

# power finance & risk

The exclusive source for power financing and trading news

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## At Press Time

### NRG/Texas Genco All But Wrapped

Officials close to the **NRG Energy/Texas Genco** deal say the private equity firms that own the generating company are finalizing the terms of the deal.

For the full story  
please go to [www.iipower.com](http://www.iipower.com)

## DZ Vet Plots Exit Plan

**Mary Power**, veteran project financier, is on her way out of **DZ Bank** in New York by year-end.

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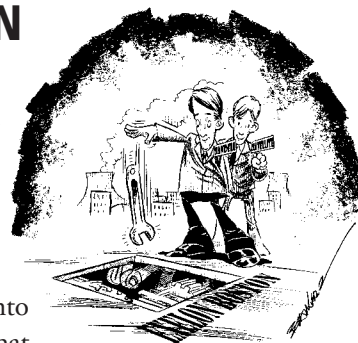
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## HEDGE FUNDS THROW SPANNER IN EXELON BOSTON RECAST

Grousing among hedge funds over a \$1.4-1.7 billion retooling of debt related to **Exelon Boston Generating** is threatening to topple a bid by **K-Road Ventures** to manage and operate the plants. The portfolio is owned by some 40-odd hedge funds, which are aiming to refinance about \$665 million in debt related to the plants construction and convert the remainder into equity via **Credit Suisse First Boston** (PFR, 9/19). But, how that



(continued on page 11)

## MADISON DEARBORN, US POWER GENERATING TAKE LEAD FOR ORION ASSETS

Madison Dearborn and US Power Generating have reportedly taken the pole position in a bid to acquire generation assets being sold by **Reliant Resources**. The pair was not viewed as a contender for the assets until late last week, but an offer to take both the Orion mid-continent baseload assets and the prized New York peakers is proving enticing for Reliant, officials say. Reliant has reportedly told another hopeful **Carlyle/Riverstone** its current bid is insufficient, but it may revisit its offer.

(continued on page 11)

## CSFB READIES \$2B+ PACKAGE FOR DYNEGY ASSET BUYER

Lead **Credit Suisse First Boston** is planning to come to market with a more than \$2 billion acquisition debt package on behalf of Houston-based **Targa Resources**. The financing, which is expected to be some combination of bonds and loan facilities, will partially fund the **Warburg Pincus**-backed gas company's \$2.4 billion planned acquisition of midstream assets from **Dynegy**. The precise structure of the deal is still be hammered out by arrangers as well as being reviewed by credit analysts, trackers say. A call to **Joe Bob Perkins**, president at

(continued on page 12)

## RIVALS LOOK TO SNAG MORGAN STANLEY'S LEAD ON CALPINE OFFERING

Major investment banks, including **Credit Suisse First Boston** and **Goldman Sachs**, are jockeying to take the lead slot on a \$400 million preferred stock offering for Calpine away from current underwriter Morgan Stanley. The offering was expected to hit the Street early last week, but Morgan Stanley opted to shelve the deal, indicating investor appetite for the planned 15-16% yielding paper had waned.

In a published report last week, Morgan Stanley stated it could re-market the offering at

(continued on page 12)

Check [www.iipower.com](http://www.iipower.com) during the week for breaking news and updates.



## At Press Time Diamond Taps Fortis For Ill. Plant Financing

Diamond Generating Corp. has reportedly tapped Fortis Capital to lead a refinancing for a 156 MW, natural gas-fired plant in Morris, Ill. The West Coast-based power unit of Mitsubishi Corp. acquired the Morris Power Plant in August from Calpine Corp. in a \$84.5 million deal. Timing, terms and the size of the refinancing could not be ascertained.

Officials say Diamond went to a number of banks in an RFP process for the financing after the acquisition closed in August. The plant, which went online in 1998, has a long-term power and steam contract with Equistar Chemicals.

## DTE Near Close Of \$1.9B Revolver

DTE Energy and subsidiaries Michigan Consolidated Gas Co. and Detroit Edison are moving toward wrapping a \$1.9 billion, five-year revolving credit facility to be used for general corporate purposes. Barclays Capital, JPMorgan Chase and Citigroup are acting as co-leads on the deal which is set to close this week. Officials at Barclays declined to comment and calls to JPMorgan and Citi were not returned. David Meador, cfo at DTE in Detroit, did not return calls.

Pricing is reportedly 12.5 basis points at DTE, with the first drawn pricing at 55 basis points, escalating 10 basis points to 65 when fully drawn. DTE Energy has a short-term A-2 rating from Standard & Poor's. According to S&P, as of June 30, 2005, DTE Energy had \$486 million in cash and equivalents, and maintains \$1.675 billion in credit facilities.

## Arizona Public Looks To Extend Credit

Arizona Public Service is set to launch a \$149.6 million, 5-year letter of credit facility. Pricing for the refinancing deal is currently LIBOR plus 50. Commitments from the company are due on Tuesday, with closing tentatively set for a week after. Barclays Capital and Bank of New York are joint book runners on the deal to extend a three-year existing line of the same size obtained last year. Arizona is hoping to take advantage of cheaper pricing in the marketplace.

Officials at Barclays declined to comment, and calls to BoNY were not returned. Donald Brandt, cfo at Arizona Public in Phoenix, declined to comment.

### Tell Us What You Think!

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**Institutional  
Investor NEWS**  
INTELLIGENCE FIRST

## Wells Fargo Adds To I-Banking

**Wells Fargo Securities** is beefing up its utilities investment banking group with **Ali Agha**, a managing director in equity research, flipping to a managing director slot on its investment banking team in New York. "He gives us a good sense of how the market might react to an acquisition or divestiture," says **Lane Genatowski**, head of utilities. The firm plans on adding additional staffers, but declined to specify the number or timeframe.

Genatowski also hopes to leverage Wells Fargo's retail base to lure utility and power companies looking to go public or do a secondary offering. "It's a large retail system with a large number of accounts and we're looking to tap into the demand for utilities stocks from our customers," he says. Mezzanine lending is another area Wells is aiming to enhance. The bank is angling for business in the \$10-50 million range and plans to hold onto any mezzanine debt it finances.

## Alpha Energy Trader Quits

**Alpha Energy Partners** gas trader **John Broyles** has left the energy-oriented hedge fund to pursue a private venture. Broyles could not be reached for comment and details about his planned venture could not be determined. Broyles, who worked for **Constellation Energy** for several years, was at **UBS** in New York before jumping over to Alpha Energy (PFR, 5/9). At Alpha, he covered the Northeast market, commuting from suburban Bethesda, Md., to Columbus, Ohio, which was beginning to wear on him, say market players who have spoken to him.

**Barry Hines**, advisor to Alpha at **Boomerang Capital** in Rowayton, Conn., declined to comment other than to confirm the departure. Alpha was launched about a year ago last fall by **American Electric Power** trading veteran **Lew Williams** (PFR, 9/24/05). The fund invests primarily in the North American natural gas market and has raised nearly \$200 million in separate funds targeting both domestic and offshore high-net-worth investors. It plans to grow to some \$500 million over the next two or three years.

## Teco Paper Gets Flipped

A roughly \$10 million slice of **Teco-Panda** paper changed hands last week at levels between 87-89. Traders could not identify the parties exchanging the non-recourse debt, which is tied to the generating plants Union in Arkansas and Gila in Arizona—an operation has since been renamed **Entegra Group**. Followers say the impetus behind the sale likely is profit taking since the debt has been moving up significantly since the beginning of the year. Debt related to the plants was trading in the 61-63 context in December (PFR, 12/6). **Mike Schuyler**, senior v.p. at Entegra in Tampa, Fla., did not return a call for comment.

The Teco-Panda paper is a part of larger bank financing put in place during the summer of 2001 to support the construction and operation of the two plants. The effort was a joint venture between **TECO Wholesale Generation**, known at the time as **TECO Power Services Corp.**, and **Panda Energy International**. The original financing included \$1.675 billion of non-recourse debt and \$500 million in equity bridge loans. The bridge loans have been paid down.

## Pepco Unit Enters Second Phase On Pa. Coal Plant Sale

Bidding is in the second round of an auction for coal-fired assets **Atlantic City Electric Co.**, a subsidiary of **Pepco Holdings**, is unloading in the Pennsylvania region. The unit is shopping the 447 MW, coal and oil-fired B. L. England Generating Station, located in Cape May County, N.J., and its minority interest in Keystone and Conemaugh Generating stations, in respective regions in Pennsylvania. Attempts to shop the assets, which are within the PJM Interconnection, have been initiated over the past several years. But, a new effort was launched recently, watchers say. **Ken Parker**, president at Atlantic City, did not return a call for comment.

The baseload plants are expected to be shopped for approximately \$70-100 million. Officials at **Concentric Energy Advisors** in Marlborough, Mass., which is handling the auction process, did not return calls for comment. A completed deal is hoped for by yearend, but potential bidders could not be identified.

**PSEG Fossil**, a subsidiary of **Public Service Enterprise Group**, owns a roughly 22% stake in Keystone and Conemaugh. Several other Mid-Atlantic energy companies own stakes in the facilities, including **Reliant Resources**.

## Power Move

### DZ Veteran Plans Yearend Exit

Veteran project financier **Mary Power** plans on leaving **DZ Bank** in New York by yearend. The banker who has spent some 25 years in the business, including eight at DZ Bank as a v.p. in its project and structured finance group, has accepted an early retirement package from the Frankfurt-based lender. She is hoping to land a similar gig with another lending platform for another two or three years, before hanging it up for good.

Power declined to comment on her leaving, but a number of her project finance clients received an announcement of her plans via email this week.

Power's post will not be filled and instead DZ Bank is likely to just add one more senior-level hire to replace **Rainer Kraft**, v.p. in the project and structured finance, who left to **Fortis Capital**



Corp., in July (PFR, 7/4).

A fixture in the energy utilities market, Power helped launch project finance groups at what is now **Dexia** where she worked for four years in the early 1990s. In 1994, she kicked off **Bayerische Vereinsbank's**—presently **Hypo-Vereinsbank**—project finance operation, departing in 1998 for **DZ Bank**. She began her career in 1978 at **Barclays Capital** in London working in the utilities lending group. She transferred from the U.K. to New York two years later, where she has set up permanent residence.

## Edison To Pony Up Cash For New Mexico Wind

**Edison Mission Group**, a subsidiary of Rosemead, Calif.-based **Edison International**, will pay cash for the 120 MW San Juan Mesa wind farm in New Mexico, taking it off the hands of developer **Padoma Wind Power**. Neither **Jan Paulin**, president of Padoma in La Jolla, Calif., nor **Gil Alexander**, spokesman for Edison, would reveal the final figure involved in the deal. Officials at Edison Mission could not be reached, but bankers estimate a wind farm of that capacity could be worth about \$180 million.

Edison Mission, which will take a 100% ownership of the project, inked an agreement to acquire the facility two weeks ago, but will not fully acquire the wind farm until commercial operation begins in December, according to Paulin. Padoma developed the project after winning a bidding war started by **Southwestern Public Service Co.** back in October 2003. A 20-year PPA with **Xcel Energy** has been inked. Terms were not disclosed.

## Corporate Strategies

### Dominion Releases Floaters In Size

**Dominion Resources** has sold \$1 billion of two-year, floating-rate notes to post collateral for its natural gas hedges. **Aneesh Prabhu**, an analyst at **Standard & Poor's** in New York, says the notes come due in 2007 and are priced at 30 basis points over Treasuries.

Prabhu explains that shopping the notes is a precautionary move on the part of Dominion since the Richmond, Va.-based energy company sells its gas forward to hedge the prices, prompting the company to post collateral in the event that gas prices unexpectedly spike similar to what occurred during Hurricanes Katrina and Rita. Calls to **Thomas Chewing**, cfo at Dominion in Richmond, were not returned.

"Whenever gas prices go up, the value of their enterprise goes up. Everything being equal, the value of their reserves goes up," Prabhu

says, adding the practice is called right-of-way risk and quite common for the company. The sale has been rated BBB+ by S&P.

## Appalachian Power To Switch Off Short-Term Debt

Appalachian Power plans on using proceeds from a \$250 million offering of long bonds to wipe out short-term debt obligations. The utility arm of Columbus, Ohio-based **American Electric Power** sold the 30-year, 5.8% bonds at around 130 basis points over comparable Treasuries. **Renee Hawkins**, managing director in AEP's corporate finance department, says the short-term debt totals approximately \$224 million. Appalachian has \$2.1 billion of outstanding debt.

"The debt was getting to the point where it made sense to term it out," Hawkins explains. **UBS** and **Wachovia** acted as co-managers on the offering, with **Société Générale**, **Fifth Third Bank** and **Huntington National Bank** playing supporting roles. Hawkins declined to comment on why those banks were chosen.

The notes are due in 2035 and can be called at make whole plus 25 basis points. They were offered from Appalachian's \$1.125 billion debt securities shelf registration that was filed on May 12, 2005. After this issuance, \$475 million remains available. **Moody's Investors Service** rates Appalachian senior unsecured debt Baa2.

## Allegheny Arm Places Recovery Bonds

**WPP Funding**, a subsidiary of **Allegheny Energy**, privately placed \$115 million in transition bonds as part of an effort to recover costs incurred when the state of Pennsylvania deregulated in 1998. The cash to pay back the bonds will be collected in **West Penn Power Company's** service area. The 4.46% bonds are set to mature in five years.

**Sharon Bonelli**, an analyst at **Fitch Ratings** in New York, says the subsidiary actually began the process in 1999, but the state's public utility commission had put a cap on how much the utility could charge customers. It placed some \$600 million in transition bonds in 1999.

**Fred Solomon**, spokesman for Allegheny in Greensburg, Pa., says due to a new **Internal Revenue Service** tax rule, bonds like these are now tax free, which will save both the company and customers money. WPP estimates customers will pay about \$25 million less in recovery costs from now until 2010. Proceeds of the bonds will be used to pay down higher cost debt. Solomon declined to reveal the banks it worked with and declined to make an executive available.

Allegheny, through its two major businesses, owns and operates electric generating facilities, and delivers electric service to customers in Pennsylvania, West Virginia, Maryland, Virginia and Ohio.

## SoCalEd Hawks \$200M In Preferreds

Southern California Edison has placed \$200 million in 6.125% preferred stock to boost equity ratios, says **Mary Simpson**, assistant treasurer. The subsidiary of Rosemead, Calif., **Edison International** received approval from the California Public Utilities Commission to increase the ratio of preferred equity as a percent of total capital from 5% to 9% for 2005, and hopes to have that extended through next year.

Simpson says the preferred stock helps counterbalance the debt-like characteristics of power contracts SoCal Ed has

executed to meet generation needs. Moreover, the company viewed a preferred offering as a felicitous strategy since **Moody's Investors Service** treats such issuances more akin to equity than debt.

Two million shares were sold at \$100 per share by leads **Goldman Sachs**, **JPMorgan Chase** and **Lehman Brothers**. Co-managers were **ABN-AMRO**, **Bank of New York**, **Deutsche Bank** and **Merrill Lynch**. All three of the leads have led other financing deals for SoCal Ed.

This note offering comes after a similar but larger \$400 million offering in April which was led by **Lehman** and **Citigroup**. Both offerings are non-callable for five years. SoCal Ed has stated an intent to offer another \$200 million in preferred equity before the end of 2005, bringing the total to \$800 million. Moody's rates SoCalEd senior unsecured Baa1, and Edison International's Baa3.

## Financing Record (SEPTEMBER 21-SEPTEMBER 28)

### M&A

Announced	Date Effective	Target Name	Target Advisors	Target Industry Sector	Target Nation	Acquiror Name	Acquiror Advisors	Acquiror Industry Sector	Acquiror Nation	Value(\$Mil)
9/21/05		Aquila Inc-Electric Operations	The Blackstone Group Lehman Brothers	Electric, Gas, and Water Distribution	United States	Mid-Kansas Electric Co LLC	UBS Investment Bank	Electric, Gas, and Water Distribution	United States	255.2
9/21/05		Aquila Inc-Natural Gas Distn	The Blackstone Group Lehman Brothers	Electric, Gas, and Water Distribution	United States	Empire District Electric Co	UBS Investment Bank	Electric, Gas, and Water Distribution	United States	84
9/21/05		Aquila Inc-Natural Gas Distn	The Blackstone Group Lehman Brothers	Electric, Gas, and Water Distribution	United States	WPS Resources Corp	JP Morgan	Electric, Gas, and Water Distribution	United States	557.5
9/21/05	9/21/05	Greenville Steam Co		Electric, Gas, and Water Distribution	United States	New Energy Capital Corp		Electric, Gas, and Water Distribution	United States	
9/21/05		Padoma-Wind Project New Mexico		Electric, Gas, and Water Distribution	United States	Edison Mission Energy Co		Electric, Gas, and Water Distribution	United States	
9/22/05	9/22/05	KHB Power Sdn Bhd		Electric, Gas, and Water Distribution	Malaysia	Undisclosed Acquiror		Investment & Commodity Firms, Dealers,Exchanges	Unknown	
9/22/05		Roaring 40s Renewable Energy		Electric, Gas, and Water Distribution	Australia	CLP Power Asia Ltd		Electric, Gas, and Water Distribution	Hong Kong	83.809
9/22/05		SK Gas Co Ltd		Electric, Gas, and Water Distribution	South Korea	SK Corp		Oil and Gas; Petroleum Refining	South Korea	92.435
9/23/05	9/23/05	East Surrey Holdings PLC		Electric, Gas, and Water Distribution	United Kingdom	Babcock & Brown Pty Ltd		Investment & Commodity Firms, Dealers,Exchanges	Australia	
9/23/05		Severoceska Energetika		Electric, Gas, and Water Distribution	Czech Republic	CEZ	Electric, Gas, and Water Distribution	Czech Republic		
9/23/05		Union Fenosa SA		Electric, Gas, and Water Distribution	Spain	ACS		Construction Firms	Spain	2,695.88
9/26/05	Pending	Texas Genco	TBD	Electric, Gas, and Water Distribution	United States	NRG Energy	TBD	Electric, Gas, and Water Distribution	United States	5,000+



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## Debt

Rule 144A	Issue Date	Issuer	Business Description	Amount (\$ mil)	Coupon (%)	Type of Security	Maturity	Offer Price	YTM(%)	Spread	S&P	Moody'sFitch
	9/21/05	Cosern (Iberdrola SA)	Electric utility	78.8	Floats	Debentures	9/1/10	Market	na		NR	NR
No	9/21/05	Iberdrola SA	Electric utility	305.5	3.5	Gtd Mdm-Trm Nts	6/22/15	100.895	3.391	28	A+	A2
	9/21/05	Eletropaulo Metropolitana	Electric utility	352	Floats	Debentures	8/20/10	Market	na		NR	NR
	9/23/05	Dominion Resources Inc	Elec.gas utility; holding co	1,000.00	Floats	Flt Senior Nts	9/28/07	100	Floats		BBB+	Baa1
	9/26/05	Appalachian Power Co	Electric utility	250	5.8	Senior Notes	10/1/35	99.24	5.854	130	BBB	Baa2
	9/28/05	Public Service Co of NH	Electric utility	50	5.6	Fst Mtg Bonds	10/5/35	99.769	5.616	110	BBB	A3

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



## 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
Atlantic City Electric Company	B.L.England Key Stone Conenough	New Jersey Pa. Pa.	447 - -	Coal Coal Coal	Concentric Advisors	In Second Rounds.
Aquila	Racoon Creek Goose Creek Crossroads	Ill. Ill. Miss.	340 340 340	Gas Gas Gas	Not chosen	Intention To Sell.
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention To Sell.
BNP -led bank group (Exelon developed plants)	Mystic River 7 Mystic River 8 Mystic River 9 Fore River	Mass. Mass. Mass. Mass.	560 832 832 832	Oil/Gas Gas Gas Gas	Lazard	Ongoing.
Citi & SocGen-led creditor group (TECO Energy developed plants)	Union Gila River	Ark. Ariz.	2,200 2,300	Gas Gas	Goldman	Ongoing.
CMS Energy	Ensenada CT Mendoza El Chocon	Argentina Argentina Argentina	128 520 1,320	Gas Gas Hydro	Not chosen J.P. Morgan J.P. Morgan	Announced Intention To Sell.
Citi-led bank group (NEG developed plants) Delta Power	Lake Road Lowell Power	Conn. Mass.	840 82	Gas Gas	Lehman Bros. None	Cargill Bought Debt Portion (PFR, 12/27). Actively Pursuing A Sale.
Duke Energy North America	Bridgeport Energy Project Maine Independence Station Bayside Power Project Fort Frances Cogeneration Project Lee Energy Facility Vermillion Energy Facility St. Francis Energy Facility Washington Energy Facility Fayette Energy Facility Hanging Rock Energy Facility Oakland Power Plant	Bridgeport, Conn. Penobscot County, Maine St. John, New Brunswick Fort Frances, Ontario Lee County, Ill. Vermillion County, Ind. Glennonville, Mo. Washington County, Ohio Fayette County, Pa. Lawrence County, Ohio Oakland, Calif.	490 MW 520 MW 260 MW 110 MW 640 MW 640 MW 500 MW 620 MW 620 MW 1,240 MW 165 MW	Gas Gas Gas Gas Gas Gas Gas Gas Gas Gas Gas	CSFB Goldman Sachs	The Auction Does Not Include Duke's Midwest Assets.

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**LIFETIME ACHIEVEMENT AWARD WINNER**

Thomas Jasper, CEO, Primus Guaranty

**U.S. CREDIT DERIVATIVES HOUSE OF THE YEAR**

Barclays Capital  
Deutsche Bank  
Goldman Sachs  
JPMorgan  
Morgan Stanley

**EUROPEAN CREDIT DERIVATIVES HOUSE OF THE YEAR**

Citigroup  
Deutsche Bank  
JPMorgan  
Morgan Stanley  
UBS

**ASIAN CREDIT DERIVATIVES HOUSE OF THE YEAR**

BNP Paribas  
Deutsche Bank  
Goldman Sachs  
JPMorgan  
Morgan Stanley

**U.S. EQUITY DERIVATIVES HOUSE OF THE YEAR**

Banc of America  
Citigroup  
Goldman Sachs  
Lehman Brothers  
Merrill Lynch

**EUROPEAN EQUITY DERIVATIVES HOUSE OF THE YEAR**

Barclays Capital  
Deutsche Bank  
JPMorgan  
SG Corporate & Investment Banking  
Morgan Stanley

**ASIAN EQUITY DERIVATIVES HOUSE OF THE YEAR**

Citigroup  
Credit Suisse First Boston  
Merrill Lynch  
SG Corporate & Investment Banking  
UBS

**FUND-LINKED HOUSE OF THE YEAR**

Barclays Capital  
BNP Paribas  
Deutsche Bank  
Goldman Sachs  
SG Corporate & Investment Banking

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Clifford Chance  
Davis Polk  
Linklaters

**END USER OF THE YEAR**

AXA Investment Managers  
BlueMountain Capital Management  
Cairn Capital  
Cheyne Capital Management  
Fortis Investment Management

**GLOBAL DERIVATIVES HOUSE OF THE YEAR**

Citigroup  
Deutsche Bank  
Goldman Sachs  
JPMorgan  
Morgan Stanley



## Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
	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.
	CDECCA	Conn.	62	Gas		Negotiations Are Taking Place With
	Eagle Point	N.J.	233	Gas		BroadStreet Resources.
	Pawtucket	R.I.	67	Gas		
	San Joaquin	Calif.	48	Gas		Being Shopped To North American Power Group.
EnCana	Cavalier	Alberta	106	Gas	HSBC	Launched Sale In April.
	Balzac	Alberta	106	Gas	HSBC	
	Kingston	Ontario	110 (25%)	Gas	HSBC	
Energy Investors Fund	Multitrade	Va.	79.5 (60%)	Biomass	None	BNP Paribas is advising on the saleBNP Paribas
	Crockett	Calif.	240 (24%)	Gas		Is advising on the sale.
Entergy Asset Management	Robert Ritchie	Ark.	544	Gas/oil	None	Ongoing.
	Warren Power	Miss.	314	Gas		
	RS Cogen	La.	425 (49%)	CHP		
	Harrison County	Texas	550 (70%)	Gas		
Exelon/PSEG	Eddystone Generating Station	Delaware County, Pa.	1,510 MW	Coal and Gas		Interviewing Banks To Advise On Sales.
	Linden Generating Station	Linden, N.J.	775 MW	Gas		
KBC-led creditor group	Milford	Conn	542	Gas	Lazard	Ongoing.
Mirant	Shady Hills	Fla.	474	Gas	BofA	Ongoing.
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538	Gas		
	Wichita Falls	Texas	77	Gas		
Morrow Power	Boardman	Ore.	28	Gas	Marathon Capital	Evaluating Bids.
Nations Energy	Bayport	Texas	80	N/A		Considering Liquidation.
	Mungo Junction	Ohio	32			
	Southbridge	Mass.	7			
National Energy Gas & Transmission (USGen New England)	Salem Harbor	Mass.	745	Coal/Oil	Lazard	Dominion Has It Under Contract.
	Brayton Point	Mass.	1,599	Coal		
	Manchester St.	R.I.	495	Gas		
	Connecticut River	N.H.	479	Hydro		
	Deerfield River	Mass.	89	Hydro		
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	-
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Reliant Energy	Carr Street	N.Y.	95	Oil	Goldman	Ongoing.
	Astoria	N.Y.	1,276	Gas		
	Gowanus	N.Y.	549	Gas		
	Narrows	N.Y.	281	Gas		
InterGen	Redbud	Okla.	1,220		Citigroup	Harbert Venture Acquired The Assets.
	Cottonwood	Texas	1,235			
	Magnolia	Miss.	900			
SG-led bank group (NEG developed plants)	Athens	N.Y.	1,080	Gas	Blackstone	Assessing Bids.
	Covert	Mich.	1,170	Gas		
	Harquahala	Ariz.	1,092	Gas		
	Millennium	Mass.	360	Gas		
STEAG	Iskenderun	Turkey	1,320	Gas	Morgan Stanley	Ongoing.
Teco Energy	Dell Power Station	Ark.	540	Gas		Reviewing Options.
	McAdams Power Station	La.	599	Gas		
Tractebel North America	Chehalis	Wash.	520	Gas	N/A	Looking To Sell Or Swap.
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

- **Calpine Corp.** said it was suing the **Bank of New York and Wilmington Trust Co.**, both of which are acting as trustees for Calpine's note holders, to force the release of proceeds from the sale of its domestic oil and gas assets. Calpine said it filed the suit in the Delaware Court of Chancery seeking release of the funds as well as a declaration that the company's past and proposed purchase of natural gas assets are permitted under the terms of its first lien notes (*Reuters*, 9/27).
- **Entergy New Orleans**, a subsidiary of **Entergy Corp.**, has filed for Chapter 11 bankruptcy protection due to damage caused by Hurricane Katrina. The company asked the court to approve debtor-in-possession in financing that includes \$200 million in loans to the New Orleans unit from the parent corporation. A court date has been set for the petition on Sept. 26 (*Reuters*, 9/23). The utility has received approval for \$100 million in interim financing from its parent. It had originally requested \$150 million in interim financing (*Reuters*, 9/26).
- The **Iowa Office of Consumer Advocate**, which represents the public in utilities matters is opposing the sale of the Duane Arnold Energy Center, Iowa's only nuclear power plant, on the grounds that **Alliant Energy** customers could expect rate increases, beyond what power would cost if Alliant continued its majority ownership of the plant. **FPL Group** recently won an auction for the plant this summer (*Des Moines Register*, 9/28).
- **Progress Energy** said it will revamp its Bartow Power Plant in Florida to add natural gas fuel technology to more than double electric output and reduce emissions. The utility said the project, which requires regulatory approvals, will cost about \$435 million, with construction to begin in 2007, and take about three years to complete (*Reuters*, 9/23).
- French **Technip** said its joint venture with **Chiyoda Corp.** has won a contract worth about \$4 billion for engineering and construction of two liquefied natural gas facilities in Qatar from the **Ras Laffan LNG Company** (*AFX*, 9/23).
- **Southern Union Co.**, headquartered in Wilkes-Barre, Pa., owner of natural gas pipelines and utilities, said its Gulf Coast assets are intact following Hurricane Rita. The company said it will keep its Trunkline LNG operations in Lake Charles, La., shut down pending further inspection (*Associated Press*, 9/26).
- **Southern Union Co.**'s large liquefied natural gas terminal at Lake Charles, La., suffered minimal damage from Hurricane Rita, but remained shut pending further inspections. The

terminal will reopen once commercial electricity is restored, inspections are complete and the Calcasieu Ship Channel is reopened to incoming tankers (*Reuters*, 9/27).

- Natural gas prices rose last week as the majority of gas production remained shut in the Gulf of Mexico in the wake of Hurricane Rita. Gas for delivery in October rose 21.6 cents to \$12.66 per million British thermal units on the **New York Mercantile Exchange**. As of early last week, hurricanes Katrina and Rita have deprived the markets of nearly 5% of the annual gas production that would have otherwise come from the Gulf (*Houston Chronicle*, 9/27).
- **American Electric Power Company** completed the \$220 million purchase of a natural gas-fired power plant in southeast Ohio. The Waterford Energy Center was owned by an affiliate of **Public Service Enterprise Group**, an energy company based in Newark, N.J. (*Columbus Business First*, 9/28).

### Europe and The Middle East

- **Oil and Natural Gas Corporation** and **RasGas** of Qatar will finalize an agreement on swap equity as part of the LNG supply arrangement for **Petronet LNG** by the yearend. **ONGC**, one of the promoters of PLL will take 5% equity in the liquefaction facility in Qatar in return for RasGas picking equity in PLL (*Business Standard*, 9/27).
- Russia's **Gazprom** and Canada's **PetroCanada** may build the first liquefied natural gas plant in European Russia in 2007, or two years earlier than planned. The \$1.3 billion project would be implemented simultaneously with Gazprom's plans to build a gas pipeline under the Baltic Sea to Germany (*Reuters*, 9/26).
- Ukraine is suggesting Russia resume building a new natural gas pipeline across Ukraine to increase Russian gas shipments to Europe. Russia's **Gazprom** had scrapped the \$2.8 billion project earlier this year, opting to build a more expensive pipeline across the Baltic Sea from Russia to Germany, bypassing Ukraine (*UkrainianJournal.com*, 9/28).

### Asia

- Philippine's **Power Sector Assets and Liabilities Management Corp.**, the agency tasked to privatize assets of state utility **National Power Corp.**, kicked off the bidding process for two power plants with a total capacity of 812 MW. In published invitations, PSALM said those interested had until the second week of October to submit letters of intent (*Dow Jones*, 9/27).

## HEDGE FUNDS

(continued from page 1)

debt should be converted has become a major sticking point as an Oct. 15 deadline nears for debt-holders to reach an agreement.

At the heart of the dispute is a push by majority debt-holders **Sandell Asset Management** and **Satellite Asset Management** to convert all of the \$1 billion in debt into a so-called C-Corp structure—a move being opposed by the majority of hedge funds. Such a structure is necessary for Sandell and Satellite's offshore investors, who can only own C-Corp shares. But converting the debt into a C-Corp vehicle would result in double taxation—once at the corporate level and subsequently when returns are paid out to shareholders, explains one New York hedge fund manager. Officials at Satellite declined to comment and Sandell officials did return calls.

Domestic hedge funds are pushing for an S-Corp structure—one in which tax treatment is simpler and the equity stake is designed to have the limited liability of a corporation and the pass-through tax-treatment of a partnership.

At issue for Sandell and Satellite, is liquidity. The hedge funds want to make sure they have an easy exit strategy should they decide to sell their shares down the road and argue that playing to the common denominator—changing all the debt into C-Corp shares—would make the deal more liquid for all parties since domestic funds have no restrictions on the form of equity it can own. "I don't think [Sandell and Satellite] are trying to blow up anyone's deal, but there's an issue of liquidity," says one observer.

One hedge fund manager notes that even though K-Road has inked a purchase and sale agreement with the hedge fund creditors (PFR, 7/25), a deal could fall apart if an agreement with Sandell and Satellite is not reached. "They are threatening everybody and if there's no consent by mid October the deal will be rudderless. That means back to square one," he notes. **William Kriegle**, founder of K Road in New York, did not return calls for comment.

Players such as **Citadel Investments**, **Cargill**, **Farallon Capital Management**, and **GLG Partners**, also own pieces of the secondary debt in the plant, market players say. Officials at the hedge funds either declined to comment or did not return messages requesting comment.

It has been a torturous road to finish line for the Kriegle-run private equity shop. In June, a pricing spike in Exelon's secondary paper caused the firm and the hedge fund parties to renegotiate a previous agreement for the plants (PFR, 6/27).

The Boston portfolio includes Mystic 7, 8 and 9, Fore River, all 832 MW gas-fired plants, along with Mystic 7, a 560 MW oil and gas-fired plant.

—**Mark DeCambre**

## MADISON DEARBORN

(continued from page 1)

**ArcLight Capital Partners**, which was viewed as an early frontrunner, has been told to sit tight while officials hash over terms with the Madison Dearborn team. A deal appeared imminent as *PFR* was going to press, but watchers cautioned the situation was still very much in flux. Officials at the bidders either declined comment or did not return a call. Officials at auctioneers **Goldman Sachs** and **Merrill Lynch** did not return a call for comment, nor did Reliant executives.

Last week, many of the early prospects fell out of contention, including **AIG Highstar**, which was originally teamed up with ArcLight. Followers say a disagreement resulted in AIG abandoning the partnership and dropping out of the running. **Christopher Lee**, managing director at AIG Highstar in New York, was unavailable for comment and managing director **Robb Turner** at ArcLight in New York did not return a call for comment. ArcLight teamed up with **Caithness Energy** in the wake of AIG's departure.

Meanwhile, **Carlyle/Riverstone** lost its partner **FPL Group**,

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### Back On The Block!

### DUKE EYES RELAUNCH OF NORTH AMERICAN AUCTION

Duke Energy is considering reigniting a plan to shed its North American merchant subsidiary **Duke Energy North America**. A sale of the IPP unit, which has been shelved since Duke initiated merger talks with **Exelon** in May 2004, but officials familiar with the company say selling DENA is always looking at alternatives scenarios," says spokesman Pete N.C., but he declined to comment on the rumors.

Calls to Michael Cyrus, CEO of Duke Energy, and Paul Anderson, CEO of Duke Energy North America, were not returned.

### THE WALL STREET JOURNAL

SEPTEMBER 14, 2005

### Planned Sale of Some Assets To Cause a \$1.3 Billion Charge

Duke Energy Corp. plans to put up for sale almost all of its wholesale power producer **Duke Energy North America** assets outside the Midwest, causing a third-quarter pretax charge of about \$1.3 billion. The assets to be sold include the company's 1,000 MW **Exelon** plant in Illinois and its 1,000 MW **Exelon** plant in Ohio.

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which decided, for reasons that are unclear, to halt its chase.

A valuation for the assets could not be learned, but bankers guessed a sales price in the order of \$1 billion was conceivable. Reliant paid down a \$350 million loan related to the New York-area generators, which includes the 1.2 GW Astoria complex as well as a 281 MW gas-fired plant in Narrows and a 549 MW facility in Gowanus.

The mid-continent assets also are being pursued by LS Power. An official at LS Power declined to comment.

—M.D.

## RIVALS LOOK

(continued from page 1)

any point, but trackers say many of the major firms are offering to take over the reins. "Basically, every [bank] is trying to get that deal," says one senior banking official in New York, noting his firm is chasing the business but declining to be identified.

Calls to **Bob Kelly**, cfo, in San Jose, Calif., were directed to spokeswoman **Katherine Potter**, who declined comment. Officials at CSFB declined to comment and Goldman officials did not return a call for comment. **Ray Spitzley**, managing director at Morgan Stanley in New York, did not return a call for comment.

Market players say banks have offered to restructure the deal, but exactly what restructuring the deal would entail could not be ascertained. It also could not be determined if Calpine has any contractual agreement with Morgan Stanley requiring it to pay the bank fees even if it elected a new underwriter.

Calpine is facing a cash crunch and wants the funding so that it can buy natural gas for its generating facilities as well as pay down expensive existing debt, says one New York buy-side analyst, who declined to be identified. Earlier this year it issued a \$150 million private placement of preferred securities that bears a pricey 9.5% coupon and expires in February.

The company is in a legal dispute with **Bank of New York**,

which is preventing it from accessing some \$400 million in funds (PFR, 9/26). "If the company cannot get this deal [preferred] done they will have to get money from some other means—generating asset sales, other offerings—because they do not have the cash on hand," says the analyst.

—M.D.

## CSFB READIES

(continued from page 1)

Targa, was not returned and an official at CSFB declined to comment.

Some portion of the offering could also be used to retire existing debt Targa maintains so that it can look to integrate the Dynegy operation with a relatively fresh debt slate. The acquisition is expected to boost Targa's EBITDA by \$300 million from \$100 million to \$400 million and increases its staff from 120 to 920. It is expected to close sometime in the fourth quarter. The debt is expected to launch in about two weeks. One holdup, followers say, is that Targa is assessing all of its Gulf Coast assets in the wake of Hurricanes Katrina and Rita.

The boutique agreed to buy the natural gas operation from Dynegy because it complemented existing businesses, especially in regions such as the Permian Basin in Texas, where the two maintain facilities. Veteran energy players Perkins and CEO **Rene Joyce**, formed Targa two years ago both hail from **Tejas Gas Corp.**—a midstream company the duo grew and sold to **Chevron** in the late 1990s.

—M.D.

## Correction & Amplification

GE Energy Financial Services has formed an alliance with **Starwood Energy**. The GE entity was misidentified in last week's issue.

## Quote Of The Week

"He gives us a good sense of how the market might react to an acquisition or divestiture." —**Lane Genatowski**, head of utilities at **Wells Fargo Securities**, about **Ali Agha**, Wells Fargo's new managing director on its investment banking team (see story, page 3).

## One Year Ago In Power Finance & Risk

Biomass plant developer **Fibrominn**, an affiliate of renewable energy outfit **Fibrowatt LLC**, was set to tap the private placement bond market for a \$200 million, 20-year deal to finance the construction of the first poultry litter-fired power plant in the U.S. [Construction on the 55MW plant, located in Benson, Minn., commenced this past May and is due to be completed by early 2007.]

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