

power finance & risk

The exclusive source for power financing and trading news

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Buffett Deal Follows Last Ditch Price Hike

CenterPoint Energy made a last ditch attempt to secure a \$420 million term loan last week by jacking up pricing by 300 basis points before agreeing to a \$1.3 billion loan with **Berkshire Hathaway** and **Credit Suisse First Boston**.

See story, page 2

CMS Seeks Saudi Partner

CMS Energy and its local partner **Al Zamil** are seeking a third partner to help them develop Sadaf, a 250 MW oil-fired plant in Jubail, Saudi Arabia.

See story, page 2

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CALPINE EYES PARTIAL BOND MARKET TAKEOUT FOR LANDMARK CONSTRUCTION REVOLVER ...

Calpine has begun sounding out banks on refinancing the first of its two jumbo non-recourse construction revolvers and is eyeing a partial bond market takeout for the \$1 billion facility. In an investor conference call last week, CFO **Bob Kelly** said the company is aiming to start the refinancing process within the next three to six months, well ahead of its maturity next fall. He did not elaborate on its refinancing options and calls to **Katherine Potter**, a Calpine spokeswoman, were not returned by press time.

One strategy the company is considering is getting the currently un-rated mini-term revolver—known as CCFC 1—assigned an investment-grade rating, says a lender. This would give the San Jose, Calif.-based IPP the option of using the long-dated bond market to refinance at least a portion of the revolver, he explains. It is

(continued on page 12)

... AND LOOKS TO POCKET \$550M IN LEASE FINANCING

Calpine is looking to set up \$550 million in lease-backed debt transactions for 12 peaker plants over the next two quarters. The financing is being split into two deals, the largest of which is a \$400 million transaction for 11 peaker plants in California. The second debt package covers a 300 MW peaker in Zion, Ill. Bankers say the Golden State deal has been on the drawing board for some time, but has been held up by concerns over offtake agreements between the plants and California's **Department of Water Resources**, the municipal authority that funded wholesale power purchases during California's power crisis last year. The financial soundness of the DWR remained in question until its recent bond issue, they explain.

One banker says ING has been in the frame for the lead slot on the California leg for

(continued on page 12)

BRAZILIAN DEVELOPMENT BANK SEEN REJECTING BID FOR AILING AES UNIT

Brazil's development bank, **Banco Nacional Desenvolvimento Economico e Social**, reportedly has rejected a bid from a local private equity fund, **GP Investimentos**, to acquire AES' debt stricken Sao Paulo wires utility, **Eletropaulo Metropolitana Electricidade de Sao Paulo**. The divestiture talks have broken down over the troublesome issue of restructuring the utility's \$1 billion plus debt obligations to BNDES, says a Latin American power analyst close to the development bank. **Heloiza de Carvalho**, a spokeswoman at GP Investimentos, confirmed the fund had tabled a bid for Eletropaulo, but declined to reveal the price tag or comment on how talks were progressing. Calls to the BNDES were not returned.

BNDES dismissed GP Investimentos overtures after the private equity fund demanded

(continued on page 11)

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

AEP Seen Downscaling Weather Foray

American Electric Power has reportedly taken a step back from the weather derivatives market, after a brief but very active burst of activity, according to market players. The Columbus, Ohio, power player entered the market earlier this year after hiring Steven Vu, Enron's top weather derivatives trader (PFR, 3/18).

One official says AEP's operation pretty much revolves around Vu and it has been particularly active in the upcoming winter season. David Hagelin, an AEP spokesman, says the company disclosed last month that it was shifting its trading focus to concentrate on activities backed by physical assets and stop speculative trading. He declined comment specifically on the weather operation, except to say it's premature to say what areas the company will exit. The company is also looking to sell its Nordic energy trading and weather business (see story, opposite page).

CMS Venture Seeks Partner On Saudi Project

Jubail Energy Co., a joint venture between CMS Energy and local contractor Al Zamil, is looking to bring on board another partner to finance its \$200 million acquisition and development of Sadaf, a 250 MW oil-fired plant in Jubail, Saudi Arabia, from Saudi Arabia Basic Industrial Corp. A banker says the move is being driven by CMS' desire to scale back activities outside the U.S. and limit the amount of equity capital it will need deploy to fund the Sadaf deal.

The banker adds the inclusion of another Saudi or Middle Eastern sponsor to the CMS joint venture could undermine

Jubail Energy's attempt to tap the international project finance market to fund the acquisition. "It would likely have to tap the regional debt market if CMS' equity stake is diluted further."

Chris Tiele, a project financier at CMS in London, declined to comment, as did a banker at Mizuho Financial, financial advisor to Jubail Energy Co.

CenterPoint Exhausted Options Before Heading To Buffett

CenterPoint Energy made a last ditch attempt to secure a planned a \$420 million term loan last week by jacking up pricing by 300 basis points to a 7.5% spread. The market wasn't biting, so the Houston-based energy player ended up inking a LIBOR + 975 basis point deal with Warren Buffett's Berkshire Hathaway and Credit Suisse First Boston. The initial price hike and the final pricing underscore the crucial nature of the facility: if the Houston player had been unable to land the funds, a recently signed one-year \$4.7 billion line would instead mature Nov. 15. "They're paying through the nose, but people know they're in a desperate situation," says one lender.

CenterPoint had originally planned a bond deal to get the third party financing (PFR, 9/23), but was unable to get it in place in time. Tapping Berkshire enabled the firm to land \$1.3 billion in three-year money that will also allow it to take out some of the shorter-term loans set up in the \$4.7 billion package.

The non-Buffett three-year term loan was being led by Deutsche Bank, CSFB and Bank of America. Officials at the banks either didn't return calls or could not be reached. CenterPoint's \$4.7 billion credit extension was led by J.P. Morgan and Citibank. The maturity of that financing was made conditional upon the company raising money from another source.

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AEP Puts Former Enron Nordic Power Arm On The Block

AEP Energy Services plans to sell its Nordic weather and power trading arm less than a year after it bought the unit from bankrupt **Enron Nordic Energy**. AEP, which made the decision about a week ago, has not chosen an investment bank to lead the sale as it is currently in talks with firms that have approached it directly, according to **Thor Lien**, managing director in Oslo, who declined to name the firms. The move is part of AEP's plan to pull out of the European energy markets, says Lien, adding that he expects AEP to have sold the business by year end.

Since AEP bought the 60-strong business at the start of the year, it has cut its size to 30. Lien does not expect the same degree of bloodletting this time around. "It is not a big deal. It is just a question of flipping the name on the wall," explains Lien.

Lien declined to estimate the dollar size of the firm's weather and power derivatives book. However, he says it has traded around 300TWh of electricity, which is approximately 10% of the Nordpool market. Most of the firm's contracts are in the front end, around one to two years, but it has exposure out to 2005.

Conoco Closes Out U.K. Financing

Barely two months since closing syndication and before drawing down on the loan, **Conoco Power** has decided to close out its GBP275 million (\$430 million) Immingham project loan and replace it with cheaper balance sheet financing. The move is an unexpected bonus for the four lenders involved in the lending syndicate as they will be able to keep the upfront commitment fees associated with the U.K. project.

"It's like manna from heaven," enthuses one financier, noting his firm will be able to keep the roughly 150 basis points of upfront fees without committing any cash. Another financier notes that each member of the Immingham syndicate would have scooped between GBP250,000-600,000 in fees by signing up to the deal. He adds that lead arranger **Royal Bank of Scotland** doubtless will be particularly happy about Conoco's decision, as it did not manage to sell down as much of the project loan as it would have liked, despite flexing the terms twice. **Halifax Bank of Scotland**, **Bank of Tokyo-Mitsubishi** and **KBC Bank** were the only banks to join the roster (PFR, 7/29). HBoS and KBC officials declined comment. Calls to RBoS and BoTM were not returned.

Bankers say Conoco decided to refinance deal on its balance sheet because it has placed so much equity in the Immingham

project, that non-recourse financing offered little benefit over cheaper balance sheet capital.

TransAlta Plans To Become Top Renewable Developer

Canadian generator, TransAlta, is looking to develop or acquire 1,000-1,500 MW of wind farm capacity over the next 10-15 years to diversify its fuel mix, provide clean energy and become a leader in renewable power. **Tim Richter**, a company spokesman, says, "Wind power right now appears to be the fastest growing segment of the electricity market in the world. We believe it is a solid business to be involved in."

According to Richter, TransAlta's long-term goal is to have a balanced portfolio, evenly split between coal-fired generation, gas-fired power and renewable energy. Coal plants currently account for 75% of the company's generation, natural gas produces 20% and hydroelectric power rounds out the mix.

TransAlta's overall strategy is to expand both its gas-fired power and renewable portfolios to create a more even split in its fuel mix, Richter says. He adds that it is currently exploring development and acquisition opportunities in Canada, but eventually plans to look south of the Canadian border into the western and northeastern regions of the U.S.

TransAlta last month made its first wind farm acquisition with its purchase of **Vision Quest Windelectric** for \$37 million. Vision Quest owns and operates 67 wind turbine facilities and has about 82 MW of total peak capacity.

Black Hills Ices Vegas Non-Recourse Financing Effort

Black Hills Corp. is now viewing its effort to secure \$160 million in project financing for a 230 MW plant in Las Vegas as a long-term proposition. "For the time being [the financing] will be on balance sheet," says a market official. The facility has a tolling agreement with **Allegheny Energy** and that company's recent default announcement had project financiers predicting a difficult ride for the financing (PFR, 10/14). Black Hills officials declined comment.

The official says the Rapid City, S.D.-based company is also leery of the pricing that seems to be on offer and has the luxury of not having to get additional financing. "The company is not driven by a need that it has to get liquidity," he reflects.

Regardless of the progress of the financing, Black Hills is also in discussions with Allegheny about ways to enhance credit following Allegheny's recent downgrade, says the official. Requiring it to post a letter of credit is one option on the table, he adds.

AEP Wraps Up Wind Deal

American Electric Power has sold three final retail tickets to round out syndication of a \$120.7 million, 15-year non-recourse loan financing its Desert Sky wind facility. **ANZ Investment Bank**, **Landesbank Baden-Württemberg** and **NIB Capital** inked their name to the loan, says a banker close to the deal. Ticket sizes could not be ascertained, but lead **Fortis Capital** was looking to place participant tickets of \$15-20 million (PFR, 9/30). Bankers at Fortis declined comment. One banker, who didn't take a slug of the loan, says given the relatively small size of the deal, it's a solid showing. The loan was fully underwritten by Fortis with senior players **Dexia Crédit Local**, **Rabobank** and **Royal Bank of Canada**.

Aquila, ArcLight Nix Calif. Gas Storage Deal

Aquila and ArcLight Capital Partners have pulled a planned \$200 million non-recourse loan that would have funded their acquisition of the Lodi Gas Storage facility in Northern California. The deal, which was already struggling because of regulatory questions (PFR, 8/26), was cancelled after an agreement was forged between the two, under which ArcLight released the Kansas City, Mo.-based player from its obligations related to the project, says a banker. Calls to Aquila were not returned by press time.

One banker says financing is still on the agenda for the project, but adds the deal structure that was being pitched is now dead and with the wider problems in the energy sector, a new deal may take some time to emerge.

InterGen Dutch Deal Lands Five Tickets

BNP Paribas and **Société Générale** are close to wrapping up wholesale syndication of InterGen's Rijnmond project loan, having drummed up support from at least five other lenders to sub-underwrite the EUR625 million (\$622 million) non-recourse deal. The lead arrangers are looking to place a couple more senior tickets before launching a smaller retail round, note officials involved in the deal.

Bayerische Landesbank, **Fortis Bank**, **NIB Capital**, **Norddeutsche Landesbank** and **Westdeutsche Landesbank** have all inked EUR65 million sub-underwriter slots, of which EUR50 million are take-and-hold allocations. **Halifax Bank of Scotland** and another U.K. lender are also close to joining the underwriting roster, says one official. An HBoS

financier declined to comment. Members of the seven strong syndicate pool either declined comment or did not return calls.

The late inclusion of a cash-sweep trigger within the deal is the primary reason for the newfound success of the syndication effort after a faltering beginning in late September, note bankers. The cash sweep kicks in after year six and dramatically cuts any merchant risk at the back end of the 18-year loan, explains one City banker.

The 800 MW Rijnmond plant near Rotterdam will sell its entire output to AA minus rated Dutch utility **Nuon** under a 15-year PPA and also has entered a five-year gas-supply contract with **Gasunie**. The gas deal can be extended for a further five to 10 years.

The loan is being split into four different tranches: an EUR161 million 2.5-year bridge loan covering InterGen's equity investment during the plant's construction period, an EUR408 million 18-year plus construction term loan, and three 18-year plus construction working capital and letter of credit facilities. Construction is expected to be completed in two years.

British Gas Puts On Collar-Based Weather Hedge

Centrica subsidiary, **British Gas Trading**, has put in place a large multi-season winter weather hedge that uses a daily collar structure, rather than the more traditional heating degree-day index, to determine season-end payouts. **Gearoid Lane**, head of electricity supplies at Centrica, who helped put together the deal, says the collar structure allows coverage to be much more concentrated in particular high risk months, such as January. "We were able to sculpt the coverage much more to our risk," he adds. One weather official says collar structures are gaining popularity because of that flexibility.

The GBP40 million contract covers five winters and was executed for British Gas Trading by its wholesale trading affiliate, **Accord Energy**, with **XL Trading Partners** as the counterparty. The hedge is designed to protect the company against variability in earnings of its gas retail business due to abnormal winter temperatures in the U.K.

British Gas has been an active player in the weather market for a number of years, but this is the first time it has been able to secure a multi-season hedge. Lane says spreads may have tightened a bit to encourage this sort of deal, but he argues a bigger factor is the confidence providers have after being in the market for a number of years. The company will use the agreement as a base and may add further protection in each season.



Electric Industry International Financial Conference

16-19 FEBRUARY 2003

WHO SHOULD ATTEND: Chief executives, chief financial officers, treasurers and investor relations representatives from the utility industry and members of the financial community.

PURPOSE: This conference provides a forum for global utility representatives, analysts, and other investors to meet in a common area to exchange information on industry issues and competitive strategies across multiple markets.

FORMAT: The plenary session will take place on Monday and Tuesday morning followed in the afternoons with company visits.

COMPANY VISITS: On Monday and Tuesday afternoon utilities will host company visits. This part of the conference program will provide an opportunity for utility representatives and the financial community to discuss strategies, market and regulatory issues and their potential impact on financial performance and shareholder value.

Structured 30-minute 'formal' visits (presentations) will be held concurrently on Monday afternoon in breakout rooms. The 30-minute period includes time for questions and answers.

Tuesday afternoon company visits are informal. Each utility company will host a 'home table' in the Ballroom. Investors will be able to meet with utility executives on an individual basis.

EEL CONFERENCE CONTACTS:

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The above room rates are inclusive of a service charge and a 17.5% VAT. Please reference this number when making hotel reservations: **EDI140203**

Hotel Cut-Off Date: December 15, 2002

The following utilities hosted a company visit at EEL's last International Financial Conference

American Electric Power
Aquila, Inc.
Consolidated Edison, Inc.
Dominion
DTE Energy Company
Duke Energy Corporation
Dynegy, Inc.
ENDESA S.A.
Energy East Corp
EVN AG
Exelon Corp.
Iberdrola S.A.
International Power plc
National Grid Group plc
Ontario Power Generation Inc.
PowerGen plc
Progress Energy, Inc.
Public Service Enterprise Group, Inc.
Red Eléctrica de España, S.A.
RWE AG
Scottish & Southern Energy plc
ScottishPower plc
Sierra Pacific Resources
TransAlta Corporation
TXU Corp.
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Latin America IDB Readies Transmission Project

The **Inter-American Development Bank** is close to giving the green light for the financing and construction of a \$320 million transmission line interconnecting half a dozen economies in Central America. For the project to get the go-ahead it needs the support of all the countries interlinked by the high-voltage power line. An official at the multilateral bank says it has already received government approval from Guatemala, Honduras, Nicaragua, Costa Rica and Panama and expects to get the nod from El Salvador by the end of this month.

The IDB will fund the bulk of the infrastructure project through a \$240 million financing package dispersed to the various countries involved in the project. The remaining \$70 million will be provided by the Spanish government

and administered by the IDB.

Peter Bate, a spokesman at the IDB in Washington, says the \$240 million plan includes four \$30 million, 6.97% 25-year loans for Costa Rica, El Salvador, Guatemala and Panama. It is also providing two \$25 million, 40-year loans for Honduras and Nicaragua at an annual interest rate of 1% for the first 10 years and 2% thereafter. The Spanish government's \$70 million package is denominated in euros and amortizes over 35 years at low variable interest rates.

The 1,880 km transmission line, dubbed **Empresa Propietaria de la Linea** is jointly owned by the six countries' major electric utilities and **Endesa**, says the official. It will link the electricity grids of the aforementioned countries and will allow utilities to share energy reserves and reduce electricity prices. The network will also improve the quality and safety of service and permit the utilities to export electricity to neighboring countries.

Latin American Power Financing Calendar

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

Sponsor	Project	Project Type	Size (MW)	Cost (\$mil)	Country	Advisor/Financier	Status	PFR Issue
Alcoa	Santa Isabel	Hydro	1,087	700	Brazil	Citi	Financing delayed till 2003	7/22/02
Ceran	-	Hydroelectric	360	111	Brazil	BNDES	Will launch the loan shortly	10/8/01
Corporacion Venezolana de Guyana	Tocoma Dam	Hydroelectric	-	2,100	Venezuela	-	Expects to bring project on line by 2006	6/25/01
Duke Energy International	Pederneiras	Gas-fired	500	270	Brazil	-	Will finance with equity capital.	3/11/02
EdF, Mitsubishi	Altamira	Gas-fired	495	300	Mexico	Citi/Fuji	Has wrapped up syndication.	10/7/02
Electricite de France	Rio Bravo III	Gas-fired	500	290	Mexico	SocGen	Arranging a \$217M project loan	8/26/02
El Paso	-	Gas-fired	200	200	Mexico	-	Expects to bring project on line by 2003	4/16/01
El Paso	Araucaria	Gas-fired	469	340	Brazil	Dresdner	Financing delayed until Q4	7/4/02
El Paso	Macaé	Gas-fired	400	700-800	Brazil	SocGen	Financing due shortly	7/9/02
Elna Suereste	Manuel Moneno Sores	Transmission	-	269	Mexico	BNP	Has closed financing	10/21/02
Iberdrola	Vera Cruz	Gas-fired	800	700	Mexico	-	Will finance with equity	8/26/02
Iberdrola/Petrobras	Termoacu	Gas-fired	340	-	Brazil	IDB	IDB is evaluating the project	7/16/02
InterGen	Carioba	Gas-fired	945	670	Brazil	-	Project delayed until Q1 of 2003	2/25/02
PSEG Global	SAESA	Distribution company	N/A	450	Chile	J.P. Morgan	Considering taking out a \$300M loan to fund the acquisition	9/24/01
PSEG Global	Electroandes	Hydroelectric	183	227	Peru	BBVA Banco Continental/Banco de Credito	Is planning \$100m in loan and bond financing	7/27/01
Sempra Energy Resources	Mexicali	Gas-fired	600	350	Mexico	SocGen	In the process of arranging a corporate loan	3/11/02
Tractebel/Alcoa	Estreito	Hydro	1,087	700	Brazil	Citi	Waiting for environmental permits	7/22/02
Union Fenosa	La Laguna II		450	-	Mexico	-	-	7/2/01
Union Fenosa	Naco Nogales	Gas-fired	300	-	Mexico	Citi	Seeking equity partner	10/21/02
Union Fenosa	Tuxpan III & IV	Gas-fired	938	600	Mexico	Deutsche Bank/BOTM	Banks have provided bridge loan	10/21/02

IDB On Track To Approve Brazil Financing

The **Inter-American Development Bank** plans to approve a \$150 million loan next March next year to partly fund the construction of Termoacu, a 340 MW combined-cycle gas-turbine plant in Rio Grande, Brazil. An official at the bank says it is waiting for sponsors **Iberdrola**, which has a 70% stake, and **Petrobras** (30%) to inform the IDB that the due

diligence on the project is complete. She says the project has already received internal approval from the IDB and expects it to receive formal approval once the due diligence is finished.

Iberdrola and Petrobras are also seeking \$140 million in non-recourse loans from commercial banks to fund the plant, which is scheduled to come on line in 2004 (PFR,9/16). The names of the banks and status of the loans could not be ascertained.

Calls to officials at Iberdrola and Petrobras were not returned by press time.

Corporate Strategy

Fla. Muni Taps Bond Mart For Low Rates

The **Orlando Florida Utilities Commission** (OUC) is looking to issue \$100 million in water and electric revenue bonds to partly finance its capital expenditure program for the next two years and also lock in historically low interest rates. "The utility wants to swoop on the short-term interest rate environment and get in on these great rates," explains **Mike McDermott**, an analyst at **Fitch Ratings** in New York, who has rated the pending deal. Calls to officials at OUC were not returned by press time.

McDermott notes the OUC's two-year capex program includes the construction of a new combined-cycle gas fired

power plant at its existing Stanton Energy Center and a number of other electric transmission and distribution and water projects. OUC is jointly developing the 633 MW Stanton facility with **Southern Co.**, **Kissimmee Utility Authority** and the **Florida Municipal Power Agency**, according to OUC's Web site.

Fitch assigned the bonds an AA rating because of OUC's solid financial performance, competitive retail rates and an attractive service territory, says McDermott. The exact terms of the deal were unavailable as the bonds were pricing as *PFR* went to press.

The OUC is a municipally owned utility that provides electricity and water service to more than 190,000 customers in the city of Orlando and portions of Orange County, Fla.

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.

Europe & Middle East

- The U.K.'s **United Utilities** has teamed up with Australia's **Macquarie Bank** to bid for U.K. power distributor **Midlands Electricity**. The business is valued, minus debt, at around GBP1.1 billion pounds (\$1.72 billion). Midlands is the main asset of **Avon Energy**, which was put up for sale by 79% owner **Aquila** and minority partner **FirstEnergy** in August (*Reuters*, 11/3).
- **ScottishPower** is talking about a possible merger with rival **Scottish & Southern Energy**, but CEO **Ian Russell** said SP does not feel compelled to strike a deal – which would create a GBP19 billion Scottish energy champion. A tie-up could save costs, but Russell warned these would probably be small in comparison to SP's profits (*Daily Mail*, 11/7).

- **Moody's Investors Service** is close to downgrading **Edison**, the Italian energy concern controlled by **Fiat** and **Electricité de France**, two notches to junk status. The highly indebted Italian utility has frozen plans to raise equity capital because of its low share price. Edison has launched a non-core asset sale program to cut debt. Just last week it sold its controlling stake in sugar company **Beghin-Say** for EUR511 million (*Financial Times*, 11/7).

- **Innogy** has initiated court proceedings against **TXU Europe**, the struggling energy company, in a move that could flush out an early sale of **DRAX**, the U.K.'s biggest generator. Innogy is interested in buying back **DRAX**, which it sold to **AES** for GBP1.87 billion in 1999. If the High Court agrees to wind up **TXU Europe**, **DRAX** would become vulnerable

as 60% of its output is sold to TXU through an above-market-rate power contract (*Financial Times*, 11/7).

- **Endesa** and **Union Fenosa** have agreed to sell their Spanish transmission assets to Spanish wires concern **Red Electrica de Espana** for EUR1.35 billion (\$1.34 billion). Earlier this fall rival Spanish utility created controversy by agreeing to sell its transmission assets to financial player CVC Capital Partners (*Financial Times*, 11/7).

U.S. & Canada

- The city of Tacoma, Wash., has asked an administrative law judge to force **Enron** to turn over documents about multi-million-dollar bonuses it paid to star traders, alleging that the payments were structured to buy the employees' silence in criminal prosecutions (*Reuters*, 11/1).

- **Exelon Generation** has completed a \$543 million deal to buy **Sithe Energies'** New England power plants, making it one of the biggest power generators in that region. Kennett Square, Pa.-based Exelon Generation, which owns about 40 GW of generation, already was one of the biggest generators in the Midwest and Mid-Atlantic regions (*Reuters*, 11/1).

- **CMS Energy's** internal review of round-trip trades has found the actions were taken to raise the profile of its trading business, rather than to manipulate the energy market or its share price. CMS has already adopted measures recommended by the special committee and an independent counsel, including termination of speculative trading. It is now looking at strategic alternatives for its trading business, including a complete exit from wholesale gas and power trading (*Dow Jones*, 11/4).

- **Sempra Energy Resources** has entered the Texas power market, purchasing Twin Oaks, a 305 MW coal-fired power plant, from **Texas-New Mexico Power Co.** The **Sempra Energy** unit bought the plant, situated about 100 miles east of Austin and 150 miles south of Dallas, for \$120 million (*Reuters*, 11/4).

- **Allegheny Energy** has delayed reporting its third-quarter earnings after revealing last Monday that some of its past financial statements are flawed. The struggling power player said its earnings report, expected in early November, won't be released until after the company and its auditor, **PricewaterhouseCoopers**, finish a comprehensive review of past financial statements. It said little about the nature of the flaws (*Associated Press*, 11/4).

- **Moody's Investors Service** cut **CenterPoint Energy's** credit rating to junk status last Monday, a move that will drive up borrowing costs. The agency cut senior unsecured ratings from Baa2 to junk status at Ba1, citing among other things the onerous terms in CenterPoint's recent \$4.7 billion financing package (*Houston Chronicle*, 11/5).

- **Calpine** reported a 50% drop in quarterly earnings, stung by lower profit margins from its power generation business and a slowdown in energy trading. But, the results were in line with analyst forecasts and shares rose 9%. The San Jose, Calif.-based developer had net income of \$161 million in the third quarter, down from \$320.8 million last year (*Reuters*, 11/5).

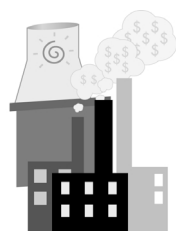
- **PGE&E National Energy Group** has agreed to sell one-half of its 50% stake in the 474 MW natural gas-fired Hermiston plant in Oregon to **Sumitomo Corp.** Hermiston provides electricity to **PacifiCorp**, a unit of **ScottishPower** and the owner of the remaining half of the Oregon plant.

NEG also will shut its 47-year-old 176 MW Spencer power station in Denton, Texas, due to high operating costs and a glut of generating capacity in the state (*Reuters*, 11/5).

- The **Federal Energy Regulatory Commission** has given **Wisconsin Energy** final approval to sell two power plants to a **PSEG Power** for \$220 million. The facilities, located in Bridgeport and New Haven, Conn., have a combined generating capacity of about 1,000 MW. The deal comes after months of uncertainty surrounding the fate of the power plants. Wisconsin Energy tried to sell the plants last year but ended the transaction in September out of concern that both sides would be unable to get the necessary regulatory approval (*Milwaukee Journal Sentinel*, 11/6).

- **TXU Corp.** will take a charge of \$4.2 billion to write off its failed foray into Europe, TXU said in a filing with the U.S. **Securities and Exchange Commission**. In the filing the Dallas-based company said the write-off is comprised of \$3.61 billion for its equity investment in Europe as well as other items (*Reuters*, 11/6).

- **Ex-Enron CFO Andrew Fastow** has pleaded not guilty to a 78-count federal indictment alleging him of fraud, conspiracy and money laundering. The five-minute proceeding set the stage for a legal battle between Fastow and federal prosecutors, who are determined to make an example of Enron and those involved in its collapse (*Financial Times*, 11/7).



Generation Auction & Sale Calendar

Following is a directory of ongoing generation asset sales. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes in the status of a sale, please call Will Ainger, managing editor, at (44-20) 7303-1735 or e-mail wainger@euromoneyplc.com.

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

Continued

Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
NRG	Loy Yang A	Australia	2,000 (25% stake)	Coal	ABN AMRO Deutsche Bank	Awaiting bids. Awaiting bids.
	Hsinchu	Taiwan	400 (60% stake)	Gasfired		
	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil		
	Collinsville	Australia	192 (50% stake)	Coal		
	TermoRio	Brazil	1040 (50% stake)	Gas		
	COBEE	Boliva	220 (98% stake)	Hydro/Gas		
	Itiquira Energetica	Brazil	160 (98% stake)	Hydro		
	Cementos Pacasmayo	Peru	66	Hydro/Oil		
	Bulo Bulo	Bolivia	90 (60% stake)	Gas-fired		
	Cahua	Peru	45	Hydro		
NRG/Xcel	CEEP	Poland	10 (10% stake)	-	Goldman	Has already sold two Eastern European plants. Awaiting further bids.
	Enfield	U.K.	380 (25%)	Gas-fired		
	Killingholme A	U.K.	680	Natural Gas		
	MIBRAG	Germany	238 (50% stake)	Coal		
NRG	Big Cajun II	La.	2,400 (90%)	Coal	-	Has shortlisted three bidders
	Pike	Miss.	1,192	Gas		
	Batesville	Miss.	1,129	Gas		
	Brazos Valley	Texas	633	Gas		
	Kaufman	Texas	545	Gas		
	Big Cajun	La.	458	Gas		
	McClain	Okla.	500 (77%)	Gas		
	Bayou Cove	La.	320	Gas		
	Sabine River	Texas	420 (50%)	Gas		
	Sterlington	La.	202	Gas		
	Mustang	Texas	485 (25%)	Gas		
	Pryor Cogen	Okla.	88 (20%)	Gas		
	Timber	Fla.	13.8	Biomass		
	Power Smith	Okla.	80 (9.6%)	Gas		
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch & Scotia Capital	Expects to sell Lennox and Lakeview shortly.
	Lakeview	Ontario	1,140	Coal		
	Atikokan	Ontario	215	Coal		
	Thunder Bay	Ontario	310	Coal		
Pacific Gas & Electric	68 Plants	Calif.	3,800	Hydro	Morgan Stanley	Awaiting PUC approval. Expect sale to close shortly.
PESG Global	Tanir Bavi	India	220 (74%)	Naphtha	-	-
	Karpataism	India	330 (20%)	Naphtha	-	-
Polish Treasury	Elektroncieplownie Poznanskie	Poland		CHP	-	Bids due in June.
Reliant Resource	Argener	Argentina	160	CHP		
TXU	Lake Creek	Texas	323	Gas	Merrill Lynch	Reviewing sales strategy.
	Tradinghouse	Texas	1,340			
	River Crest	Texas	110			
	Mountain Creek	Texas	893			
	Parkdale	Texas	327			
	North Main	Texas	123		Merrill Lynch	Is looking to sell an undisclosed number of its coal assets.
	Monticello	Texas	1,900	Coal		
	Martin Lake	Texas	2,250			
	Big Brown	Texas	1,150			
	Sandow	Texas	545			
Wisconsin Energy	Bridgeport	Conn.	1,100 (combined)		CSFB	Has put up for sale following collapse of NRG deal.
	New Haven	Conn.	1,100 (combined)			

Andrea Ruschmann, cfo at Eletropaulo, says it recently

AES hired New York investment bank **Lazard** this summer to help restructure Eletropaulo's debt and obtain extensions on

Source: **Thomson Financial Securities Data Company**. For more information, call **Rich Peterson** at (973) 645-9701.

* In Canada, please add US\$30 for postage. Other non-U.S., please add US\$75.

its loan obligations (PFR, 7/29). Lazard officials did not return phone calls.

The analyst explains that GP Investimentos primarily has been dealing with BNDES, rather than AES, because Eletropaulo's unmanageable debt load has left the creditor in control of the utility's destiny.

—Amanda Levin

CALPINE EYES

(continued from page 1)

unlikely that Calpine could refinance all of the \$1 billion loan in the bond market, but any capital market takeout would make banks more comfortable agreeing to an extension of existing deal, he adds.

Bankers say the portfolio of plants backing CCFC 1 likely would get an investment-grade rating because of their low gearing and the fact that six of the nine facilities already are in operation. Only 40% of the plant portfolio is funded by debt.

Even though CCFC 1 doesn't mature until next October, Calpine has decided to address the thorny question of how to refinance the loan well ahead of time. "It's a positive. They're not hiding their heads in the sand," says one lender in the facility. Tackling the refinancing early will hopefully avert the eleventh hour drama that surrounded **Reliant Resources'** recent refinancing of \$1.33 billion of mini-perm debt, he adds. Banks had to give a one-day stay on the old deal because the new Reliant facility hadn't been arranged in time (PFR, 11/4).

In the conference call last week Kelly noted that the documentation on the revolver includes the option of extending the mini-perm for one year. But with that requiring approval of all the banks in the large syndicate it is not really an option, he explains. One banker agrees, noting the deal is priced at LIBOR plus 150 basis points, well below what lenders would now require. No one would sign up for an extension at the level, he adds.

A potential cloud on the horizon is the large amount of Calpine paper already held by many banks, says one project financier. Calpine is fundamentally sound, but some banks are looking to cut exposure to the sector and the company may feel that pressure, he adds.

Kelly said the other key debt maturity next year is a \$1 billion secured revolver that comes due in May. The terms of a \$600 million slug of that deal allow Calpine to extend letter of credits under this facility for an additional year. However, Kelly said the company wants to extend the revolver out to May 2005.

—Peter Thompson

...AND LOOKS

(continued from page 1)

some time. However, another banker close to the San Jose, Calif.-based independent power producer says that as of two weeks ago pitches for the deal were still being taken by the company. Calls to **Katherine Potter**, a spokeswoman at Calpine, and bankers at ING, were not returned by press time.

Calpine CFO **Bob Kelly** told analysts on a conference call last week that construction of five of the 11 peakers has been completed and another three to four should be in operation by year-end. He said the lease-financing transaction should close this year or early in the first quarter.

Zion Energy Center began operation in June, generating up to 300 MW of electricity from its two peaking units. The lease-backed deal is in the documentation stage and should close by year-end.

With the amount of Calpine paper held by banks, including the soon-to-be refinanced CCFC 1 and the recently closed Blue Spruce deal in Colorado (PFR, 9/16), it's possible the debt component of the lease structure may not come from the bank sector, says one financier. There may be more appetite among private placement investors or insurers, he adds. Another banker agrees that placing the debt could prove tough, though he adds, "I think from the credit angle it's at the better end of the spectrum."

—P.T.

Quote Of The Week

"It is not a big deal. It is just a question of flipping the name on the door."—**Thor Lien**, managing director of **AEP Energy Service's** Nordic weather team, reflecting on AEP's decision to sell the operation less than a year after it was acquired from **Enron Nordic Energy** (see story, page 3).

One Year Ago In Power Finance & Risk

International Power was set to become the first borrower in Europe to structure a power project finance loan as a mini-perm transaction. The London-based independent power producer had hired **ING Barings** and **TD Securities** to arrange the deal to refinance its recent acquisition of the 1 GW Rugeley power plant in the U.K. from **TXU Europe**. [After a drawn out syndication process the lead arrangers wrapped up syndication of a GBP175 million (\$248 million) seven-year mini-perm on March 8. Four banks committed at the buy-and-hold level, **Bayerische Landesbank**, **Abbey National Treasury Services**, **Halifax Bank of Scotland** and **Credit Agricole Indosuez**. Pricing on the loan stepped up from an initial 120 basis points over LIBOR to a 195 basis point spread.]