

# power finance & risk

The exclusive source for power financing and trading news

www.iipower.com

A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

OCTOBER 30, 2006

VOL. IX, NO. 43

## Done Deals, Buddy

In addition to our ongoing auction calendar, PFR is now bringing together the detail on completed generation sales. For the record on what's been sold, location, offtaker and financing. Subscribers should head to (www.iipower.com).

## PFR Is Chock Full Of News!

For breaking info on **Enel North America's** bid for **Amp Resources** and other stories, please go to PFR's Web site.

## In The News

Invenery May Drop Hardee Auction	3
Constellation Initiates Merger End	3
HSBC Hires Commodities Pro	3
NordLB, Dexia Take enXco Pieces	4

## Corporate Strategies

Southern Union Retires Debt	4
NRG Uses Arm's Length Entity For Share Repurchase	4
Sabine Pass To Roll Out Bond Sale	5
Vectren Refis Long-Term Notes	5

## Departments

Financing Record	5
Weekly Recap	7
Generation Auction & Sale	8

**COPYRIGHT NOTICE:** No part of this publication may be copied, photocopied or duplicated in any form or by any means without Institutional Investor's prior written consent. Copying of this publication is in violation of the Federal Copyright Law (17 USC 101 et seq.). Violators may be subject to criminal penalties as well as liability for substantial monetary damages, including statutory damages up to \$100,000 per infringement, costs and attorney's fees. Copyright 2006 Institutional Investor, Inc. All rights reserved.

For information regarding subscription rates and electronic licenses, please contact Dan Lalor at (212) 224-3045.

## UNION, GILA SEEK LENDERS FOR \$1.3B RECAP

**Entegra Group** has requested proposals from banks to refinance \$1.325 billion in project-level debt tied to the largest generation facilities in the U.S.—Gila River Power Station just south of Phoenix and the Union Power Station in El Dorado, Ark. **Joff Mitchell**, managing director of **Kroll Zolfo Cooper** and interim president of Entegra Group in New York, says 13 banks have been asked to submit proposals to lead a restructuring of the

(continued on page 11)



Union Power Station

## DANISH ENERGY CO. WEIGHS NON-CORE ASSET SALE

The Danish government is considering offloading non-core assets in state-owned power conglomerate **DONG Energy** in advance of its initial public offering late next year. On the block will likely be a number of Spanish facilities—predominantly wind farms—and other offshore assets, says a banker familiar with the company's thinking, who adds that the enterprise value of such a transaction is in the €500-€600 million (\$635-\$760 million) ballpark.

(continued on page 12)

## JPMORGAN PREPS \$900M MIRANT AMERICAS STAPLE; CREDIT SUISSE WEIGHS RIVAL DEAL

**JPMorgan Chase** is preparing a staple financing package meant to support the auction of some 3.5 GW of U.S. plants being marketed by **Mirant Corp.** JPM is also serving as auctioneer for the generation assets and is expected to put together a financing package totaling some \$900 million, including working capital. But rival **Credit Suisse** is considering issuing a competing staple package. Details on the loan packages could not be learned, but **Credit Suisse** is hoping to pitch it to bidders in the latter rounds of the auction process. First

(continued on page 12)

## STATE REGULATORY HARDBALL CAUSES M&A GROUSING

The repeal of the Depression-era Public Utility Holding Company Act last year was expected to lead to a flood of mergers and acquisitions in the energy markets. But the most significant impediment to corporate-level tie-ups has proved to be state regulators, **John Rowe**, ceo at **Exelon Corp.**, told attendees during a panel discussion at the **DLA Piper Energy Marketplace Conference** in New York last week.

The Exelon boss, who saw his proposed combination with **Public Service Enterprise**

(continued on page 12)

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



## At Press Time

### Airtricity Eyes Funds For 90 MW ERCOT Wind Project

Airtricity is aiming to get funds for a 90 MW development at Sand Bluff in Sterling County, Texas.

The Chicago-based wind developer is obtaining a tax-equity sponsorship from **JPMorgan Capital** to help fund the equity portion of construction as it also sought to finalize the debt. Terms could not be ascertained. Officials at the Chicago-based wind developer, an affiliate of Dublin renewable energy company **Airtricity Holdings**, declined comment, as did officials at JPMorgan.

**Babcock & Brown** is serving as financial advisor on the transaction, which is Airtricity's second such deal this year. Three parties came in on an earlier development financing in June for its 125 MW Forest Creek project in Texas—**GE Energy Financial Services**, **Fortis Capital** and **Wells Fargo**.

After the tax-equity is finalized, **HypoVereinsbank** plans on syndicating some \$140 million of non-recourse debt. Likely candidates to round out the syndication include **BayernLB** and **NordLB**—which have won lead mandates to for other Airtricity projects in the U.S.—and **Allied Irish Bank**, its relationship bank. Those lenders also helped provide \$180 million construction loan for Forest Creek (PFR, 10/23).

Sand Bluff, now in construction and due to reach commercial operation this quarter, has a five-year offtake agreement with a merchant tail. A \$19 million non-recourse senior turbine supply loan for the project was inked in January, also via HVB. A call to **Andrew Matthews**, a senior project finance official at HVB in New York, was not returned.

## Utah Trading Shop To Beef Up Emissions Trades

Greenhouse gas emissions trader **Blue Source** is betting on an increased demand for emissions cap trading and as a result aims to juice its investment in carbon-capturing assets. Its plan is to trade the resulting emissions credits in what it sees as a growing market, says **Russell Martin**, v.p. in Salt Lake City, noting that the market for emissions credits has quadrupled and will only grow as states adopt regulation such as California's recent global warming bill.

Martin says Blue Source's investments are supported by **First Reserve**, which acquired a 50% stake in the company in September. First Reserve's capital, including the \$7.8 billion *Fund XI* closed in August, allows it to target investments up to \$500 million.

The company will focus on infrastructure assets that capture carbon dioxide emissions at coal plants, and the pipelines that transport the gas to oil fields for use in oil recovery. Blue Source has already accumulated more than 300 million tons of credits, **Bill Townsend**, ceo, says, and already has five such infrastructure projects in the works, declining to describe its specific investments or projects in detail.

## power finance & risk

The exclusive source for power financing and trading news

### EDITORIAL

TOM LAMONT  
Editor

STEVE MURRAY  
Deputy Editor

PETER THOMPSON  
Executive Editor [Chicago]  
(773) 439-1090

MARK DeCambre  
Managing Editor  
(212) 224-3293

BEN MILLER  
Associate Reporter  
(212) 224-3226

KATY BURNE  
Reporter  
(212) 224-3165

STANLEY WILSON  
Washington Bureau Chief  
(202) 393-0728

KIERON BLACK  
Sketch Artist

### PRODUCTION

DANY PEÑA  
Director

LYNETTE STOCK, DEBORAH ZAKEN  
Managers

MICHELLE TOM, ILIJA MILADINOV,  
MELISSA ENSMINGER,  
BRIAN STONE, JAMES BAMBARA  
Associates

JENNY LO  
Web Production & Design Director

MARIA JODICE  
Advertising Production Manager  
(212) 224-3267

### ADVERTISING AND BUSINESS PUBLISHING

JONATHAN WRIGHT  
Publisher  
(212) 224 3566

JESSICA SOMMAR  
Editor, Business Publishing  
(212) 224-3272

CHRIS DEANGELIS  
Online Sales Director  
(212) 224-3618

PAT BERTUCCI, MAGGIE DIAZ,  
LANCE KISLING, Associate Publishers

SAMUEL HARRIS WILLIAMS  
Head of Legal Sales  
(212) 224-3894

LESLIE NG  
Advertising Coordinator  
(212) 224-3212

### PUBLISHING

ELAYNE GLICK  
Publisher

MIKE FERGUS  
Marketing Director  
(212) 224-3266

AMANDA CATERINA  
Associate Marketing Manager  
(212) 224-3096

VINCENT YESENOSKY  
Senior Operations Manager  
(212) 224-3057

DAVID SILVA  
Senior Fulfillment Manager  
(212) 224-3573

### SUBSCRIPTIONS/ELECTRONIC LICENSES

One year - \$2,725 (in Canada add \$30 postage, others outside U.S. add \$75).

DAN LALOR  
Director of Sales (212) 224-3045

EMILY-JANE STAPLETON  
Account Executive [London]  
(44-20) 7779-8704

KEN LERNER  
Account Executive  
(212) 224-3043

GEORGE WITTMAN  
Client Development Manager  
(212) 224-3019

### REPRINTS

DEWEY PALMIERI  
Reprint & Permission Manager  
(212) 224-3675  
dpalmieri@institutionalinvestor.com

### CORPORATE

CHRISTOPHER BROWN  
Chief Executive Officer

DAVID E. ANTIN  
Chief Operating Officer

ROBERT TONCHUK  
Director/Central Operations & Fulfillment

**Customer Service:** PO Box 5016,  
Brentwood, TN 37024-5016.  
Tel: 1-800-715-9195. Fax: 1-615-377-0525  
UK: 44 20 7779 8704  
Hong Kong: 852 2842 6910  
E-mail: customerservice@iinews.com

**Editorial Offices:** 225 Park Avenue  
South, New York, NY 10003.  
Tel: (212) 224-3293  
Email: mdecambre@iinews.com

**Power Finance & Risk** is a general circulation newsweekly. No statement in this issue is to be construed as a recommendation to buy or sell securities or to provide investment advice.

**Power Finance & Risk** ©2006  
Institutional Investor, Inc.

Copying prohibited without the permission of the Publisher.

**Institutional Investor NEWS**  
INTELLIGENCE FIRST

## Invenergy Mulls Nixing Fla. Plant Auction

Invenergy is considering pulling its auction of its 370 MW Hardee Power Station. The Chicago private equity shop kicked off its auction this summer via **Morgan Stanley** (PFR, 8/7) and received a handful of bids but is leaning toward pulling the sale altogether, according to an Invenergy official, who declined to be identified. The reasoning behind the potential move could not be ascertained.

**Southern Co.** and **Tyr Energy** are believed to have made a run on the Bowling Green, Fla., asset, according to observers, but other potential acquirers could not be learned. A call to **Ken Marks**, managing director at Morgan Stanley in New York, was not returned. A Southern Co. spokesman was unable to comment and an official at Tyr declined comment.

Invenergy bought Hardee from **TECO Energy** for \$100 million, plus the assumption of debt, in a joint venture with **GTCR Golder Rauner** three years ago (PFR, 10/6/2003). All output from the plant's 220 MW combined cycle system and its 150 MW peaking system is sold to **Seminole Electric Power Cooperative** and **Tampa Electric Company** under separate 20-year contracts that expire in 2012.

Debt outstanding on the facility stood at \$180 million as of July 3 this year, according to the original offering memorandum obtained by PFR, including a \$43 million synthetic lease with a 12-year term and \$59 million in preferred equity.

### Post Mortem

## Constellation Initiates Short Circuit Of Merger Talks

**Constellation Energy Group** initiated the calling off of its \$11 billion merger with **FPL Group**, according to FPL spokeswoman **Mary Lou Kromer**. Since the decision to terminate was mutual, she says, neither will be required to pay a break-up fee. Constellation had agreed to pay \$650 million if it halted talks; FPL, \$425 million.

On the face of it, the FPL/Constellation deal seemed less likely to face political opposition than the \$17 billion PSEG/Exelon deal, notes **Patrick Donoghue**, senior managing director in mergers and acquisitions transactions services at **FTI Consulting** in New York. "FPL and Constellation do not have the same overlapping service territories and market power issues. It is a smaller deal and they have offered significant concessions," he notes.

But the timing of the merger talks, given the recent collapse of **Public Service Enterprise Group** and **Exelon's** union, proved unserendipitous for FPL/Constellation's combination. Observers suggest Maryland regulators were concerned Constellation's assets would be used to bolster FPL's more leveraged balance sheet, leading

to further electricity rate hikes at **Baltimore Gas & Electric**.

All five members of the **Maryland Public Service Commission** charged with approving the deal were recently fired from the case, but won a motion alleging their dismissal was unlawful and were allowed to stay on. "It then begged the question as to who at the commission could make the ultimate decision, which created a dilemma for [FPL and Constellation]," explains Maryland commission spokeswoman **Bethany Gill**.

Merger-related expenses reported by Constellation amounted to \$9 million at the half year point, while FPL's were \$11 million.

## HSBC Arm Taps BGI Commodities Pro

**Halbis**, an investment management arm of HSBC, has hired a portfolio manager from **Barclays Global Investors** to co-manage its new commodities fund, which includes energy investments. **Manus Stapleton** will work with fellow BGI alum **Per Tingberg**, the other co-manager hired by Halbis several months ago.

Tingberg left BGI in 2004 and later worked at **MPC Investors**. Stapleton "picked up where Per left off at BGI...so we're very pleased to have effectively hired the BGI commodities team," says **Charles Robinson**, director of marketing in London. Stapleton was not available to comment.

The commodities fund launched in September and was up 25 basis points in its first month, says Robinson. This was despite some commodities managers having a tough month in the wake of the **Amaranth Advisors** natural gas debacle, he observed. The fund was seeded with \$50 million of firm capital and Halbis is seeing interest from other investors, but has so far held off from marketing the fund. This was because the firm was waiting for Stapleton to arrive, explained Robinson. A push for assets is likely in 2007.

## Former DZ Banker Launches Infrastructure Advisory Outfit

Former **DZ Bank** veteran **Larry Siegel** has set up a new energy financial advisory boutique. The New York start-up, **Tobay Capital**, will focus on sourcing and structuring equity and debt for energy infrastructure projects in the U.S. and Canada, and will also chase some merger and acquisition business. "It is definitely a robust market; there is a lot of activity out there," notes Siegel.

Siegel said he has also begun raising capital for a project debt fund, yet to be named. The volume of investors pursuing larger energy deals has crowded the market, he says, leaving richer pickings in smaller projects. Tobay has been cooperating with a handful of independent affiliates to unlock these opportunities.



The debt fund will target an initial pool of \$100 million.

Transactions Siegel is working on so far include a company seeking \$20 million in debt for a distributed generation facility and an energy company looking to refinance \$15 million of its portfolio. He declined to discuss project specifics.

Siegel has more than 20 years' experience in the energy sector, eight of which were spent as director of finance for **Con Edison's** unregulated subsidiaries. He spent another eight years in commercial banking, and five at **Prudential Power Funding Associates** and **Prudential Capital Corp.**

## NordLB, Dexia Take Slices Of enXco Wind Loan

**Dexia Credit Local** and **NordLB** have signed on to a \$305 million **Union Bank of California**-led wind financing for sponsor **enXco Development Corp.** **NordLB** has agreed to take \$60 million of the loan and **Dexia** will take a \$65 million slice. The identity of other interested banks is not yet known. Final allocations are expected Oct. 31. Calls to officials at the banks and calls to officials at **enXco** in North Palm Springs, Calif., were not returned.

The \$305 million, 15-month construction facility will convert into a \$165 million term loan, with the balance to be made up with a tax-equity tranche. The term loan is split into a 15-year tranche priced at 125 over LIBOR, rising 12.5 basis points every four years, and an 18-year tranche priced at LIBOR plus 137.35 and rising at the same rate. The amount of each tranche has not been set.

The wind farm, located in Murray and Noble Counties, Minn., will sell 200 MW of capacity to **Xcel** subsidiary **Northern States Power** under a 25-year PPA. The project will consist of up to 137 **General Electric**-manufactured 1.5 MW (or similar) wind turbines (PFR, 10/6). **enXco** is a U.S. affiliate of **EdF Energies Nouvelles**.

## Corporate Strategies

### Southern Union Retires \$600M Debt Via Hybrid Sale

**Southern Union Co.** plans to use proceeds from the sale of \$600 million of hybrid securities to pay down a revolver and bridge loan. Some \$75 million will be cut from its 364-day revolver and \$525 million outstanding on a \$1.6 billion bridge loan it used to fund its acquisition of the former **Sid Richardson Energy Services'** midstream assets. **Julie Edwards**, cfo of the Houston-based natural gas company, did not return calls.

**Sharon Bonelli**, a managing director with **Fitch Ratings** in New York, says the timing of the issuance was based on the surge

in demand among institutional investors for hybrid securities and because of the spring 2007 maturity of its bridge loan. "It is conservative for the company to take [the debt] out in advance," she says. The securities get 75% equity treatment with **Fitch**, which rates the offering **BBB-**. **Moody's Investors Service** rates it **Ba1** and **Standard & Poor's** rates it **BB+**.

The notes carry a coupon of 7.20% for the first five years, after which it will revert to a floating rate and will be callable at any time. They mature in 60 years' time—thereby satisfying all three rating agencies' requirements of what defines final maturity and securing the highest possible equity class. **Goldman Sachs**, **Lehman Brothers**, **Merrill Lynch** and **Credit Suisse** led the sale, the latter serving as sole structuring advisor.

## NRG Turns To Arm's Length Structure For Repurchase Initiative

**NRG Energy** has repurchased 10.6 million common shares totaling \$500 million, as part of a \$750 million repurchase program kicked off by the Princeton, N. J., IPP in August and closed in October. The company had cash on hand to repurchase shares, but had debt covenants limiting repurchase amounts to \$250 million. To get around the limit, cfo **Bob Flexon** explains, advisor **Credit Suisse**, which acted as bookrunner, came up with the idea of creating an arm's-length holding vehicle from which the shares could be purchased.

The special-purpose entity was funded with \$344 million in term loans and \$166 million in cash, to repurchase the shares. The entity will hold them until the term loans are repaid in 2008 and 2009. "It's an elegant solution," **Flexon** says.

**Moody's Investors Service** analyst **A.J. Sabatelle** in New York says it's unusual to see a company set up a separate subsidiary for a share repurchase. "Most companies coming out of bankruptcy aren't performing as well as **NRG** and don't have excess cash to invest," he says. If other companies happen to be faced with these unusual circumstances, **Sabatelle** wouldn't be surprised if the idea is duplicated.

**NRG** paid an average price of \$47.17 during the repurchase. "We wanted to bring them in at a good price," says **Flexon**, noting the energy company is happy to buy its own stock given the belief that **NRG's** share price will be higher within the next year. **NRG** shares closed at \$48.59 on Aug. 1, the day the repurchase plan was announced and have a 52-week high and low of \$52.61 and \$37.60, respectively. Phase two of the repurchase will commence in 2007, with **NRG** spending \$250 million in cash to buy back more shares, without the need for another special purpose entity.

## Corporate Strategies (cont'd)

## Sabine Pass LNG To Roll Out \$2.15B Bond Sale

Cheniere Energy holding subsidiary Sabine Pass LNG is expected to place privately some \$2.15 billion in senior secured, non-recourse debt this week. The paper, to be issued via **Credit Suisse**, is projected to yield 7%, according to the offering memorandum. Calls to **Don Turkleson**, cfo of Cheniere in Houston, were not returned.

Proceeds from the notes—comprising a tranche that matures in 2013 and another that matures 2016—will be used to refinance existing bank debt tied to stage-one construction of the Sabine Pass re-gasification terminal in western Cameron Parish, La., which is 60% complete. A \$1.5 billion credit facility arranged by **HSBC Bank** and **Société Générale** in July will be refinanced, and about \$463 million of borrowings under a \$600 million B loan obtained by **Cheniere LNG Holdings** will be redeemed.

The remaining funds will be put into a debt service reserve account for interest payments through May 2009; and be used to complete construction of the fully contracted re-gasification facility, due to be expanded to 4 Bcf/day from 2.6 Bcf/day. Under the terms of the indenture, the company also has a \$20 million carve-out for working capital should costs overrun, according to **Scott Solomon**, credit analyst at Moody's Investors Service in New York. The new notes are rated Ba3 by **Moody's Investors Service** and BB by **Standard & Poor's**.

Cheniere is developing a platform of three, 100% owned LNG receiving terminals along the U.S. Gulf Coast, with aggregate send-out capacity of 9.9 Bcf/day. Demand is expected to be strong for the Cheniere paper. Cheniere has tapped the debt market several times over the past year to help support its LNG construction (PFR, 7/17, 9/5/2005).

## Vectren Pounces On Long-Term Notes

**Vectren Utility Holdings**, a subsidiary of Indiana gas and electricity provider **Vectren Corp.**, has issued \$100 million in 5.95% quarterly notes to replace \$100 million in similar 7.25% notes due 2031. "Interest rates were very attractive," says **Robert Goocher**, treasurer in Evansville, Ind. Vectren jumped at the chance to refinance debt as soon as the debt became callable, he notes.

The new notes, which are set to mature in 2036, were underwritten by sole manager and bookrunner **Edward Jones**. Vectren was comfortable working with Edward Jones because it has worked with the firm on other debt and equity offerings. Goocher says the Edward Jones has a strong ability to market notes to retail customers. The bonds were insured and the coupon is being issued on a quarterly basis to attract retail investors, he notes.

Vectren has roughly \$1.3 billion in outstanding debt. No future security offerings are in the works, Goocher says.

## Financing Record (OCTOBER 18 - OCTOBER 24)

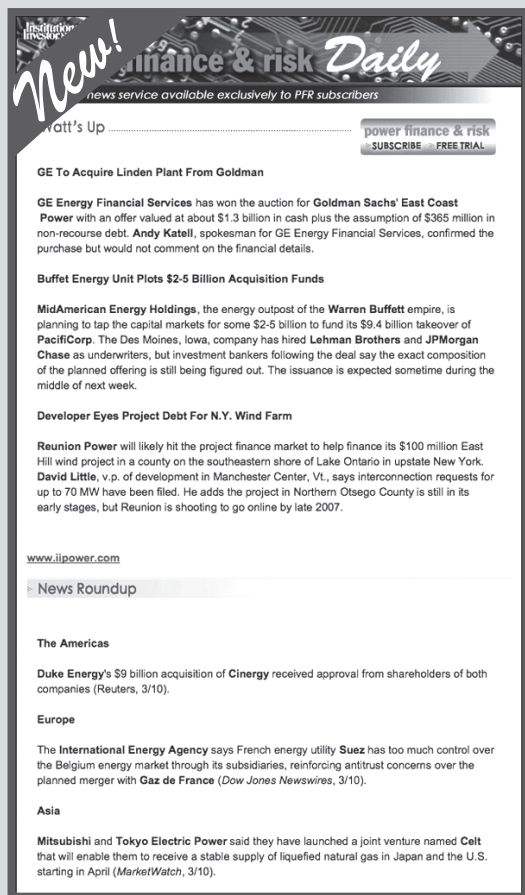
### Debt

144A	Issued	Issuer	Business Description	Principal (\$M)	Coupon (%)	Security	Maturity	Offered	YTM(%)	Spread	S&P's	Moody's	Fitch
	10/18/06	Southern Union Co	Gas utility	600	7.2	Jr Subord Notes	11/1/66	99.844	7.211	231	BB+	Ba1	BBB-
	10/23/06	Korea Namdong Electrics	Electric utility	105	Floats	Flt Rate Bonds	10/24/11	100	Floats				

### M&A

Announced	Effective	Target Name	Target Advisors	Target Nation	Acquiror Name	Acquiror Advisors	Acquiror	Rank Value (\$M)
10/18/06		Anhui Dang Shan Water Industry		China	Super Sino Investment Ltd		Hong Kong	3.212
10/18/06	10/18/06	InnoVent SAS		France	AES Corp		United States	
10/18/06	10/18/06	MREC Partners LLC		United States	Iberdrola SA		Spain	38
10/18/06	10/18/06	Midwest Renewable Energy		United States	Iberdrola SA		Spain	
10/18/06		Shijiazhuang Dongfang		China	Shijiazhuang Dongfang		China	15.965
10/19/06	10/19/06	Cener		Spain	Chloride Group PLC		United Kingdom	12.534
10/19/06		Eneco Energia SpA		Italy	Edison SpA		Italy	
10/19/06		Gale Force Energy Ltd		Canada	Airtricity Inc		United States	
10/20/06		Siam Power Generation PCL		Thailand	Trenergy Investment(L)Bhd		Malaysia	8.753
10/23/06	10/23/06	EVN AG		Austria	Energie Baden-Wuerttemberg AG		Germany	
10/23/06		Yunnan Sifangyun Power Invest		China	Yunnan Salt & Chem Ind Co Ltd		China	2.28
10/24/06	10/24/06	Energi Sengkang		Indonesia	Energy World Hldg(Cayman)Ltd		Cayman Islands	

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



## Get the Latest Market News Every Day!

FREE with your  
**Power Finance & Risk**  
subscription

Now **Power Finance & Risk** subscribers can get the latest market news delivered directly to your inbox or BlackBerry by 6pm EST every work day. You'll stay two steps ahead with the **Power Finance & Risk Daily** as you learn about the most important developments in asset and corporate M&A, plant financing and power trading.

## One email. Same time. Every day.

In each daily issue, you will receive:

- **Watt's Up** – Breaking news from the PFR News Desk
- **News Roundup** – the latest market news

## www.iipower.com

FOR FURTHER INFORMATION CONTACT:

**Ken Lerner • Tel: 212.224.3043 • Email: klerner@iinews.com**

## 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

- **Morgan Stanley** plans to invest \$3 billion in carbon trading under the Kyoto Protocol. Kyoto sets greenhouse gas emissions limits on 35 industrialized countries, but allows countries to fund cuts elsewhere and count them as their own (*Reuters*, 10/26).

- San Antonio's city-owned utility **CPS Energy** could be required to compete with other providers to sell electricity to customers. Such a move could mean higher rates for residential customers, a CPS official said (*McClatchy-Tribune Business News*, 10/25).

- Canada's **Epcor Power** reached a 10-year extension to sell electricity from its 300 MW natural gas-fired Manchief power plant in Colorado to **Xcel Energy** subsidiary **Public Service Co. of Colorado** (*Reuters*, 10/25).

- **Entergy** has dropped a proposal to transfer the assets of its New Orleans utility unit to the city of New Orleans. It instead will seek a monthly rate increase equivalent to about \$35 per metered account, a roughly 20% increase for the average household to cover costs of rebuilding a system damaged by Hurricane Katrina (*Wall Street Journal*, 10/25).

- A Missouri circuit court judge ruled the state's public service commission erred in May when it approved **Aquila's** \$140 million power plant development project in Cass County. The future of the Kansas City plant, built without conforming to zoning rules, remains unclear (*Kansas City Business Journal*, 10/25).

- **Barclays Capital** has acquired a 40% stake in **NGP Energy Capital Management**, a U.S. private equity firm specializing in energy investments. It did not disclose the price (*Reuters*, 10/25).

- The **California Independent System Operator** has cut the volume of power it will buy in 2007 on one-year contracts by 60% (*Sacramento Business Journal*, 10/19).

- Dublin-based wind developer **Airtricity** has acquired Toronto wind company **Gale Force Energy** for roughly \$9 million. The acquisition marks Airtricity's first foray into Canada after opening an office in the U.S. two years ago (*Globe and Mail*, 10/19).

- The **Texas Public Utility Commission** will investigate whether **TXU Corp.** manipulated the wholesale electricity market. The move stems from an annual review of the Texas market prepared by **Potomac Economics** (*Associated Press*, 10/22).

- The **Federal Nuclear Regulatory Commission** is reviewing an early nuclear site permit for a planned development by a **Southern Co.** subsidiary. **Southern Nuclear Operating** is planning to develop a 2.4 GW facility in eastern Georgia at a cost of \$4 billion. Even if all regulatory tests are passed and Southern decides to go forward, construction would not begin for at least three or four years (*Augusta Chronicle*, 10/20).

- **Exelon** is poised to pull the plug on the New Boston Generating Station in southern part of Boston. The company has officially asked the overseer of the region's power grid to deactivate the 41-year-old station on or after Nov. 16 (*Boston Herald*, 10/20).

- The North Carolina Attorney General's office is filing a request that **Duke Energy Carolinas** be allowed to build only one of two 800 MW coal plants it has proposed (*Charlotte Business Journal*, 10/20).

### Asia

- The Australian government will contribute \$57 million to the \$319 million project to build a 154 MW solar power plant in Victoria, as part of the government's new \$379 million package to combat global warming (*Associated Press*, 10/25).

- Japan's **Marubeni** and Germany's **Siemens** jointly won a 37-billion yen (\$312 million) order to build a gas and steam turbine combined-cycle power system at Bangkok's Bang Pakong power plant (*XFN Asia*, 10/26).

### Europe

- The Spanish government plans to remove 'some' of the 19 conditions imposed by energy sector watchdog CNE on E.ON's bid for **Endesa** (*Forbes*, 10/26).

- **AES** is considering constructing a 260 MW coal plant at one of its existing sites in Hungary to boost production. Construction would start in 2008, with the unit in operation in 2011 (*Bloomberg*, 10/20).



## Weekly Recap (cont'd)

- **ConocoPhillips** plans on spending \$400 million (E317 million) to expand capacity at its Immingham power plant in Britain by 450 MW (*Associate Press*, 10/20).
- EU internal market commissioner **Charlie McCreevy** has asked Germany to give up its golden share in **E.ON-Ruhrgas**, which gives the German authorities the final say over any hostile

takeover bid (*Financial Times*, 10/23).

- Spain's **Acciona** has options to boost its stake in **Endesa** by 9.63%—a move that might further complicate E.ON's bid to take over Endesa. Acciona wants to buy at an average price of E33.3 (\$42.02) per share. Last month Acciona paid E3.39 billion for a 10% stake in Spain's largest producer of electricity (*Associate Press*, 10/20).



## 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](mailto: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	San Diego, Calif.	47	Gas	Lehman Brothers	Epcor Power is acquiring the operation for \$380 million. Deal slated to close in the 4th quarter
	North Island	San Diego, Calif.	41	Gas		
	NTC	San Diego, Calif.	25	natural gas		
	Oxnard	Oxnard, Calif.	49	natural gas		
	Kenilworth	Kenilworth, N.J.	30	natural gas		
	Greeley	Greeley, Colo.	82	natural gas		
	Roxboro	Roxboro, N.C.	60	solid fuel fired		
	Southport	Southport, N.C.	120	solid fuel fire		
	North Lake (15.4%)	East Chicago, Ind.	75	waste energy		
	Cokenergy (15.4%)	East Chicago, Ind.	95	waste energy		
	Ironside (15.4%)	East Chicago, Ind.	50	waste energy		
Astoria Energy	Portside (15.4%)	Portage, Ind.	64	natural gas	N/A	The partnership that owns the plant is said to be fielding offers from interested parties.
	Harbor Coal (15.4%)	East Chicago, Ind.	N/A	pulverized coal		
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	Dighton, Mass.	170	Gas	N/A	BG North America agreed to acquire for \$90.2 million. Deal approved by the court and expected to close by mid-November
	Fox Energy Center	Kaukauna, Wis.	560	Gas	N/A	GE Energy Financial Services acquired leasehold interest. Calpine receives \$16.3m in cash and eliminates \$352.3m under sale and leaseback with GE.
	Russell City Energy Center	Hayward, Calif.	600 (proposed)	Gas	N/A	Bankruptcy Court approved the sale of a 35% equity interest to GE Energy Financial Services for \$44 million.



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

Seller	Plants	Location	MW	Plant Type	Advisor	Status/Comments
Cargill-led investor group	Granite Ridge	Londonderry, N.H.	720	Gas	N/A	The company has hired Morgan Stanley to pursue a sale (PFR, 10/23).
Complete Energy	Batesville	Batesville, Miss.	837	Gas	Dexia	Second round bidding underway (PFR, 10/16).
Constellation Energy	Big Sandy	Wayne County, W.Va.	300	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).
	High Desert	Victorville, Calif.	830	Gas		
	Holland Energy	Holland Township, Ill.	665	Gas		
	Rio Nogales	Seguin, Texas	800	Gas		
	University Park	Chicago, Ill.	300	Gas (peaker)		
Desert Power L.P.	Wolf Hills	Bristol, Va.	250	Gas (peaker)	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.
	Desert Power Plant	Rowley, Utah	100	Gas		
Dominion Resources	Armstrong Energy	Elderton, Pa.	600	Gas	Credit Suisse	Second round bidding underway (PFR, 10/9).
	Pleasants Energy	Pleasants, W.Va.	300 (peaker)	Gas		
	Troy Energy	Troy Township, Ohio	600 (peaker)	Gas		
	State Line	Hammond, Ind.	515	Coal		
DPL Inc.	Darby Electric	Mount Sterling, Ohio	447	Gas	Pace Global Energy Services	DPL negotiating with lead bidder and expects to announce deal late this month or early next.
	Greenville Electric	Greenville, Ohio	206	Gas		
	Montpelier Electric	Poneto, Ind.	219	Gas		
	Generating Station					
EBG Holdings	Mystic 7	Everett, Mass.	560	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).
	Mystic 8	Everett, Mass.	832	Gas		
	Mystic 9	Everett, Mass.	832	Gas		
	Fore River	Weymouth, Mass.	832	Gas/Oil		
El Paso Corp.	Capitol District Energy Center Cogeneration Associates (CDECCA)	Hartford, Conn.	67	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.
	Berkshire Power Co	Agawam, Mass.	243	Gas		
Invenergy	Hardee Power	Bowling Green, Fla.	370	Gas	Morgan Stanley	See story, page 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%)	Curacao	133	Asphalt/Refinery Gas	JPMorgan	First-round bids expected next month.
	Grand Bahama Power Co. (55%)	Grand Bahama Island	151	Oil		
	Jamaica Public Service Co. (80%)	Jamaica	621	Oil/Hydro		
	PowerGen (39%)	Trinidad & Tobago	1.2 GW	Gas	Credit Suisse	Six bidders reportedly made the second round. Winner planned to be unveiled in November (PFR, 9/25).
	Sual Generating Plant	Pangasinan, Philippines	1.2GW	Coal		
	Pagbilao Generating Plant	Quezon, Philippines	704	Coal		
	Apex plant	Las Vegas, Nev.	518	Gas	JPMorgan	First round bid deadline was set for Oct. 19 (PFR, 10/2).
	Bosque	Clifton, Texas	537	Gas		
	Shady Hills	Pascoe County, Fla.	469	Gas/Oil		

# ADVERTISE HERE!



The Source for Investment and Financial News  
Relied upon by Industry Decision Makers.

Targeting the financial markets? No matter what segment of the market, **II News** publications reach the audience you're looking for. Our readers pay an average of \$1695 to read this targeted news so you can be sure they read every issue.

Multiple products or multiple targets? *No problem.* Any ad you run in any **II News** publication counts toward a frequency discount, affording you flexibility to target multiple markets and save.

**Get your custom promotional plan today!**

Call Jonathan Wright at  
212-224-3566 or email  
[jwright@iineews.com](mailto:jwright@iineews.com)

**Institutional  
Investor NEWS**  
INTELLIGENCE FIRST

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

Seller	Plants	Location	MW	Plant Type	Advisor	Status/Comments
Mirant (con't)	Sugar Creek	W. Terre Haute, Ind.	535	Gas		
	Zeeland	Zeeland, Mich.	840	Gas		
	West Georgia	Thomaston, Ga.	605	Gas/Oil		
Northeast Utilities	Northfield Mountain	Northfield & Irving, Mass.	1.1 GW	Pumped Hydro	JPMorgan	Syndication underway for the \$855 million financing backing Energy Capital Partners' \$1.34 billion acquisition.
	Mt. Tom Station	Holyoke, Mass.	146	Coal		
	Cabot	Turners Falls, Mass.	61.8	Conventional Hydro		
	Turners Falls	Turners Falls, Mass.	6.4	Conventional Hydro		
	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		
Northeast Utilities (cont'd)	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 has 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		

## UNION, GILA

(continued from page 1)

debt and equity stapled to the plants, which combined can generate some 4.5 GW.

A short-list of three or four prospective banks will be selected early this week and a mandated lender will be tapped soon thereafter. Mitchell declined to identify banks being considered.

The exact structure of the new debt will be hammered out when a lender is selected, Mitchell notes. But Entegra owners, consisting of some 40 hedge funds and private equity entities, are asking that \$1.325 billion in payment-in-kind notes be essentially reworked into at least two tranches — a cash-pay tranche and tranche with a PIK option (or non-cash pay) component, notes Mitchell. According to the interim president, Entegra's debt, which is trading in the context of around 120, suggests an enterprise value for the business of around \$1.6 billion. "We want to get a combination of cash-pay and non-cash

pay debt. Our current analysis indicates that the [Entegra] operation can afford to support new cash-pay debt of around \$400 million," Mitchell says. He declined to provide a further breakdown of the proposed restructuring.

A possible retooling was discussed at the beginning of the year (PFR, 1/30) but not followed up until now while management conducted housecleaning including increasing revenues at the once-distressed generation complex. The 2.3 GW Gila plant has inked a PPA with **Arizona Public Service** and Entegra also refinanced about \$400 million in working capital via **Citigroup** (PFR, 3/20).

Formerly known as **TECO-Panda**, the Union and Gila plants were 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.

—Mark DeCambre

## DANISH ENERGY

(continued from page 1)

Company spokesman **Michael Steen-Knudsen** confirms DONG is investigating a sale of its Spanish assets as part of a wider consolidation, but says the exact mix of facilities to be auctioned off is still in flux. Investment banks **NM Rothschild & Sons** and **FIH** are advising on the potential divestiture and are expected to dispatch marketing material to strategic buyers in December. Candidates believed to be interested in acquiring them include Spanish utility **Iberdrola**, **Endesa**, **Electricidade de Portugal** and **Unión FENOSA**.

Last week, the Danish government launched an RFP for underwriters to handle the planned sale of up to a 28% stake in the company. Two or three banks will be awarded global coordinator roles by the year-end, supported by a number of sub-underwriters, notes an official in the energy and resources group at advisor **NM Rothschild** in London. "It'll be a totally open [RFP] process that will come down to capability," he adds. **Peter Brixen**, deputy permanent secretary at the Danish **Ministry of Finance**, could not be reached.

DONG Energy was formed in July from the merger between Danish energy rivals **DONG**, **Elsam**, **ENERGI E2**, **Nesa**, and the electricity arms of **Frederiksberg Forsyning** and **Copenhagen Energy**. In Europe the company's footprint includes the U.K., northwest France, Spain, Norway, Greece and Denmark.

—*Katy Burne*

## STATE REGULATORY

(continued from page 1)

**Group** collapse at the hands of New Jersey regulators after a nearly yearlong engagement, predicts that future utility mergers and acquisitions will be "few and far between." He says states are feeling possessive about their utilities and see opportunities to recover value in deregulated power plants, so they are not eager to see them consolidated. Rowe predicts that the proposed union between **FPL Group** and **Constellation Energy Group**, which dissolved last week, will not be the last failed merger attempt.

**Peter Kind**, global head of power at **Banc of America Securities**, noted that more than one-third of all utility mergers and acquisitions have failed in the last 10 years, almost always due to regulatory problems. In other industries, it's less than 10%, and successful deals close much faster. Continued regulatory uncertainty will make raising dearly needed capital for projects difficult, Kind explains.

Regulatory uncertainty also has deterred investments in energy and infrastructure including transmission projects in the country's already congested grids, said **Wachovia's Roger Bredder**, noting that investors and lenders are discouraged by high costs, long timelines, and poor returns. He explains that

better eminent domain laws, better rate collection efforts, and fast-tracking priority projects are needed. He added that return incentives set by **Federal Energy Regulatory Commission** also need to be matched by states.

—*Ben Miller*

## JPMORGAN PREPS

(continued from page 1)

round bids in the auction were due two weeks ago (PFR, 10/3).

Officials at both banks declined to comment and Mirant executives did not return a call for comment. Although the identity of bidders for the assets could not be learned they are expected to be similar to bidders who attempted to purchase **Constellation Energy Group's** merchant assets (PFR, 10/10).

Up for sale are six plants spread across Nevada, Texas, Michigan, Indiana, Georgia and Florida. These include: the partially contracted 518 MW Apex plant in Las Vegas; a fully contracted 537 MW plant known as Bosque in Clifton, Calif.; a two-plant operation known as Zeeland totaling 840 MW in Zeeland, Mich.; and a 605 MW merchant plant in West Georgia.

The portfolio has about \$94.5 million in project debt, all of which is related to a generation facility in West Georgia. Calls to a spokeswoman for Mirant were not returned.

—*M.D.*

## Calendar

**IQPC** will host the *Renewable Energy Project Finance* conference from Nov. 16-17 at the Affinia Manhattan Hotel in New York. For more details, call **Erin Leary** at 212 885 2700 or go to [www.iqpc.com/na-10946-001/cle](http://www.iqpc.com/na-10946-001/cle).

## Quote Of The Week

"It's an elegant solution." — **Bob Flexon**, cfo of **NRG Energy** in Princeton, N.J., describing the special purpose entity that **NRG** and **Credit Suisse** created to circumvent share repurchase limitations in the IPP's debt covenants (see story, page 4).

## One Year Ago In Power Finance & Risk

Bidders advanced to the second round of **Duke Energy North America's** auction of generating assets. Names included **Carlyle/Riverstone**, **Warburg Pincus**, **ArcLight Capital Partners**; the private equity arm of **Bear Stearns**; **AIG Financial Products**, **Tenaska Capital Management**, **LS Power\FPL Group** and **International Power**. Bidding was said to be in the \$1.5-2 billion range. [LS Power purchased the assets, paying about \$1.54 billion for the DENA non-Midwest assets. **Morgan Stanley** signed a PPA, agreeing to purchase at least a portion of the 6.2 GW capacity (PFR 2/24).]