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Leads Draw \$825M For Duquesne Buyout

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Mirant Caribbean Bids Set For Next Month

First-round bids are due early next month for Mirant's Caribbean generation portfolio.

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TXU MAPS OUT PARTNER SELECTION PROCESS FOR \$11B BUILDOUT

TXU Corp. has outlined a detailed game plan for tapping potential equity investors for its \$11 billion coal-fired merchant generation build-out in ERCOT. In a recently issued offering memorandum obtained by *PFR*, the Dallas energy holding company mapped out how it will conduct a two-phased bidding process to find equity partners to foot up to 49% of construction. It also expects to tap dedicated executives to run the holding company that will house the generation assets.

Via its advisor **Morgan Stanley**, TXU expects to take non-bonding offers from prospective partners in late November and move on to phase two of bidding by early December. The aim is then to conduct management interviews and tap a winner sometime

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IRISH IPP PLOTS CLUB DEAL FOR U.K. CCGT

ESB International, the unregulated arm of Ireland's Electricity Supply Board, is close to lassoing some 12 lenders in a €500-600 million (\$626-\$752 million) club loan deal. The financing will bankroll construction of the planned 850 MW Marchwood combined cycle gas project it co-owns with 15-year offtaker **Scottish & Southern Energy** near Southampton, south England.

ESB began auditioning banks last month (*PFR*, 9/18) and plans to have the financing wrapped up by the year-end, according to **Kevin MacDermott**, spokesman in Dublin. It tapped 10 banks to lead syndication of a €685 million deal to help fund construction of its 800 MW Amorebieta facility in Bilbao, northern Spain, which became operational last year. Lead arranger of that deal was **Royal Bank of Scotland**, supported by **HSBC**, **Calyon** and

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LOUIS DREYFUS SEEKS \$2B LOAN SYNDICATION

Louis Dreyfus Energy Services is looking for \$2 billion in short-term financing to support its capital expenditure goals. Lead **BNP Paribas** kicked off syndication of the package Wednesday at the New York Palace Hotel in Manhattan. **Jeff Gilman**, cfo of the energy trading and marketing specialist in Wilton, Conn., declined to elaborate other than to say the facility will be used for general corporate purposes. Officials at BNP declined comment.

The deal has a \$1.5 billion tranche for working capital and a \$500 million tranche related to contango, precise details of which could not be learned. Contango describes the slope of the price curve, where futures prices begin above the expected spot price and fall as maturity approaches.

Some 15-20 of the 40-50 banks invited are expected to participate in a four-tiered

(continued on page 12)

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



At Press Time

Cargill-Led Group To Sell 720 MW N.H. Facility

Hedge funds led by Cargill are looking to auction off Granite Ridge, a 720 MW plant in Londonderry, N.H., and have hired Morgan Stanley to run the sale.

The plant was developed by AES Corp. five years ago and fell into hedge fund and private equity hands in 2004. Prompting the decision to sell is the belief that buyers, such as infrastructure funds and private equity, are willing to pay a premium for generation assets. The sale is expected to kick off in the next few weeks, but a precise timeline could not be learned.

AES funded the construction with a \$300 million project loan arranged by ABN AMRO (PFR, 6/4/01). Calls to officials at Cargill were not returned and Morgan Stanley officials declined to comment.

Airtricity Bags Funds For Texas Wind Plant

Airtricity has wrapped financing for \$180 million in debt supporting its 125 MW Forrest Creek project in Texas. HVB syndicated the financing to a handful of banks with pricing set at LIBOR plus around 138 basis points. The loan has been syndicated to banks including Allied Irish Bank and NordLB. Further details could not be learned. Officials at the banks did not return calls and Airtricity executives declined to comment.

NU Generation Acquirer Tweaks Financing

Lender interest in the \$855 million loan Energy Capital Partners has lined up to finance its \$1.34 billion acquisition of Northeast Utilities' merchant assets has prompted it to tweak the deal. Some \$35 million of a first-lien \$100 million synthetic letter-of-credit facility, due 2013, has been flipped into its first-lien revolver, due 2011, generating undisclosed cost savings. The revolver has been upsized to \$70 million.

Its \$550 million first-lien term loan, due 2013, and second-lien \$170 million term loan, due 2014, are unchanged. The company will have circa \$525 million of debt to refinance when the \$550 term loan matures, according to Kenneth Farer, credit analyst with Standard & Poor's in New York. Calls to David Lischer, v.p. at sole underwriter Goldman Sachs were not returned. Rahul Advani, v.p. at ECP in Short Hills, N.J., declined comment.

Observers say the deal, slated to close on or around Nov. 1, is 3-4X oversubscribed. Indicative pricing on the first-lien debt was pitched at LIBOR plus 275 but has dropped to LIBOR plus 250. Pricing on the second-lien debt—which has a call premium of 102 points of par if refinanced in the first year and 101 points of par if refinanced in the second—has fallen to LIBOR plus 450 from LIBOR plus 500.

It could not be determined which banks had committed to the syndicate and how much Goldman intends to keep on its books.

The acquisition covers 15 plants at 14 sites across New England, with a combined output of 1,442 MW (PFR, 8/21).

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Institutional Investor NEWS
INTELLIGENCE FIRST

Leads Draw \$825M For Macquarie/Duquesne Deal

Barclays Capital and Dresdner Kleinwort have attracted \$825 million in the primary syndication of a loan for the Macquarie Infrastructure Partners and Diversified Utility and Energy Trusts buyout of Duquesne Light Holdings. A banker says Bayerische Landesbank, JP Morgan Chase and Union Bank of California are in at the \$150 million level, and CoBank, Commonwealth Bank of Australia and Western Pacific signed up for \$125 million level. One to two more banks are expected to commit by the first week of November.

A \$1.175 billion holding-company term loan, and a \$75 million operating-company revolver were syndicated last week, with a \$400 million holding company revolver and term loan of equal size previously arranged (PFR, 10/16). Officials at Barclays, Dresdner and Macquarie did not return calls.

Macquarie had already arranged about \$638 million of term loan bank debt to part finance the \$3.15 billion acquisition. Diversified Utility and Energy Trusts is an Australian-listed company managed under a joint venture between Macquarie Bank and AMP Limited—a Melbourne-based money management firm.

DPL Narrows Peaker Bidders

DPL Inc. is in final-stage negotiations with one party in connection with the sale of some or all of its 872 MW gas peaking portfolio in Ohio and Indiana. “We have narrowed it down to a frontrunner, but there’s a small handful still on the list that we might go back to if things with the frontrunner don’t materialize,” says Gary Stephenson, v.p. of commercial operations in Dayton, Ohio. How many of the three facilities will be acquired is still in flux, he adds, declining to comment on the bidder’s identity.

Some 15 contenders were in the running in September when the company requested final bids (PFR, 9/18). Stephenson says the bidders that made it onto the final shortlist offered at least \$200 per kilowatt. “We’ve seen several transactions near [this amount] for comparable assets in the region and we would certainly expect to execute an agreement that is somewhere in that neighborhood,” he says. A winner is expected to be announced late this month or early next.

The fleet, put in play in mid June, comprises a 219 MW facility in Poneto, Ind., a 447 MW unit in Mount Sterling, Ohio, and a 206 MW unit in Greenville, Ohio. DPL stressed all along that the move should not be considered a fire-sale and retained Pace Global Energy Services to advise it on a

potential divestiture. Rich Straebel, a finance official at Pace in Fairfax, Va., declined comment.

S&P Appoints Utilities Head

Thomas Kelly, head of utilities and project finance in corporate and government ratings at Standard & Poor’s in New York, has switched back to the industrials and transportation team. Steve Dreyer, former managing director of insurance ratings, will replace him as practice leader of North America utilities ratings.

The move is part of a wider reshuffle, which will see the corporate ratings group split into five divisions: utilities and project finance; oil, gas and commodities; manufacturing; telecoms, media and entertainment; and consumer products.

Mirant Caribbean Bids Set For Next Month

First-round bids are due early next month for Mirant’s Caribbean generation portfolio. An expected sale price could not be learned. The parties interested are strategic investors such as global utility players, specialized energy infrastructure funds and local business groups, according to the market buzz. Calls to Chawn James, spokeswoman at the Atlanta-based IPP, were not returned. Officials handling the sale at auctioneer JPMorgan Chase in New York declined comment.

On the block are controlling interests in two utilities: an 80% stake in Jamaica Public Service Co., with its 621 MW of predominantly oil-fired generation, and a 55% stake in Grand Bahama Power, which owns 151 MW of oil-fired generation. Also up for grabs is 39% of Power Generation Co. of Trinidad and Tobago, which has 1.2 GW of domestic gas-fired generation and a 210 MW IGCC plant due to come online next quarter, as well as a 25.5% convertible debt interest in Curaçao Utilities Co. (PFR, 8/14). Of the total 2 GW portfolio, Mirant owns just over 1 GW.

GE Energy Bets On Cross Grid Traffic With NY Transmission Upgrade

GE Energy Financial Services will build three 100 MW transformers to upgrade existing transmission lines between its Linden, N.J., plant and New York. “Two things will make this work,” says Managing Director Mark Mellana in Linden. “The infrastructure is already in place, and there is the opportunity to get high-priced power to New York from [mid-Atlantic RTO] PJM.” Few others are attempting transmissions projects between RTOs, but he says demand from New York—NYISO estimates it will need 1.3 GW in peak-demand capacity by 2016—will be there.

Mellana said he knows of one other cross-grid project, in

Quebec, operating at the moment, and one in the ERCOT RTO that is planned for 2007. It is difficult to build new infrastructure for such projects, he explains, due to high costs, regulatory issues, and other potential problems.

GE will auction the capacity from the connection in the

coming months. With the line already in place, it will finance the new transformers with existing funds. Mellana declined to comment on the estimated project cost, the auction floor price, or possible bidders, other than to say PJM market producers, NYISO consumers, and energy traders would likely be interested.

Corporate Strategies

Indy Utility Likes Curve, Redoes Long-Term Debt

Indianapolis Power and Light has issued \$158 million in first mortgage notes to pay off one series falling due and refinance another early. Proceeds will redeem \$100 million in more pricey 1994-issued 7.05% notes due 2024, and repay \$58.8 million in 8% notes due this month. "When the long-term end of the curve is almost flat, it's a very nice time to refinance," says **Anita Hill**, administrator of treasury operations at the Indianapolis-based **AES Corp.** subsidiary. "We've reduced interest expenses by more than \$1 million a year."

The 6.05% notes, which settled on Oct. 6, mature in 2036 and were priced at 99.358. **Merrill Lynch** and **Lehman Brothers** served as joint bookrunners. Hill says both had worked with IPL in the past, declining to elaborate on specifically on why they were chosen for this deal. IPL issued \$100 million in long-term notes in September, which included \$40 million in refinancing, but doesn't have any future offerings planned, Hill says. Outstanding debt now stands at \$812 million.

Debt-Equity Mix Funds ITC Mich. Acquisition

ITC Holdings offered up \$510 million in senior notes and sold \$210 million in stock to help finance its acquisition of **Michigan Electric Transmission**. The mix is consistent with the 70-30 of debt-to-equity ratio needed to be investment grade, says **Ed Rahill** cfo in Novi, Mich. He says ITC saw an opportunity to fund the acquisition and pay down revolvers at the same time. The 6.69 million new shares priced at \$31.91. The principal stockholding partnership of **Kolhberg Kravis Roberts**, **Iron Hill Transmission** and **Trimaran Capital** privately sold 2.87 million shares, whose proceeds were not used in the acquisition.

The debt offering priced the same day was more than 2.5X oversubscribed, Rahill says, as investors like the company's low risk profile. About \$50 million of the proceeds will pay down ITC revolvers. The first tranche consisted of \$255 million in 5.875% senior notes due 2016 priced at 99.987, and a second

of an equal amount of 6.375% notes due 2036 priced at 99.910. **Standard & Poor's** rated the notes BBB-. **Lehman Brothers** and **Credit Suisse** served as advisors on both the debt and equity offerings. Rahill says they have had positive experiences working with them and both have a strong knowledge of ITC and the industry.

The acquisition of **Michigan Electric** consisted of \$484 million in cash, 2.2 million shares of stock, and the assumption of \$311 million of METC debt. The acquisition, Rahill explains, will allow ITC to invest in transmission projects in Michigan, key to its \$1.6 billion seven-year plan. Future investment in the plan will mostly be done with additional debt offerings, with some existing cash and equity. ITC's overall debt now stands at \$1.24 billion.

BG&E Refis Via \$700M Sale

Baltimore Gas and Electric, the regulated utility arm of **Constellation Energy**, placed privately \$700 million senior unsecured notes to refinance \$535 million of debt, including a batch of 6.70% medium-term notes due Dec. 1, 5.25% notes due Dec. 15 and a series of 7.5% first refunding mortgage bonds due Jan. 15. The deal, which closed Oct. 13, comprised \$300 million 5.90% notes due 2016 and \$400 million 6.35% notes due 2036. **Michael Morris**, assistant treasurer of Constellation, did not return calls.

Banc of America Securities, **Barclays Capital** and **Citigroup Global Markets** led the offering, rated Baa2 by **Moody's Investors Service**, BBB+ by **Standard & Poor's** and A- by **Fitch**. **Merrill Lynch** and **Pierce Fenner & Smith** were joint bookrunners.

BG&E has about three and a half times as much debt as it has funds from operations, says **Justin Bowersock**, a director at **Fitch Ratings** in Chicago. The company plans to tackle its stymied cash flow position next quarter by issuing further debt securitized on projected increases in residential rates that have been pre-approved by the Maryland legislature. "The company's rating outlook is negative to reflect increased business risk in Maryland and the uncertainty about BG&E's ability to recover its full costs in a timely manner," explains Bowersock.

San Joaquin Eyes Energy, Infrastructure

The \$1.9 billion **San Joaquin County Retirement Association** is gathering information about natural resources and infrastructure. **ORG Real Property**, the fund's real estate consultant, recommended that it learn more about natural resources, says **Annette St. Urbain**, assistant retirement administrator and investment analyst. There has been a lot of buzz about infrastructure investing at conferences and as a result trustees wanted to learn more. "We're always open to new ideas," she notes, but "education doesn't guarantee investment."

The fund hasn't discussed how the asset classes could fit into its portfolio and whether they should be tapped for high returns, inflation-protection or diversification. The plan will consider how its peers employ infrastructure and natural resources and what returns can be generated. The asset classes might be put on the board's agenda next year, but there is no timeframe for a decision.

The plan doesn't have a dedicated allocation to alternatives, but has been quite creative at the fringes.

Turkish Distribution Interest Yields Extended Deadline

The volume of bidders for Turkey's privatization of state-run utility **Turkiye Elektrik Dagitim**'s distribution assets has forced the government to extend its submissions deadline by a month, according to **Ebru Temizer**, an associate in Istanbul with **Guner Law Office**—a sister firm to U.K. lawyers **Denton Wilde Sapte**—which is representing a participant in the auction. Some 83 contenders have filed applications in advance of the Oct. 30 pre-qualifying deadline, many of them special purpose vehicles controlled by U.S. and European energy infrastructure funds, as well as large Turkish conglomerates and European utilities. **Glenn Payne**, v.p. at Greenwich, Conn.-based buyout shop **First Reserve Corp.**, which recently launched a \$7.8 billion infrastructure fund, believes the interest is driven mainly by the regulated rate of returns associated with the assets and the ability to leverage substantially off of those stable cash flows.

Being marketed are up to 100% equity interests in an initial three of the country's joint-stock distribution companies, each one aligned with a designated region and combined catering to a fourth of the nation's distribution capacity. They are: **Baskent Elektrik Dagitim**, **Istanbul Anadolu Yakasi Elektrik Dagitim** and **Sakarya Elektrik Dagitim**. All 21 regions of Turkey's distribution network will be privatized by January 2008. Winning bidders will be licensed regional monopolies but the Turkish government will continue to own the assets via TEDAS.

Auctioneer **Lazard Frères**, subcontracted by management

consultancy **McKinsey**, dispatched teasers early last month. Interested parties will be allowed to conduct due diligence on the assets between Nov. 15 and Jan. 8, and final bids are due Jan. 19. Only participants with equity capital of TNL237 million (\$162 million) will be considered. **Marco Andrew Da Mosta** and **Matteo Bertolini**, Lazard officials in Milan, declined to comment.

Hermes Treads Infrastructure Investment Trail

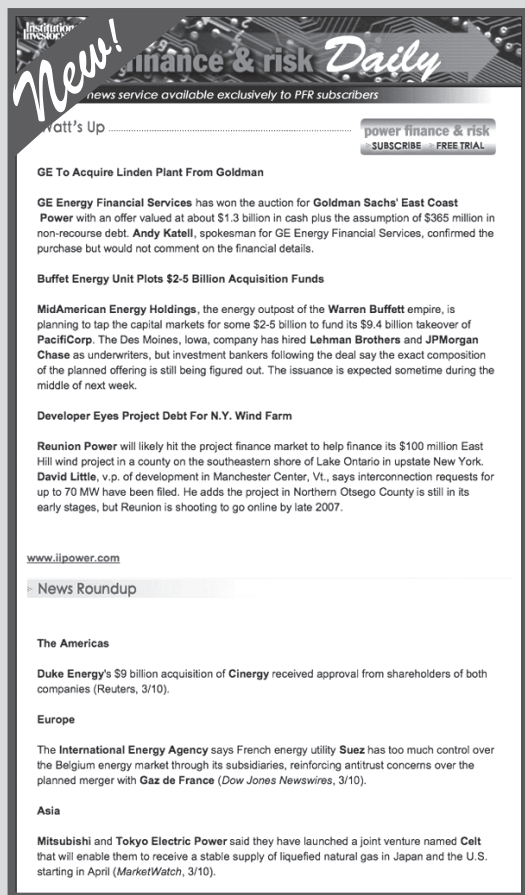
Hermes Private Equity, an arm of the £65 billion (\$122 billion) investment management giant that manages the pension fund assets of **British Telecom** and **Royal Mail**, is moving into infrastructure investments. The firm will establish a new team to focus on the asset class, which covers areas including electric utilities. The move reflects British Telecom's decision to allocate £350-400 million—roughly 1% of assets—to infrastructure, says **Rod Selkirk**, ceo of the private equity arm. Separately, the firm will also grow its buy-out team; in total Hermes is likely to expand its private equity investment team by six people, to about 15, "so it's a significant increase," says Selkirk.

Hermes, which has almost £2 billion committed to private equity, has previously made some infrastructure investments via private finance initiative funds. But returns are generally lower than for private equity, and fixed over a longer period, "so the best way to address the asset class is to have a specific team," says Selkirk. The firm will hire a director and an investment manager, who will work with Selkirk to put together a plan for growing the firm's investments in infrastructure.

San Bernardino May Seek Energy, Distressed Managers

The **San Bernardino County Employees Retirement System's** investment committee is recommending a \$40 million investment in energy special situations funds and a \$45 million allocation to distressed debt. The recommendation will be made Nov. 2 and if the board of the \$5 billion San Bernardino, Calif., pension approves the moves, a market survey for each asset class will be conducted to check to figure out strategies and select a manager, says **James Perry**, investment analyst.

San Bernardino is considering a first foray into private equity energy funds for diversification and to achieve real returns over a 10-year cycle. Perry compared energy to timber as investors can hold onto these assets to ride out any short-term market volatility. During a bad market for timber, "let it grow," and then when prices improve, "cut it down," he says. "It's a no brainer."



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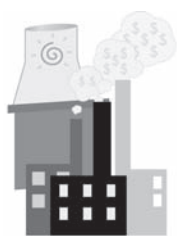
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Generation Auction & Sale Calendar

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. 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@iinews.com.

Seller	Plants	Location	MW	Plant Type	Advisor	Status/Comments
Alloy Power/West Virginia Alloy	Hawk's Nest Glen Ferris	Fayette, W.Va. Fayette, W.Va.	102 4.6	Hydro Hydro	JPMorgan	Brookfield Power agreed to acquire both facilities. Terms not disclosed. Deal expected to close by year-end 2006.
American Electric Power	Plaquemine Cogeneration Facility	Plaquemine, La.	880	Gas/Steam	N/A	Dow Chemical Co. will pay AEP \$64 million at closing, which is expected in December.
American Securities Capital Investments (Primary Energy Ventures)	Naval Station North Island NTC Oxnard Kenilworth Greeley Roxboro Southport North Lake (15.4%) Cokenergy (15.4%) Ironside (15.4%) Portside (15.4%) Harbor Coal (15.4%)	San Diego, Calif. San Diego, Calif. San Diego, Calif. Oxnard, Calif. Kenilworth, N.J. Greeley, Colo. Roxboro, N.C. Southport, N.C. East Chicago, Ind. East Chicago, Ind. East Chicago, Ind. Portage, Ind. East Chicago, Ind.	47 41 25 49 30 82 60 120 75 95 50 64 N/A	Gas Gas natural gas natural gas natural gas natural gas solid fuel fired solid fuel fire waste energy waste energy waste energy natural gas pulverized coal	Lehman Brothers	Epcor Power is acquiring the assets for \$380 million. Deal slated to close in the 4th quarter
Astoria Energy	Astoria Plant	Queens, N.Y.	500	Gas	N/A	The partnership that owns the plant is said to be fielding offers from interested parties.
Atlantic City Electric Co.	B.L. England	Upper Township, N.J.	447	Coal/oil	Concentric Energy Advisors	Rockland Capital Energy Investments offered to buy for \$12.2 million so long as necessary approvals made by March 31.
BayCorp Holdings	Benton Falls	Benton, Maine	4.3	Hydro	Concentric Energy Advisors	N/A
Calpine	Dighton Power Plant Fox Energy Center Russell City Energy Center Westbrook Energy Center	Dighton, Mass. Kaukauna, Wis. Hayward, Calif. Westbrook, Maine	170 560 600 (proposed) 528	Gas Gas Gas Gas	N/A N/A N/A N/A	BG North America agreed to acquire for \$90.2 million. Deal approved by the court and expected to close by mid-November GE Energy Financial Services acquired leasehold interest. Calpine receives \$16.3m in cash and eliminates \$352.3m under sale and leaseback with GE. Bankruptcy Court approved the sale of a 35% equity interest to GE Energy Financial Services for \$44 million. Potential sale being discussed internally at the IPP (PFR, 8/14).
Cargill-led investor group	Granite Ridge	Londonderry, N.H.	720	Gas	N/A	The company is interviewing advisors and consider a sale.
CMS Energy	Palisades	South Haven, Mich.	798	Nuclear	Concentric Energy	Entergy agreed to acquire for \$380 million (PFR, 7/17).
Complete Energy	Batesville	Batesville, Miss.	837	Gas	Dexia	Second round bidding underway (PFR, 10/16).
Constellation Energy	Big Sandy High Desert Holland Energy Rio Nogales University Park Wolf Hills	Wayne County, W.Va. Victorville, Calif. Holland Township, Ill. Seguin, Texas Chicago, Ill. Bristol, Va.	300 830 665 800 300 250	Gas (peaker) Gas Gas Gas Gas (peaker) Gas (peaker)	Credit Suisse	Tenaska Power Fund to purchase for \$1.635 billion in cash. Deal slated to close year-end/early 2007 (PFR, 10/16).

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status/Comments
Desert Power L.P.	Desert Power Plant	Rowley, Utah	100	Gas	N/A	MMC Energy signed non-binding letter of intent to acquire for \$3.5 million cash and assumption of \$28.7 million in debt. Facility needs repowering.
Dominion Resources	Armstrong Energy Pleasants Energy Troy Energy State Line	Elderton, Pa. Pleasants, W.Va. Troy Township, Ohio Hammond, Ind.	600 300 (peaker) 600 (peaker) 515	Gas Gas Gas Coal	Credit Suisse	Second round bidding underway (PFR, 10/9).
DPL Inc.	Darby Electric Generating Station Greenville Electric Generating Station Montpelier Electric Generating Station	Mount Sterling, Ohio Greenville, Ohio Poneto, Ind.	447 206 219	Gas Gas Gas	Pace Global Energy Services Pace Global Energy Services Pace Global Energy Services	DPL negotiating with lead bidder and expects to announce deal late this month or early next.
EBG Holdings	Mystic 7 Mystic 8 Mystic 9 Fore River	Everett, Mass. Everett, Mass. Everett, Mass. Weymouth, Mass.	560 832 832 832	Gas/Oil Gas Gas Gas/Oil	Lehman Brothers	Preliminary non-binding bids are pointing to a \$2.5-2.7 billion price tag. Second round bids due over the next few weeks (PFR, 10/9).
El Paso Corp.	Capitol District Energy Center Cogeneration Associates (CDECCA) Berkshire Power Co	Hartford, Conn. Agawam, Mass.	67 243	Gas Gas	N/A	Maxim Power acquired 100% interest in CDECCA and existing project partner Energy Investors Fund acquired El Paso's 56% interest in Berkshire Power. Terms not disclosed.
Invenergy	Hardee Power Station	Bowling Green, Fla.	370	Gas	Morgan Stanley	Asset is up for sale. Timeline unclear (PFR, 7/3).
Lake Road	Lake Road Power Plant	Killingly, Conn.	840	Gas	Credit Suisse	First round bidding underway (PFR, 10/16)
LEP Holdings	Liberty	Eddystone, Pa.	568	Gas	JPMorgan	Non-binding 1st round bids due next month (PFR, 8/17).
Mirant	Curacao Utilities Co. (25.5%) Grand Bahama Power Co. (55%) Jamaica Public Service Co. (80%) PowerGen (39%) Sual Generating Plant Pagbilao Generating Plant Apex plant Bosque Shady Hills Sugar Creek Zeeland West Georgia	Curacao Grand Bahama Island Jamaica Trinidad & Tobago Pangasinan, Philippines Quezon, Philippines Las Vegas, Nev. Clifton, Texas Pascoe County, Fla. W. Terre Haute, Ind. Zeeland, Mich. Thomaston, Ga.	133 151 621 1.2 GW 1.2GW 704 518 537 469 535 840 605	Asphalt/ Refinery Gas Oil Oil/Hydro Gas Coal Coal Gas Gas Gas/Oil Gas Gas Gas/Oil	JPMorgan Credit Suisse JPMorgan	First-round bids expected next month. Six bidders reportedly made the second round. Winner planned to be unveiled in November (PFR, 9/25). First round bid deadline set for Oct. 19 (PFR, 10/2).
Northeast Utilities	Northfield Mountain Mt. Tom Station Cabot Turners Falls	Northfield & Irving, Mass. Holyoke, Mass. Turners Falls, Mass. Turners Falls, Mass.	1.1 GW 146 61.8 6.4	Pumped Hydro Coal Conventional Hydro Conventional Hydro	JPMorgan	Syndication underway for the \$855 million financing backing Energy Capital Partners' \$1.34 billion acquisition.

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status/Comments
	Bantam	Bantam, Conn.	0.3	Conventional Hydro		
	Bulls Bridge	New Milford, Conn.	8.4	Conventional Hydro		
	Falls Village	Falls Village, Conn.	11	Conventional Hydro		
	Rocky River (Candlewood Lake)	New Milford, Conn.	29	Pumped Hydro		
	Shepaug (Lake Lillinonah)	Southbury, Conn.	42.6	Conventional Hydro		
	Stevenson (Lake Zoar)	Monroe, Conn.	28.9	Conventional Hydro		
	Robertsville	Colebrook, Conn.	0.6	Conventional Hydro		
	Scotland	Windham, Conn.	2.2	Conventional Hydro		
	Taftville	Taftville, Conn.	2	Conventional Hydro		
	Tunnel – Preston	Preston, Conn.	2.1	Conventional Hydro		
	Tunnel Jet – Preston	Preston, Conn.	20.8	Internal Combustion		
Progress Ventures	Walton	Walton, Ga.	450	Gas	JPMorgan Chase	Launched a sale of the unregulated assets
	Monroe Power	Monroe, Ga.	350	Gas		
	Washington County	Washington County, Ga.	600	Gas		
	Effingham County	Effingham County, Ga.	500	Gas		

Weekly Recap

The Weekly Recap is a summary of publicly reported power news stories. The information has been obtained from sources believed to be reliable, but PFR does not guarantee its completeness or accuracy.

North America

- **Public Service Company of Oklahoma** has signed a 25-year PPA with the Sleeping Bear wind farm, located in northwest Oklahoma. Financial terms of the deal were not disclosed. (*Business First Columbus*, 10/19).
- **Delmarva Power** has issued a request for proposals for 590 MW of wholesale electricity to meet its standard offer service obligation in Delaware. It will hold a pre-bid conference for prospective bidders Nov. 2 and the first round of bidding will start on Nov. 27 and end in February (*Reuters*, 10/19).
- **National Grid** has landed approval from federal regulators for its \$7.3 billion purchase of **KeySpan**. The deal combines London-based National Grid's U.S. operations with the gas and electricity business of KeySpan (*Reuters*, 10/19).
- **Babcock & Brown Infrastructure Group** has got permission from U.S. regulators to acquire South Dakota utility **NorthWestern** for \$2.2 billion (*Bloomberg News*, 10/19).
- The **North American Electric Reliability Council** said power plants and transmission lines are not being built fast enough to

keep with demand. In two to three years, the margin between power supply and demand will drop below levels meant to ensure reliability in Texas, New England, the Mid-Atlantic states and the Midwest (*Houston Chronicle*, 10/17).

- **Georgia Power** launched its Green Energy program, which sells electricity created by sources such as the sun, wind, water and landfill gas. The energy is available to residential customers in 100-kilowatt-hour blocks that sell for \$4.50 per block (*Atlanta Business Chronicle*, 10/17).
- **WPS Resources** will change its name to **Integrlys** and trade under the symbol TEG following its acquisition of **Peoples Energy**, likely to be completed in the first quarter 2007 (*Reuters*, 10/16).
- **Entergy** expects third-quarter earnings to increase to \$1.86 a share, mostly on contributions from the company's nuclear business (*AP*, 10/17).
- The **U.S. Defense Logistics Agency** awarded a \$101.4 million contract to **Constellation Energy**. Under the fixed price agreement, Constellation will supply electricity for the U.S. Army,

Weekly Recap (cont'd)

Navy and Air Force. It also awarded a more than \$33 million contract to **FPL Group** subsidiary **Gexa Energy**, under which the Army, Navy, and federal civilian agencies can use electricity provided by the company through Jan. 2009 (*AP*, 10/17).

- Merger talks between **Progress Energy** and **Southern Co.** have stalled, according to published reports in two online news services, the News and Observer reported Saturday. Progress Energy could be worth as much as \$50 to \$60 a share in a takeover, based on assessments of the company's value by analysts, plus a buyout premium of 20% to 25% (*Dow Jones Newswires*, 10/14).
- Texas Governor **Rick Perry** has accepted more than \$100,000 in campaign contributions from groups involved in construction of 16 coal-burning power plants since he signed an order to speed state approval of the projects. None of the governor's rivals in the campaign has received donations (*AP*, 10/14).
- **Massachusetts Municipal Wholesale Electric**, which represents municipally-owned electric companies in Massachusetts, is looking for financial partners in order to proceed with construction of a planned \$220 million power plant in Ludlow. About 24 municipalities have pledged to buy electricity from the proposed 280-megawatt natural-gas and oil facility, but the nonprofit needs more participants in order to make the financing work (*The Boston Herald*, 10/14).
- **Nuclear Regulatory Commission** chair **Dale Klein** thinks he can cut the time it takes to license a nuclear power plant in half, to about two years. The commission expects applications for 29 new nuclear power plants ahead of the 2008 deadline to get federal incentives, including nine reactors in Texas (*McClatchy-Tribune Business News*, 10/14).
- **FPL Group** will pay a regular quarterly dividend of 37.5 cents per share payable Dec. 15 to shareholders of record as of Nov. 24 (*AP*, 10/13).

Europe

- Russia's **Unified Energy System** plans to raise about \$10 billion in the international capital markets over the next two years. It will offer shares in 16 of the 20 power-generating companies it is spinning off as part of its huge restructuring,

with five or six of the companies seeking to list shares on the **London Stock Exchange** by the end of next year (*Financial Times*, 10/18).

- **Siemens** won a contract worth €350 million (\$439 million) from **Scottish Power** to supply 140 wind turbines for locations throughout Scotland (*AP*, 10/18).
- **E.On** filed a lawsuit to clarify a situation about **Endesa** shares held by **Acciona**. E.On accused Acciona of making misleading statements about its strategic targets in buying a 10% stake in Endesa. Acciona denied the charges (*The Wall Street Journal*, 10/17).
- **OAQ Gazprom** is interested in reaching an agreement to supply fuel to Israel while Prime Minister **Ehud Olmert** is in Russia this week, the newspaper *Ma'ariv* reported. Gazprom's Gazexport unit signed an agreement with Israel's **BSG Investments** to perform a feasibility study on providing gas to Israel and Cyprus through a pipeline to Turkey (*Bloomberg*, 10/17).
- **British Energy** faces possible delays to the latest stage of its privatization after admitting that only one of its eight nuclear power stations was working normally. The group, which has already closed two reactors, revealed it was preparing to close a further two after serious cracks were found in boiler pipes (*Financial Times*, 10/17).
- Germany's **E.On** filed a lawsuit in a U.S. federal court against **Acciona** of Spain, which last month bought a 10% stake in **Endesa**, complicating E.On's attempt to take over the Spanish utility. E.On has raised its bid for Endesa to E37.1 billion (US\$46.4 billion) from E26.9 billion (*AP*, 10/16).
- **Suzlon Energy** got its first order in South America, from **SIIF Energias do Brasil**, to supply 225 MW of wind turbines. Delivery would commence in 2007, with the full order installed and commissioned over a period of 18 months (*Asia Pulse*, 10/13).

Asia

- A unit of **ExxonMobil** signed an agreement with **Qatar Petroleum** to continue studies for a proposed \$3 billion petrochemical facility in Qatar. The start-up for the proposed facility, which would include a world-scale steam cracker and polyethylene and ethylene glycol units, is estimated in 2012 (*Reuters*, 10/15).

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Leads Look To Bulgarian Loan Sell-Down

A trio of banks is close to wrapping syndication of €715 million in senior loans used to finance AES Corp.'s 600 MW lignite-fired facility at the Martiza East I site near Sofia, Bulgaria. The mandated lead arrangers **Calyon**, **BNP Paribas** and **ING Bank** have secured binding commitments from more than 20 banks and are waiting for tax certificates from Bulgarian authorities before closing, expected within weeks. Officials at the banks either declined comment or could not be reached, and **Nadja Zelyova**, an official at AES in Bulgaria, declined comment.

David Stearns, director of project finance at Calyon in London, says the investment at the Martiza East I site is the largest in Bulgaria's power sector to date. He notes eventual loan allocations will be scaled back. Pricing on the facilities, all of which have a 16-year tenor, is around 200 basis points.

The package comprises: a €228 million B loan provided by the **European Bank for Reconstruction and Development**, a €65 million loan from **MIGA**, a €102 million covered facility from **Coface**, a €200 million loan guaranteed by **Hermes**, as well as a €48 million uncovered local bank facility, a €48 million letter of credit facility for debt servicing and a €20 million working capital tranche provided by commercial banks.

TXU MAPS

(continued from page 1)

in the first quarter. The dollar size it is seeking for its equity partner could not be ascertained. **Chris Schein**, spokesman at TXU, did not return a call for comment.

Despite grumblings in the industry that the process is a considerable risk for potential partners, TXU believes its ambitious 9 GW construction plan is supported by the fact that it already has a dominant foothold in the Texas market. It operates subsidiary **TXU Power**, which is the largest generator in Texas with 18.3 GW, and can leverage from that operations as well as mining arm **TXU Mining Company**, which provides 70% of the coal for TXU Power.

A multi-unit EPC agreement has been inked with **Bechtel Corp.** and the company also signed on **Fluor Corp.** to provide fixed-price construction. TXU will consider absorbing the lion's share of construction risk if its partner does not want to be saddled with too much risk, the offering memorandum explains. Morgan Stanley officials declined to comment and calls to Bechtel and Fluor were not returned.

TXU is also aiming to select a dedicated ceo, chief risk officer and controller to run the merchant generation arm, after the project moves further along. Details of the hiring process could

Financing Record (OCTOBER 11 - OCTOBER 17)

Debt

144A	Issued	Issuer	Business Description	Principal (\$M)	Coupon (%)	Security	Maturity	Offered	YTM(%)	Spread	S&P's	Moody's	Fitch
Yes	10/11/06	Baltimore Gas and Electric Co	Electric and gas utility	400	5.9	Notes	10/1/16	100	5.9	115	BBB+	Baa2	A-
Yes	10/11/06	Baltimore Gas and Electric Co	Electric and gas utility	300	6.325	Notes	10/1/36	100	6.325	115	BBB+	Baa2	A-
No	10/11/06	EnBW Energie Baden-Wuerttemberg	Electric utility	626	4.25	Gtd Mdm-Trm Nts	10/19/16	100	4.25	33	A-	A2	NR
	10/13/06	Vectren Utility Holdings Inc	Pvd natural gas distn svcs	100	5.95	Insured Notes	10/1/36	100	5.95	102	AAA	Baa1	NR
Yes	10/16/06	Potomac Edison Co	Electric and gas utility	100	5.8	Notes	10/15/16	99.717	5.838	105	BBB-	Baa2	BBB+

M&A

Announced	Effective	Target Name	Target Advisors	Target Nation	Acquiror Name	Acquiror Advisors	Acquiror	Rank Value (\$M)
10/11/06		Balleycourt Cogeneration		France	Comax France SAS		France	6.26
10/11/06	10/11/06	Billyvind		Sweden	Lunds Energi AB		Sweden	
10/11/06		Contellation Energy Group Inc-	Credit Suisse Group, Deutsche Bank AG	United States	Tenaska Power Fund LP	JP Morgan, Goldman Sachs & Co	United States	1,635.00
10/12/06		WPS Niagara Generation LLC		United States	US Renewables Group LLC		United States	30.2
10/13/06		Vulcan Geothermal Pty Ltd		Australia	Green Rock Energy Ltd		Australia	0.237
10/16/06		AEM Trasmissione SpA	Mediobanca SpA	Italy	Rete Trasmissione Locale SpA	Lazard	Italy	147.877
10/16/06		Edison Rete SpA	Mediobanca SpA	Italy	Rete Trasmissione Locale SpA	Lazard	Italy	389.744
10/17/06		Natural Energy Corp GmbH		Germany	Theolia		France	

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

not be learned.

The first of the 11 plants constructed will be 581 MW, Milam County-based Sandow 5, the permit for which is expected imminently. Next up are two units in Robertson County, Oak Grove, which should have a combined capacity little more of 1.6 GW. For the full list of plants to be constructed, [click here](#).

Morgan Stanley, Citigroup and Merrill Lynch are working on the debt strategy for the plants (PFR, 8/14) since TXU is contemplating whether to complete its construction financing as one mega deal or piecemeal. TXU is awaiting regulatory clearance in the way of construction approvals before proceeding with full financing, one bank official notes. The debt will be housed under newly created subsidiary TXU Generation Development Co.

—Mark DeCambre

IRISH IPP

(continued from page 1)

ING Bank.

Contractors are expected to begin construction of the £400 million Marchwood project—a redevelopment on the site of a former gas-fired power station—early next year, with a view to bringing the new unit online by 2009. ESB acquired the original unit from Aquila Energy Corp. in 2004.

—Katy Burne

LOUIS DREYFUS

(continued from page 1)

syndicate, a deal watcher says, but how much the lead arranger wants to keep on its book could not be learned. The terms and timing of the syndication could not be ascertained.

—K.B.

Quote Of The Week

"It's a no brainer." — **James Perry**, investment analyst at **San Bernardino County Employees Retirement System** in San Bernadino, Calif., explaining that the pension fund is exploring investing in energy and infrastructure because it offers a great hedge against other asset classes (see story page, 5).

One Year Ago In Power Finance & Risk

Dublin-based wind developer Airtricity sought \$300 million in construction financing for three planned wind farms in Idaho, New York and Texas. Senior v.p. Ciaran O'Brien said it would only do business with banks that had completed wind financings in the past. [HVB won the mandate of funding the non-recourse loan, based on the bank's familiarity with Gamesa- and Siemens-manufactured turbines being used in the wind construction project (PFR 11/11/2005).]

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