

"Using OCF [operating cash flow] to buy back unsecured debt maturing in 2008 at 70 cents on the dollar is obviously far better for the overall capital structure than using asset sale escrow funds to buy back first lien debt due in 2014 at a premium to par," says the Calyon Securities in a research note.

Last week, the senior secured note holders sent a letter to Calpine informing the company that they will block the release of \$117 million that Calpine wants to draw down from the escrow account to buy gas fuel. Calpine said it is permitted to use the proceeds from the sale of its gas assets to buy natural gas. Calpine has already used \$360 million of the proceeds to buy gas fuel. —*Kim Moore*

WPS EYES

(continued from page 1)

on how the regulatory approval process goes, with debt issuances taking place no earlier than March, when the company hopes to close the sale.

The utilities being acquired are **Minnesota Gas** and **Michigan Gas**. Aquila kicked off an auction of utility assets in the summer (PFR, 6/9). **Al Butkus**, Aquila spokesman, says the company is happy with the sales price because the market placed a higher valuation on the assets than anticipated.

O'Leary says the permanent debt will be arranged after the transaction closes and some short-term debt may be used for a brief period of time to take the company through the close. As

for equity, the company was planning on issuing \$100-130 million in equity sometime between now and the end of the year and could look to increase that amount. If the company does increase the amount, it might be more inclined to issue some equity this year, and some next year. "We want to finance this in a way that has no impact on our credit ratings," he explains. "At [closing], we'll look at what is the most advantageous for our company, keeping in mind our ratepayers." —*Mari Slater*

LS POWER

(continued from page 1)

does not want an ownership stake if it cannot also manage the asset, they say. Calls to the LS Power head were not returned.

The debt of the **PG&E National Energy Group**-developed fleet is primarily owned by hedge funds, who were not happy with management fees that LS Power wanted to charge. Although pleased with how the plant's were operated, the hedge fund owners believed that LS Power attributed too much of the plant's improved performance to their management savvy and wanted to goose the terms of its new contract, which was set to expire (PFR, 8/15).

On average, asset manager's contracts tend to include operating fees of \$75,000-100,000 per generating facility (assuming a plant of 580-900 MW) annually and can include a performance hurdle, granting the manager a percentage of the value it creates. Specifics on LS Power's existing or proposed management contract could not be obtained nor could the terms of CPV's arrangement. Calls to CPV CEO **Doug Egan**, were not returned.

The portfolio consists of **Athens** (1,080 MW) in New York, **Millennium** (360 MW) in Massachusetts, **Covert** (1,170 MW) in Michigan and **Harquahala** (1,092 MW) in Arizona. —*M.D.*

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Quote Of The Week

"There's a drive for growth. In today's market you need to be creative in structuring deals. That's the strength of being here." —**Mike Lorusso**, new director in **CIT Group's** energy and infrastructure group in New York, on the benefits of moving to CIT from **National Australia Bank**. (see story, page 3).

One Year Ago In Power Finance & Risk

Wisconsin Energy was looking to raise \$500 million through four separate corporate bond offerings over the next few years to finance the construction of two 615 MW coal-fired plants and two 545 MW combined-cycle gas plants. [Thad Nation, spokesman at Wisconsin Energy, says the first gas-fired plant went on-line this summer, while the second gas-fired plant is scheduled to go on-line in 2008.]