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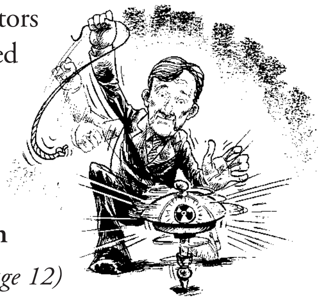
Macquarie Taps Development Head

Macquarie Cook Power has hired **Jim Rexroad**, a director from **BP North America**, to spearhead its development of greenfield and repowering projects in the U.S., starting with a roughly 500 MW plant it has under way in California.

See story, page 2

ENTERGY'S LEONARD: MAKE US AN OFFER!



Entergy Corp. has not given up hope of selling to outside investors a portion of its unregulated nuclear business, which it announced plans last week to spin off to current shareholders. While initial conversations with would-be buyers have been disappointing, fresh bids will be sought. **Wayne Leonard**, ceo of Entergy, told *PFR Daily* last Monday, "They have 10 months to call and we will listen to anyone who has an offer." **Citigroup** and **Goldman Sachs** are advising.

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NRG TESTS INTEREST IN DELAWARE PLANT

NRG Energy is taking the temperature of prospective buyers of its Indian River Generating Station in Millsboro, Sussex County, Del. **Bob Flexon**, cfo in Princeton, N.J., says the 784 MW coal plant is not being officially marketed, but NRG is trying to establish its value before spending hundreds of millions of dollars on state-required environmental upgrades. "As with any investment, we will always look at the value of the asset. The project has got to have a pay back, so what we are looking at is: does the return justify the investment? An auction is not the route we are going."

(continued on page 12)

PNM SHOPS N.M. GAS DISTRIBUTION BIZ

PNM Resources is looking to sell **PNM Gas**, its transmission and distribution business in Albuquerque and Santa Fe, N.M. The utility has retained **JPMorgan** to handle the sale, which recently dispatched information memoranda on the company. One observer speculated PNM Gas could fetch as much as $600 million, judging by the $400 million value ascribed to its assets in the marketing materials.

PNM's reasons for selling the business could not be ascertained, and a call to **Charles Eldred**, cfo of PNM Resources, was not returned by press time. Observers point to PNM's

(continued on page 12)

EEI Fla.

CEOs PICK GAS TO COME BACK INTO FAVOR

Peter Darbee

Gas-fired generation will come back into fashion for generation development, according to a ceo-studded panel at **Edison Electric Institute**'s 42nd financial conference last week in Orlando, Fla. Gas has fallen out of favor because of cost and also because of the hype surrounding new technologies, but they won't be online in enough size in time to meet demand. **Peter Darbee**, ceo of **Pacific Gas & Electric** said: "If clean coal and nuclear don't come along as fast as capacity needs

(continued on page 7)

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

At Press Time

Macquarie Taps BP For Project Development Head

Macquarie Cook Power has hired **Jim Rexroad** as a senior manager in project development from **BP North America**, where he was a director of gas development. He joined Nov. 1 and reports to **Ben Preston**, executive director of MCP in Houston, overseeing all greenfield, brownfield and repowering activities, says **Charles Costenbader**, a senior manager in the commodities markets division at parent **Macquarie Bank**.

MCP was formed in April as a complement to **Macquarie Cook Energy**, the group's physical natural gas marketing and trading business in Los Angeles. It recently financed a roughly 500 MW greenfield development project in California, which Costenbader declined to reveal details on, and has a number of other opportunities that he describes as "close to fruition." Its focus is primarily on the West, Midwest, Mid-Atlantic and Northeast and on wholly owned development projects, co-investments on projects already under way, or acquisitions of older facilities ripe for upgrade or repowering. "The value of our trading function and our commodities experience is that it will allow us to make investments in merchant assets," notes Costenbader.

Macquarie is already trading physically and financially in the West and PJM, and expects to expand soon into the Midwest Independent Systems Operator, New York Independent System Operator and New England Power Pool. "Bringing its abilities and investment appetite to the North American power market is a natural and logical expansion of Macquarie's [physical and financial commodities] business," explains Costenbader, noting that both fossil-fuel-fired and renewable assets are of interest. MCP's ideal equity investment is in the $5-75 million range per project but it does not hold firm to a specific sector, size or technology.

Before BP, Rexroad was a senior development official at **Duke Energy North America**, where he handled construction of the 570 MW Arlington Valley facility in Maricopa County, Ariz., among other projects.

Bear Energy Closes On Williams Power

Bear Energy, the energy arm of **Bear Stearns**, closed its acquisition of **Williams Power Company** as *PFR* went to press Friday. The $496 million transaction involves about 7.5 GW of gas tolling capacity and 1.8 GW of power supply contracts and "provides [Bear] with an immediate geographically diversified presence," says **Paul Posoli**, president of Bear Energy in Houston. He adds that the firm will now buy gas for those tolls, enabling it to broaden its relationship with natural gas producers and user customer base.

The deal, announced in May, gives Bear Energy tolling agreements lasting between 2018-2027 on 4,000 MW in southern California, 800 MW in Alabama, Ga., 750 MW in southern Louisiana and New Jersey, 650 MW in Pennsylvania and 550 MW in Michigan. Also included are 1,800 MW of power supply contracts—the longest of which runs through 2015—with cooperatives in Georgia and Pennsylvania, a trading book and a slew of Williams employees. Bear Energy was advised by its investment bank in the transaction.

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Institutional Investor NEWS
INTELLIGENCE FIRST

ConEd Takes Final Bids On IPP; GE Surfaces As Bidder

Consolidated Edison took final bids last Wednesday for 1,697 MW of competitive generating assets held by **Consolidated Edison Development**. In the hunt are **GE Energy Financial Services** and, as previously reported by *PFR*, **Energy Capital Partners**, **American National Power**, **AllCapital**, **Marubeni Power International** and **Tenaska Power Fund** (PFR, 7/6). The original submissions deadline was Oct. 31, but was pushed back to give bidders more time.

ConEd CFO **Robert Hoglund** declined to comment on the potential sale, which is yet to be approved by the parent's board of directors. But the company is reportedly hoping to fetch at least $1.2 billion for the portfolio. A staple financing now being offered by auctioneer **Morgan Stanley** is in the range of $750-800 million—considerably lower than the original package it had peddled before the credit markets turned (PFR, 8/17). More aggressive staples are reportedly on offer from **JPMorgan** and **Credit Suisse**.

Morgan Stanley's staple will have a separate facility catering to a lease on one of the assets, 525 MW Newington in New Hampshire. Officials at the firm declined to comment. A 50% stake in **EverPower Wind** was quietly sold last month. For the full list of assets, head to www.iipower.com.

AEP, MidAmerican Land Texas Transmission Loan


Steve Haynes

Electric Transmission Texas, a joint venture between **American Electric Power** and **MidAmerican Energy Holdings**, recently closed on a five-year, $250 million credit facility to help finance its transmission projects in Texas.

Royal Bank of Scotland and **Citigroup** lead the debt, says **Steve Haynes**, v.p. and assistant treasurer, and were joined by **KeyBanc Capital Markets**, **SunTrust Robinson Humphrey**, **Bank of Tokyo-Mitsubishi**, **BNP Paribas**, **Union Bank of California** and **WestLB**. UBoC and SunTrust are relationship banks to MidAmerican, but are new to AEP.

Pricing is LIBOR plus 60, but may rise to 87.5 if the facility is assigned a rating below BBB- and would be repriced if one party exits the joint venture, added Haynes, noting this is unlikely. Credit ratings are delayed because ETT is seeking a rehearing relating to the cost of debt allowed by the Public Utility Commission of Texas, in the hope of moving it to 6.50% from 5.86%. It filed in January for approval to operate as an electric transmission utility in the state, and for AEP to transfer $76 of assets from its **Texas Central Co.** subsidiary into the venture before embarking on $1.3 billion of projects.

AEP plans to launch a new RFP in six to nine months for a similar credit line supporting its joint transmission venture with **Allegheny Energy** in the PJM Interconnection. The plan is to refinance both facilities two to three years after closing with a bond offering.

Details Of Invenergy Stanton Financing Emerge

Invenergy Wind's financing for its 120 MW Stanton Wind Energy Center in Martin County, Texas, totaled $229 million and consisted of a single-tranche construction loan and a supporting letter of credit, whose sizes could not be determined, according to bankers. **Dexia Crédit Local** and co-arranger **Natixis** lead the debt but will not be syndicating it due to its short tenor of less than a year. Invenergy CFO **Jim Murphy** in Chicago declined to comment, as did officials at the banks.

Tax equity will be provided by **GE Energy Financial Services**, and will pay down the debt when Stanton comes online early next year. A hedge on the farm's output, sold spot into the ERCOT market, was structured by **Credit Suisse**. Invenergy acquired the project from **Wind Tex Energy** after initial development was complete.

Rothschild In Pole To Run TransAlta Mexico Sale


Brian Burden

Rothschild would likely handle **TransAlta Corp.**'s divestiture of two power assets in Mexico should it decide to go ahead, according to CFO **Brian Burden**. The company said on a recent earnings call it may sell Chihuahua, a 259 MW combined-cycle plant, and Campeche, a 252 MW gas and diesel-fired combined-cycle unit. The move was prompted by the fact **Électricité de France** landed a price for its Mexican portfolio that exceeded expectations.

"We've said in Mexico, we'll grow or go," said Burden in a presentation at the 42nd **Edison Electric Institute** financial conference in Orlando, Fla. (see page 7). "We're continuing to work on that. We set a three to six month timeframe and we are three months in, so watch this space." **Citigroup** and **CIBC** are relationship banks on the capital-raising front.

In response to a change in the Canadian federal tax ruling on income trusts last October, the company recently had an auction for **TransAlta Power**, which is being bought by **Cheung Kong Infrastructure Holdings** for $629 million. **BMO Capital Markets** handled that sale.

In Canada, TransAlta has roughly $1 billion of greenfield and brownfield projects in the works, including 225 MW Keephills 3, an $870 million project that will be contracted to **New Brunswick Power**, as well as the $170 million Kent Hills wind project, which it is expanding to 96 MW from 75 MW. Both are being financed on balance sheet.

Nevada Solar One Syndication Set To Wrap

Commitments were due Friday from banks taking tickets of $20 million in the syndication of financing for **Acciona Solar Power**'s 64 MW Nevada Solar One project. Leads **Banco Santander**, **BBVA** and **La Caixa** have pitched to as many as five banks as they look to sell down 60-80% of the 18-year, $140 million term loan, according to bankers. **BNP Paribas** affiliate **Capstar Partners** is advising on tax equity for the $266 million project, which will come in undisclosed amounts from **JPMorgan Capital**, **Northern Trust** and **Wells Fargo & Co.**

Nevada Solar One, which came online last April as the largest solar thermal plant to be built in the world in 16 years (PFR, 10/19), covers 400 acres near Boulder City, Nev. The project uses 182,000 mirrors that concentrate the sun's rays to heat special fluid in tubes used for creating steam to drive energy-generating steam turbines, and it has a 20-year PPA with **Nevada Power** and **Sierra Pacific Power**, both subsidiaries of **Sierra Pacific Resources**.

Acciona Solar Power is the holding company for the Spanish utility **Acciona Energy**'s North American affiliate. Officials at the parties involved either declined to comment or did not return calls.

Cleco Picks Banks For Inaugural Securitization


Kathleen Nolen

Cleco Corp. has mandated **Credit Suisse**, **DEPFA First Albany Securities** and **Wachovia Securities** on its planned securitization to recover storm costs in what will be a first in the state of Louisiana. **Kathleen Nolen**, cfo in Pineville, La., says the landmark issue from **Cleco Katrina/Rita Hurricane Recovery Funding** will set a conceptual framework for future issuers, such as **Entergy Louisiana**, planning to recover damages from the 2005 hurricanes.

The roughly $187 million issue will enable subsidiary **Cleco Power** to claw back $132 million in costs not yet recovered, excluding income tax benefits, and pre-fund $50 million of storm reserves, something only **FPL Group** has done before. "There's been very little federal assistance to utility customers, while hundreds of cooperatives received **Federal Emergency Management Agency** money. But the [**Louisiana Public Service**] **Commission** has been extremely cooperative and allowed us to begin to recover from customers our costs over a 10-year period," says Nolen. The commission was advised by Charlotte, N.C.-based **Pathfinders Capital Advisors**.

Damages from the hurricanes cost Cleco $157 million, but it has already recovered $25 million through rate base. The new AAA-rated notes, secured by revenues from a future surcharge on customers' bills, will help it recover the balance. The deal will likely have multiple tranches, says Nolen, but their sizes and tenor are not yet decided upon.

Indicative Bids Taken On CMS Portfolio


Thomas Elward

JPMorgan took expressions of interest last Tuesday on the 900 MW gas-fired generating portfolio it is selling for **CMS Enterprises**, the unregulated subsidiary of **CMS Energy**, according to **Thomas Elward**, president and coo of the unit.

Up for grabs is 710 MW Dearborn Industrial Generation in Dearborn, Mich., which is partially contracted to **Severstal NA** and **Ford Motor Co.**, and two peakers: 68 MW Kalamazoo in Comstock, Mich., and 150 MW Livingston in Gaylord, Mich. (PFR, 10/12). CMS still holds interests in eight other independent power projects, but Elward says these are not for sale because they seem to be adding value to the portfolio and have favorable long-term contracts.

CMS Enterprises recently completed the sale of its 42.3% interest in **Jamaica Private Power Co.**, owner of a 63 MW diesel-fired independent power project in Rockfort, Kingston, for $14 million. JPMorgan also advised on that sale to **AEI**, formerly **Ashmore Energy International**, which also purchased **Atlantic Power Corp.**'s 24.1% stake in JPPC and **Energy Investors Funds**' 18%.

It plans to use proceeds from all its international divestitures at its Michigan utility **Consumers Energy**. Since it began refocusing on the domestic market at the start of 2002, CMS has sold about $5.5 billion in assets. Eldred says that the emerging markets portfolio at one point took in 25 different countries across five continents and lacked concentration. "We saw opportunities for investment in Michigan in the upcoming years we hadn't seen in the past. We are still intent on retaining an international portfolio, just a smaller one," he explains. Separately, it is in the process of getting approval to buy 946 MW Zeeland from **LS Power** for $517 million, of which $250 million was provided by the parent and the rest will come from cash on hand.

Leads Launch Airtricity Champion Financing

BayernLB, **HypoVereinsbank** and **NordLB** launched syndication late last month of a $210 million construction loan for **Airtricity**'s 126.5 MW Champion wind farm near Roscoe, Texas. "We've approached some relationship banks which have taken Airtricity paper previously, but we have also invited a couple of new players," says **Michael Hammond**, v.p. at Airtricity in Chicago via e-mail. Syndication expected to close this week.

Five banks have been asked to join, according to a banker, and Hammond adds it is possible that Bayern will hold its portion of the debt. Pricing and ticket sizes could not be learned. A $5 million letter of credit not being syndicated brings total financing to $215 million for the $231 million project. In September, **GE Energy Financial Services** announced it had invested an undisclosed amount of equity in the project.

The farm, located in Mitchell and Nolan Counties west of Abilene, is scheduled to come online in May next year. Power will be sold into the west Texas grid, backed by a five-year minimum-priced contract with **Coral Energy Holding**, a subsidiary of **Royal Dutch Shell**. This is Airtricity's first project in the U.S. without a traditional PPA.

Canadian Nuke Syndication To Launch

Scotia Capital and **Dexia Crédit Local** launched syndication last Thursday of C$200-250 million ($214.3-$267.9 million) in financing tied to **Borealis Infrastructure**'s refurbishment of the Bruce nuclear facility in Tiverton, Ontario.

The debt, pitched at a bank meeting in Toronto, will be priced in the range of 100 basis points over BA and sold to a short list of Canadian banks. The five-year tenor can be extended for an additional five years by Borealis, the infrastructure arm of the **Ontario Municipal Employees Retirement Savings** pension fund (PFR, 7/6).

Syndication should be quick, but leads haven't ruled out a second pitch to additional banks in New York if less than $200 million is sold down in Canada. They privately syndicated a majority of the total C$750 million ($803.5 million) earlier this fall for what one official calls a landmark transaction. "This is the first nuclear investment-grade bank debt offering that has been out in the market," he notes. Previous nuclear financings were not based on ratings of holding companies whose assets were purely nuclear, but on diversified energy companies or government-backed credit offerings in Europe and Japan.

Bruce Power is the sole asset of its holding company, **BPC Generation Infrastructure Trust**, rated Baa3 by **Moody's Investors Service** due in part to PPAs plant operator **Bruce Power** has in place with the Ontario government through a 2005 refurbishment agreement. OMERS/Borealis holds a 36% state in Bruce Power and plans to restart two idle nuclear reactors and repower two more at the Bruce A Nuclear Generating Station, raising capacity to 6.2 GW from 4.6 GW when construction is complete in 2009. Officials at Borealis and the leads either declined comment or did not return calls.

AES Lands Funds For Buffalo Gap Expansion

AES has closed on the financing for its planned 170 MW Buffalo Gap 3 wind farm in Abilene, Texas, via **Dexia Crédit Local** and **HypoVereinsbank**. Specific details on the one-year debt package could not be learned but it will be sold down. One banker said it amounts to about $340 million and will be paid down by tax-equity investment when the project comes online in the middle of next year. Calls to the leads and AES were not returned.

The project is an expansion of the Buffalo Gap wind farm that raises total capacity to 524 MW. Electricity from the new facility will be sold through a seven-year PPA with Houston-based **Direct Energy**, a subsidiary of **Centrica North America**. Direct Energy also has a 10-year contract with 233 MW Buffalo Gap 2, for which $324 million in loans were provided by Dexia, HVB and **WestLB** with pricing of LIBOR plus 125 basis points (PFR, 9/8/06). In that deal, Dexia and HVB sold down their portions, but WestLB held its share.

Calif. Solar Developer Preps For Financing


Robert Fishman

Start-up solar developer **Ausra** will finance roughly 60-80% of the $500-550 million price tag on a new 177 MW solar thermal farm in the Golden State. "We are going to go out in the spring and arrange for our equity partner and after that process we will begin the debt selection process," says **Robert Fishman**, ceo in Palo Alto, Calif., noting the latter will probably happen in 12 months.

The farm, to be located on one square mile in San Luis Obispo County, west of Bakersfield, will have a 20-year PPA with **Pacific Gas & Electric**, which Fishman says will match the tenor on the debt. "We are not wanting for attention at the moment," Fishman says, noting that while the project finance process cannot close until permitting is settled with the **California Energy Commission** next year, "The number of people that have been talking to us is measured in the dozens."

Construction timing will also depend on finalizing the permits, but the plant is scheduled to come online in 2010. Debt financing specifics will depend on the tax-equity structure, according to Fishman, who says it could end up being lower than 60%. The company will not be able to decide until an equity partner is selected. Ausra, founded late last year, has 1 GW of solar projects in its pipeline set to come online over the next three years (PFR, 9/21).

Duo Pitch For Hungarian Storage Mandate

KBC Bank and **ING Bank** are reportedly in final-stage negotiations with Hungarian oil and gas concern **MOL** to win a financial advisory role that will see one of them arrange debt financing for a HUF150 billion ($867 million) gas storage facility at the nation's Szoreg-1 gas and oil field. Six banks were originally in the race, according to bankers, who note a winner is expected to be notified in the next few weeks.

Officials at KBC and ING in London declined to comment, while calls to **Jozsef Molnar**, cfo of MOL in Budapest, were not returned. In January, the oil and gas company acquired a 62% share in an entity set up by the **Hungarian Hydrocarbon Stockpiling Association** to develop the storage facility, which will have 1.2 billion cubic meters of capacity and come online in 2010.

NuCoastal Lands Repowering Funds

NuCoastal has closed on financing for the first of five generation facility repowerings in southern Texas and may consider an initial public offering for the rest, says **Roy Hart**, head of project development in Houston.

Calyon led the deal for 300 MW combined-cycle, gas-fired Victoria plant near Houston (PFR, 5/18). It closed Nov. 1 and consists of a $87 million term loan and $10 million letter of credit, both with tenors of seven and a half years. Calyon officials declined to reveal specifics, but the bank is understood to be leading a club syndication of the debt, which it hopes to wrap with about five banks by the month-end. Victoria is slated to come online in the middle of next year and has a PPA in place, but Hart declined to disclose the offtaker.

Next up to be financed are 182 MW JL Bates in McAllen and 530 MW Lon. C. Hill in Corpus Christi, both of which have air permits. After that, NuCoastal will finance 255 MW La Palma in San Benito and its planned repowering of the 300MW, petcoke-fired ES Joslin in Port Comfort at a cost of $400 million. Hart says Calyon did a good job on Victoria but it has not decided how to finance upcoming plants. NuCoastal will still put the remaining financing out to competitive tender next year. "We will be looking at the market again for credit support," he says.

NuCoastal bought its project sites last year from **Topaz Power Group**, a 50/50 joint venture between **Sempra Energy** and **Carlyle/Riverstone**.

Calif. Muni To Takes Pitches For $200M Issue

Jerry Rogers

Riverside Public Utilities in the city of Riverside, Calif., will solicit requests for proposals within 45 days for banks to underwrite its planned offering next quarter of $200 million electric revenue bonds funding new projects. **Jerry Rogers**, head of finance, says the invitation will go out to **UBS**, **Morgan Stanley**, **Bear Stearns**, **Banc of America Securities** and **Merrill Lynch** among others.

The bonds will have a 30- or 40-year tenor to match the projects it plans to complete. On deck is a second interconnection to the California state grid, expected to cost $125 million and be finished by 2012, as well as two 50 MW gas-fired peakers, Riverside Energy Resource Center III and IV, bringing capacity onsite to 200 MW. Completion of the new units, expected to cost $120 million each, is expected by the end of 2009.

"We only have one substation feeding into the grid, and when we had a problem last week, the lights went out for a few hours," explains Rogers of the urgency for the new capacity. "It's a question of reliability, and of addressing the load growth."

EEI Financial Conference

*More than 1,300 analysts, bankers and developers flocked to the 42nd Edison Electric Institute Financial Conference held at the Walt Disney World Dolphin Hotel in Lake Buena Vista, Fla., near Orlando. Strategic options, such as corporate segregation and expansion strategies, were top of the agenda. Reporter **Mark Bonamo** and Managing Editor **Katy Burne** filed these stories.*

CEOs PICK GAS

(continued from page 1)

demand it, then there will need to be a refocus on natural gas," he said, adding consumers won't like the associated cost. "Our policymakers need to be leaders and be ready to make sacrifices. We can't have it all ways."

Executives pointed out commercial-scale use of integrated gasification combined-cycle technology won't be ready until 2020-2025 and new nuclear capacity is at least 10 years off.

Wayne Leonard, ceo of **Entergy**, called for more certainty in incentives as generators weigh fuel options on new build. "It's going to be painful when we switch to other power sources and have carbon control, but we need to have a price signal, particularly in terms of fuel prices and capacity, ahead of time. We have to get a price signal right, because it's where the biggest potential improvement during these changes can come from."

Away from the panel, **Public Service Enterprise Group** CEO **Ralph Izzo** told *PFR* the sacrifice needed to reach a period of stable energy costs will have to be borne by consumers. "If solar is going to initially cost $6,000 per kW, people can't expect energy costs to go down. It could take up to 50 years to decarbonize the energy market."

Nuclear is the ultimate long-term solution, according to **Thomas Young**, cfo of **Exelon**, but the industry would benefit from finding a way to translate the skills Japan has in working to a 40-month construction cycle. The notion of having energy independence anytime soon is a dream, said **Southern Co.** Chief **David Ratcliffe**, on the panel. *—Mark Bonamo*

Int'l Utilities Remain Bullish On U.S.

International utilities said they are committed to investing in the U.S., despite political and regulatory uncertainties. **Wulf Bernotat**, ceo of **E.ON**, said the company has set aside EUR3 billion ($4.4 billion) for renewable investment, referencing its planned acquisition of **Airtricity North America** for $1.37 billion, (PFR, 10/5). He added that the results of next year's presidential election and the administration's stance on green energy initiatives will impact the volume of cross-border M&A transactions. "A favorable renewable scheme will attract more investment."

Ignacio Cuenca, director of investor relations at **Iberdrola**, said more than 50% of the EUR8.6 billion ($12.6 billion) his company has earmarked for new wind investment worldwide is targeted for the U.S., with 3.3 GW of new capacity to be installed by the end of 2010. The pending acquisition of **Energy East**, expected to be completed by June next year, will serve as a springboard for its expansion, but Iberdrola will look before it leaps. "After it's done, we want to act more like an Anglo-Saxon company than a Spanish one in that we want to use the local people in place at the company to get things done and not just arrive with the flag. We want to learn from the mistakes of others," he said.

PE, Infrastructure Flows Draw Welcome, Caution

EEI Panel

Private equity and infrastructure fund capital has benefits and drawbacks. **John Rowe**, ceo of **Exelon**, recognized the need for additional liquidity but said targeted companies should be cautious about entrants' intentions. "I welcome **Kohlberg Kravis Roberts**, **Madison Dearborn** [**Partners**] and **Macquarie** [**Infrastructure Partners**] into the energy market, but in the same way there are good and bad utilities, the same is true for private equity funds. Not everyone is a good neighbor." **Alan Schriber**, chairman of the Ohio's **Public Utilities Commission**, agreed. "We all recognize that the invisible hand can be wonderful. It just needs to be guided a bit."

Marc Lipschultz, partner at KKR, argued financial players are a sure-fire way to help finance the capital expenditures utilities are facing as they update ageing infrastructure and meet load growth, instead of them having to tap the debt markets. "This sector needs a tremendous amount of capital," he said, estimating U.S. utility capex at $750 billion this century. "The marriage of private equity with this sector can provide the funds and the patience needed to make the necessary changes." **Marc Spitzer**, commission with the **Federal Energy Regulatory Commission**, told *PFR* on the sidelines of a panel titled 'Standing at the Crossroads' that states and the private sector need to better articulate to consumers what changes lie ahead, and what they will cost.

EEI Financial Conference (cont'd)

S&P Tweaks Methodology For Enterprise Risk Management

Standard & Poor's took advantage of the large assembly of energy bankers, executives and analysts to introduce a change in how it will rate utilities going forward, with a greater emphasis on enterprise risk management.

"We are shifting our assessments on business risk in a way that will be more uniform throughout the company," said **Todd Shipman**, director, after a lunchtime presentation on day one. "This is a new way of communicating that if you have less business risk, you may have more financial risk, or vice versa. For example, if you want to be an A-rated utility, you can't use as much debt. This way, it's conceivable we can now rate utilities the same way we would rate any other kind of company."

The five criteria to be used are: management competency, regulatory risk, operational efficiency, competitive advantages and the nature of the market they operate in. "We are not changing our essential views and ways we evaluate companies," explained **Richard Cortright**, managing director. "We just want to emphasize in a uniform way within our company that the less your business risk is, the better your rating will be from us."

Reporter's Notebook

- Attendees tried to keep their ears open as **Standard & Poor's** hosted Monday's luncheon, but couldn't believe their eyes at the blue mash served, explained proudly by the waiters as a tower of Peruvian, Idaho and sweet potato. Sunday night's 'Around the World' reception also failed to hold bankers' attention, as EEI was forced to show the **New England Patriots/Indianapolis Colts** game.
- Tuesday night's 50's-themed shindig was another Mickey Mouse affair, attended only by those who didn't have somewhere better to be. The hoi-polloi was out partying with the likes of **KeyBanc**, hosted by Managing Director **Andy Redinger** at **Shula's**, named after the legendary football coach **Don Shula**, or **American Electric Power**'s cocktail reception at **Todd English's Bluezoo**.
- As if Orlando's attractions weren't child's play enough, delegates walked around clutching king-sized bars of **Huron Consulting**-branded candy bars, modeled on **Hershey's**. Ingredients included MBAs, PhDs and expertise, with 100% nutritional content in collaboration/teamwork and accountability.

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.

Americas

- Regulators approved **Noble Environmental Power**'s proposed 108 MW wind farm in Chateaugay, N.Y. (*Reuters*, 11/8).
- **The Carlyle Group** raised $1.15 billion for its first infrastructure fund, **Carlyle Infrastructure Partners** (*Bizjournals.com*, 11/6).
- **Calpine Corp.** expects creditors to approve its reorganization plan Nov. 30, clearing the way for it to emerge from Chapter 11 in December (*Reuters*, 11/7).
- **Innergex Power Income Fund** has reached an agreement with **Innergex II Income Fund** to acquire its 38% interest in the 109.5-MW Baie-des-Sables wind farm and its 38% interest in the 100.5-MW Anse-à-Valleau wind farm, both in Québec (*CanWEA*, 11/6).
- **SkyPower Wind Energy Fund** says it has entered into a non-binding letter of intent to sell its Terrawinds wind energy facility near Rivière-du-Loup back to its original owner, **SkyPower Corp.** for C$211 million (*CanWEA*, 11/6).
- **PPL** completed the divestiture of its Latin American operations with the sale of a controlling interest in a Chilean electricity delivery business to Chile's **CGE** energy group for $660 million (*Reuters*, 11/6).
- Brazil's **Furnas**, part of **Eletrobras**, will build two hydroelectric dams in Honduras worth $751 million (*Reuters*, 11/7).

Europe

- **OTP**, Hungary's biggest commercial bank, will lead a banking consortium to finance a EUR1.5 billion ($2.2 billion), 2.4 GW power plant by gas wholesaler **Emfesz** (*Reuters*, 11/8).
- **Enel** is gearing up to tap the Russian power market, planning to spend $6 billion and cut into **Gazprom**'s hold (*Wall Street Journal*, 11/8).
- Gazprom is negotiating an asset-swap deal with **E.ON** (*Reuters*, 11/6).
- The French state nuclear agency plans to sell 25% of **Areva** to help pay for the decommissioning of old facilities (*International Herald Tribune*, 11/1).

Corporate Strategies

Energias de Portugal Refis Horizon Debt Via $2B Debut

Energias de Portugal placed privately $2 billion of senior notes last month to refinance $3-3.5 billion in bank lines used to acquire **Horizon Wind Energy** from **Goldman Sachs**. The deal was EDP's first debt placement in the U.S. and the first debt placement by a Portuguese corporate, according to **John Anderson**, senior managing director and head of power and project financing at **John Hancock Financial Services** in Boston, which bought into the deal. **Rui Cabrita**, a spokesman for the Portuguese utility, did not return a request seeking comment from financing officials.

EDP management never outlined a targeted size for the issue in marketing documentation, says Anderson. "They didn't tell anyone the deal size until the roadshow because they didn't want to announce the deal and not be able to place it." But he says after meeting with investors in New York Oct. 24 and in Boston the next day, buysiders were told EDP was upsizing the deal and would close the books Oct. 25 at $2 billion. **Barclays Capital**, **Citigroup** and **Morgan Stanley** were joint bookrunners and **BNP Paribas**, **Fortis Capital**, **JPMorgan**, **Royal Bank of Scotland** and **Société Générale** were co-managers.

The deal comprised a $1 billion, five-year tranche priced with a 5.375% coupon and spread of 140 basis points over Treasuries to yield 5.426%, and another $1 billion, 10-year tranche priced with a 6% coupon and spread of 163 to yield 6.015%. "It was a little bit wide for a U.S. utility at these ratings, but you are paying a little premium for the international nature of the issuer," says Anderson, noting price talk began at 155 on the 10-year notes. The senior notes were rated A2 by **Moody's Investors Service** and A- by **Standard & Poor's** and **Fitch Ratings**.

Nicor Closes On Revolver To Trim Debt

Nicor, parent of natural gas distribution company **Nicor Gas**, has landed a 210-day, $400 million revolver to help pay down short-term borrowings which could be run up in the colder months when demand for gas is at its peak. "The need is seasonal, therefore the credit is seasonal," says **Pat McQueeny**, assistant treasurer in Naperville, Ill. "If we were to put a 364-day [revolver in place,] we really would only need the capacity to cover seasonal capacity from November to March, and from April to October you would be paying for capacity you don't use."

The company has a track record of these types of facilities, according to **Mark Knox**, director of investor relations. A previous revolver of the same size and tenor expired last May, according to McQueeny, who says that facility is a backstop for Nicor's larger $600 million, five-year revolver maturing in 2010. If the company is forced to issue more commercial paper than expected during the coldest months of the year and exhausts the $600 million revolver, the new facility will be drawn on to cover the extra expenses. Otherwise, the new facility will not be touched, explains McQueeny.

Both the new revolver and the larger one were arranged by co-leads **JPMorgan** and **ABN Amro**, which McQueeny says Nicor has used on past deals. Pricing on the revolvers could not be learned. In 2003, Nicor came to market for $1 billion, which was split evenly between a one-year tranche and a 180-day tranche, also based on seasonal needs (PFR, 9/15/2003).

Nicor has a 40:60 debt-to-equity ratio, and as of June had $498 million in total debt outstanding. Total capital expenditures for the year will be approximately $200 million, says Knox.

NRG Looks To Buy Out Opco Debt


Bob Flexon

NRG Energy is offering to buy back $4.7 billion in outstanding senior notes tied to a series of operating entities so it can put the debt at a to-be-created holding company, **NRG Holdings**. The new holdco would provide stronger collateral to support the individual projects and receive revenue from the portfolio that NRG can put to work on roughly $3.5-4 in new developments it has planned (PFR, 9/21).

"We have the right to move that financing to the holding company," says **Bob Flexon,** cfo in Princeton, N.J., noting the buyback will come at a premium. "That's a change of control, and our bondholders can say, 'That's a change of control. You have to buy back my bonds at 101.'"

Bondholders have the right to sell the debt back to NRG at 101%, plus accrued interest, or accept a consent fee approving the transfer of that debt to the new holdco. The bulk of the buybacks will be paid for with a $4.2 billion senior unsecured commitment from **Banc of America Securities**, which expires Dec. 28. BofA was chosen, Flexon adds, because it came up with the idea of giving bondholders the choice between NRG buying back the debt or paying a consent fee of one eighth of a point, eliminating its contractual requirement to buy the notes back under a change of control. The notes are across three series: a 7.25% tranche due 2014, a 7.375% tranche due 2016 and another 7.375% due 2017. The deadline for consents is Dec. 4.

Additionally, BofA provided a $1 billion senior credit facility in June as part as part of the refinancing, which will help fund future stock repurchases and dividends also envisaged by NRG over the next several years.

Timeliness Key For NYPA RPF

The **New York Power Authority** says winning proposals into its new RFP for 500 MW of in-city capacity, launched last Thursday, will likely be won by the handful of developers far enough along to bring the capacity online in the next three to five years. "There's probably in the order of half a dozen that are in the position to bid into the RFP," speculates **Jordan Brandeis**, director of power resource planning and acquisition in White Plains, noting that this is not for developers without the ball already rolling on permitting, interconnection and engineering. "Anybody that is likely to be a bidder in the RFP has already done considerable work."

Up for grabs is a contract with the NYPA lasting between five and 20 years, allowing the authority to sell power on to schools, hospitals, municipal buildings and trains. Bids are due by Dec. 20 and a winner will be picked in April. The decision will be based on projects' reliability, cost-effectiveness and ability to provide power in the proposed timeframe—making up for the January 2010 closing of the 885 MW Charles Poletti plant in Queens. "We want to make sure that whoever we pick is capable [and has the] track record to demonstrate they can pull this off in New York City," says Brandeis, noting that the RFP does not specify any particular technology or fuel be used, only that the project be located in Zone J or have qualifying transmission into Zone J. "We left it wide open for bidders to be creative," he adds.

This RFP follows a 2005 process in which a proposal by **Hudson Transmission Partners** and **FPL Energy** was accepted to build 500 MW of in-city capacity and a 345 kV line under the Hudson River. New York City's peak summer demand amounts to more than 1.8 GW.

JPMorgan Unfurls Complete Auction

JPMorgan dispatched teasers last week on a 1,450 MW generating portfolio it is selling for **Complete Energy Holdings**. Complete owns a 60% interest in one of the assets, 1,022 MW La Paloma Generating in McKittrick, Calif., which has access to the NP15 and SP15 markets. It also has a 96.3% stake in an 837 MW plant in Batesville, Miss., which has access into the **Entergy** and **Tennessee Valley Authority** subregions of the Southern Electric Reliability Council.

La Paloma is 75% contracted under five-year tolling agreements, with a five-year extension option on one of its units. Two of Batesville's three units are fully contracted through 2013, while the third is under PPA through 2015, after which the counterparty can extend it to 2020.

Complete will consider proposals for each asset separately or for both collectively. It would prefer a cash transaction, but will consider any other bid that will maximize its value. JPMorgan is separately providing a new PIK loan for Batesville (PFR, 11/02).

PNM SHOPS

(continued from page 1)

need for additional capital to fund infrastructure improvements at its integrated electric utility, **PNM Electric**, which owns generation, transmission and distribution in north central New Mexico.

PNM Gas has 500,000 customers and obtains its supply primarily from sources within New Mexico by contracting with third-party producers and marketers. As well as 1,572 miles of transmission systems and 12,549 miles of distribution, it owns an underground natural gas storage facility in Albuquerque. *—K.B.*

NRG TESTS

(continued from page 1)

Indian River comprises four coal-fired steam boilers and a smaller oil-fired plant. NRG acquired the facility from **Delmarva Power & Light**, a subsidiary of Wilmington, Del.-based **Pepco Holdings**, in 2001, and its output is sold spot into the eastern Pennsylvania-New Jersey-Maryland Interconnection.

NRG has been reviewing its options for several months, after being told by the Delaware Department of Natural Resources & Environmental Control that continuation of Unit 2 beyond May 2010 is dependent on it reaching certain emissions reduction targets. The same is true if it wants to continue operation of Unit 1 beyond May 2011, and the larger two units beyond 2012. NRG expects to spend $1.1-1.5 billion between now and 2012 complying with clean air regulation across its fleet, says Flexon. *—K.B.*

ENTERGY'S LEONARD

(continued from page 1)

A spin would be more attractive for tax reasons so an outside bid would have to substantially trump those costs. Leonard said offers should reflect the unit's value relative to future carbon costs, gas prices and the scarcity value of a pure-play, emissions-free nuclear generating outfit. "We have talked to a number of people and the price hasn't been right. It would have to have been substantially in excess of the value of a spin, which was very unlikely."

SpinCo, the working name for the merchant assets, will lever up by around $4.5 billion—roughly 4-5x EBITDA—about $1 billion less than the $5.5 billion the business could reasonably withstand. "There's no reason to push the envelope," explained Leonard. But **Dimitri Nikas**, director at **Standard & Poor's**, which rates Entergy BBB, says that while business risk will decline, the loss of 20% of cash from operations contributed from the merchant nukes could hurt the company. S&P put Entergy on credit watch last week.

With roughly $4 billion being funneled up from the new debt at SpinCo., Entergy has earmarked up to $2.5 billon for share repurchases and $1.5 billion for debt retirement. It is targeting a 6-8% growth in annual earnings per share. Regulatory approval is expected to be granted without much delay because the merchant plants have mostly been acquired in markets outside its home territory. The 4,998 MW fleet is predominantly located in the Northeast and will be operated by a new joint services venture between Entergy and SpinCo.

The planned separation spotlights the potential for companies with similar merchant nuclear fleets to safeguard the value of their assets from their regulated operations. Among them is **Exelon Corp.** Exelon CFO **Thomas Young** said the company had been too bogged down with legislative issues in Illinois to decide on a course of action, but is laying the ground work. "We are not ready to make a commitment to separate. But we've evaluated and discussed and debated it and we will continue to do so," he said in a company presentation last week. "In the settlement we are involved in, we got specific authority for transactions like a spin that give us the opinion the state has already agreed to [a restructuring of the company]." *—Katy Burne*

Quote Of The Week

"We've said in Mexico we'll grow or go… We set a three to six month timeframe and we are three months in, so watch this space."—**Brian Burden**, *cfo of* ***TransAlta Corp.****, on the company's evaluation of whether to divest two power plants in Mexico (see story, page 3).*

One Year Ago In Power Finance & Risk

DTE Energy was preparing to divest or redeploy four non-utility plants, including 328 MW Crete Energy Venture in Crete, Ill., and 80 MW Georgetown in Indianapolis, to reduce a drag on earnings. [**Lehman Brothers** advised on the sale of Crete to **Tenaska Power Fund** (PFR, 7/6), which also bought out **ArcLight Capital Partners**, co-owner of the plant. **Indianapolis Power & Light** acquired Georgetown (PFR, 8/17). A further two units, 320 MW East China and the decommissioned 240 MW River Rouge in Detroit are still on the block.]