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A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

NOVEMBER 13, 2006

VOL. IX, NO. 45

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Scottish Firm Readies Energy Fund

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NISOURCE TAPS BLACKSTONE TO WEIGH RESTRUCTURING

NiSource has hired **The Blackstone Group** to advise on its strategic options, including the potential offloading of regulated utility **Northern Indiana Public Service Co.** Observers say the Merrillville, Ind.-based holding company has been fielding offers for Northern Indiana Public for some time. Additional details on the plan, including the identities of parties interested in acquiring, could not be learned.

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AEP EYES FURTHER TRANSMISSION HOOK-UPS

American Electric Power's strategic partnerships with **MidAmerican Energy Holding Co.** and **ITC Transmission** could pave the way for more, according to AEP CEO **Michael Morris**. Morris says "just about every financial player had called" expressing an interest in working with AEP after it requested submissions from potential transmission partners Oct. 10, which suggests that appetite for such deals is strong, said Morris, speaking with reporters after a panel discussion at the **Edison Electric Institute Financial Conference**.

Underpinning demand is the desire for improved transmission in markets such as

(continued on page 11)

NRG SOLVES GENCO HEDGES VIA BOND OFFERING

Since **NRG Energy** acquired **Texas Genco** in January, CFO **Bob Flexon** says it had been trying to figure out how to lock in gas prices well above Texas Genco's existing hedge contracts. Prices were much lower, around \$4.80 per million btu, when the agreements were put in place in late 2004, he says. With prices now between \$7 and \$8, NRG Energy will sell \$1.1 billion in 7.375% senior notes to fund repayments to energy traders **J. Aron & Co.** and the other counterparties in the existing agreements, to reset them to current prices. Flexon

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EEI Confab

TRANSMISSION SPINOFFS SET TO SPARK

Utility executives and financiers at the 41ST **Edison Electric Institute Financial Conference** at **Caesars Palace** in Las Vegas predicted the industry will see more transmission divestitures as companies consolidate and invest in core businesses. "In previous years, the theme was 'Let's get together,' whereas this year it seems to be 'Let's break up,'" observed **Rudy Tolentino**, an energy analyst at **Morgan Stanley**.

A likely accelerator of this trend, market participants say, is the recent sale of **Michigan Electric Transmission Company** to **ITC Holdings Corp.**, and private equity firms eager to put capital to work in transmission, as evidenced by the pending

(continued on page 4)



Confab Central

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



At Press Time

Details Emerge On DTE Asset Recast

DTE Energy has identified four non-utility plants it plans on divesting or redeploying next year to reduce the drag on its earnings. The move is part of the company's efforts to restructure its non-utility business and raise \$1 billion in proceeds to put towards its utility subsidiaries, the repurchasing of one million shares, debt reduction and a new baseload plant, details of which could not be learned.

Due to be sold are its 160 MW Crete, Ill., plant near Chicago and its 80 MW Georgetown plant in Indianapolis, valued at an aggregate \$100-150 million. "The plants did OK at first, but in recent years have represented an earnings drag of between \$10 [million] and \$15 million," president and COO **Gerard Anderson** said at an industry conference. A further distressed unit in Michigan, the 240 MW River Rouge facility, will be decommissioned and its 320 MW East China unit will either be sold or redeployed for use by its utility **Detroit Edison**.

DTE also is considering selling some or all of its 400,000 acres in unconventional gas reserves in Michigan's Antrim Shale and Texas' Barnett Shale, assets that are expected to fetch between \$250 million and \$1 billion. "Utilities have been uniformly pressed to get out of unregulated types of generation assets and to exit the oil and gas space to create a pure play," notes an observer. "It's sort of flavor of the month."

The company is understood to have engaged a white-shoe firm to advise on the disposition of this business, but the identity of the party could not be learned and a company spokeswoman was unable to comment.

Scottish Firm Readies Energy Fund

Edinburgh-based **Martin Currie Investment Management** plans on launching a long/short energy hedge fund in March. The new fund is the firm's ninth and is being kicked off in response to investor interest, says **Allan MacLeod**, director. Martin Currie aims to roll out the fund with \$200 million on day one, making it the firm's largest-ever hedge fund launch.

The fund will be managed by **Duncan Goodwin**, an energy pro who joined the firm last year from **Merrill Lynch** to co-manage a global resources fund (*jialternatives.com*, 4/15/2005). While marketing the \$500 million global resources fund, the firm met with numerous investors interested in the strategy but wanted exposure to energy alone without base materials and commodities, says MacLeod.

The energy fund will charge a 1.5% management fee, 20% performance fee and carry a \$100,000 investment minimum. The firm will begin marketing the fund at the end of this month and expects assets to come from "mostly from new investors, but people we know," who have held off from investing in the resources fund in favor of an energy-only product, says MacLeod. The firm manages \$1.4 billion in hedge funds.

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Institutional Investor NEWS
INTELLIGENCE FIRST

Puget Sound Eyes Green Growth

Puget Sound Energy is looking to increase use of low-cost, renewable generation. CEO **Stephen Reynolds** says some 400 MW, or 5%, of the Bellevue, Wa.-based utility's current load is generated by wind and this should rise to 20% by 2013. "We're growing and we're getting greener," he says.

The company recently invested \$580 million on wind projects. Production tax credits from units, such as the 229 MW Wild Horse Wind in Kittitas County and 149 MW Hopkins Ridge Wind in Columbia County, will be used to lower customers' bills rather than sold down as equity stakes in the projects, Reynolds adds.

Modest-sized solar units are also under consideration at its **Puget Energy** subsidiary. "There has been lots of talk about the integration of wind into the historical generation stack for utilities and we think the same is true for solar," notes Reynolds, declining to elaborate on likely locations or financing supporting construction of the planned units.

This week, Puget announced it had entered into an agreement to buy **Calpine's** 277 MW Goldendale Energy Center in Klickitat County, Wash., for \$100 million. Asked about financing for the two-year-old, integrated gas combined cycle

facility, Reynolds said, "We believe we have ample liquidity to fund Goldendale." The unit is the first of seven projects the company short-listed this summer as possible ways of meeting a projected 1.5 GW need for new power-supply resources.

HVB Scores Project Finance Head In London

HypoVereinsbank has appointed **Jim Barry** head of global project and structured finance at its London branch. The sector veteran most recently served as head of capital markets at Dublin-based renewable developer **Trinergy** and before that as head of project and export finance at **Dresdner Kleinwort** in London and head of power at **Halifax Bank of Scotland**. He joins HVB in the New Year, reporting to **Kai Henkel**, head of global project and structured finance in Munich.

HVB had been without a regional project finance head in London following a spate of recent departures. Four staffers defected to **DZ Bank** in late August and September: directors **Jonathan Bullock** and **Neil Edmonds**, v.p. **Steven Dodd** and team assistant **Victoria Richards** (PFR, 9/25/06).

Corporate Strategies

Enterprise MLP Plots Pipeline Hold Co. Float

Houston midstream gas player **Enterprise Products Partners** has set up a subsidiary, **Duncan Energy Partners**, to act as a holding company for some of its prized completed pipeline projects. The acquisitions will be funded by a \$313.95 million initial public offering of 13 million limited partner units in the new company, according to its filing with the **Securities and Exchange Commission**.

Enterprise has been growing fast, says **Moody's Investors Service** v.p. and senior analyst **Steven Wood** in New York, explaining the hold co. could allow Enterprise to raise capital by targeting a broader investor base. Placing the cash-flow generative assets within Duncan Energy will make its securities appealing to investors.

Lehman Brothers will underwrite the IPO, whose date has not been set. The firm has the option to purchase an additional 1.95 million common units to cover overallocments. Proceeds from the sale of units totaling \$221 million will be used to help fund the acquisition of stakes in Enterprise's pipelines. About \$20 million will be put towards pipeline expansion and \$2 million will be used to pay for expenses associated with the IPO. The company did not state how the remainder or the IPO proceeds would be used.

Duncan Energy initially will acquire 66% equity interests in several different Enterprise pipelines, including the South Texas NGL pipeline acquired from **Exxon** in August. It may boost its stakes in the future, the company said in a statement.

Additionally it will borrow \$200 million under a new credit revolver to pay Enterprise for future pipeline purchases. The underwriter of the new facility could not be determined and details of the credit agreement could not be learned. Enterprise officials were not made available for comment.

Moody's said the creation of Duncan Energy would not affect Enterprise's overall credit ratings, but expressed concern over the aggressiveness in Enterprise's recent capital raising. It reaffirmed a Baa3 rating on Enterprise's \$4.9 billion in outstanding debt.

Brookfield Powers Up On Attractive Rates

Brookfield Power plans on using proceeds from a recent C\$350 million (\$309 million) debt issuance to retire C\$100 million of debt maturing Dec. 16 and for other general corporate purposes. "The long-term interest rate environment is very attractive, so it made sense to do it now," notes **Steve Riedel**, v.p. of corporate finance and treasury in Gatineau, Québec.

Two tranches of unsecured debt were sold Nov. 1: a C\$200 million, 5.25% note due 2018 and a C\$150 million, 5.84% note due 2036. The issue was assigned a BBB rating by both **Standard & Poor's** and **Fitch Ratings**.

CIBC World Markets, Brookfield Power's main relationship bank, and **Scotia Capital**, lead the offering, alongside **RBC Dominion Securities**, **TD Securities**, **BMO Capital Markets** and **HSBC Securities**. "We try and spread the wealth; it's the

Corporate Strategies (cont'd)

right approach and in the best interests for Brookfield,” says Riedel. He adds Scotia and HSBC are structuring \$600 million of debt financing supporting parent **Brookfield Asset Management's** acquisition of Chilean electric transmission company **Transelec**.

Brookfield Power is due to close on its purchase of some 107

MW in hydroelectric generation from **Alloy Power** and **West Virginia Alloy** later this quarter. It is also developing greenfield project 189 MW Prince Wind near Sault Ste. Marie in northern Ontario. Riedel says it will likely replace the project's initial non-recourse construction debt with a long-term financing solution in the first quarter. He declined to provide details on those plans.

Edison Electric Institute's Annual Confab

Some 1,400 utility senior executives, treasury managers and Street financiers flocked to Las Vegas last week for the 41st Edison Electric Institute Financial Conference. Reporter Katy Burne filed the following stories.

TRANSMISSION

(continued from page 1)

sale of **NorthWestern Energy** to **Babcock & Brown** and of **Duquesne Light Holdings** to a consortium led by **Macquarie Infrastructure Partners** and **Diversified Utility and Energy Trusts**.

These deals had registrants pondering what's next to come on the auction block. One banker suggests transmission-only utility **American Transmission Co.** is a potential target. In a recent **Barclays Capital** credit research report, analysts **Robert Petrosino** and **Jennifer Preller** suggest that “single-state utilities or, at most, two-state utilities are susceptible to these types of transactions,” because regulatory approval is a major consideration for potential buyers. A spokesman for **Pewaukee, Wis.-based ATC** says the company is not currently engaged in discussions with potential acquirers.

Jeff Sterba, CEO of **PNM Resources**, was quick to dismiss the notion of corporate spinoffs, however. “I don't find it plausible to see separation,” he said on a panel titled *Three Degrees of Separation*. “...The western U.S. does not want to give up its jurisdiction of transmission.”

—Katy Burne

Nuclear Loan Guarantee's Outlook Cloudy

A drawn-out process for extending some \$2 billion loan guarantees for alternative generation projects such as solar and ethanol has developers worried that a similar process specifically aimed at nuclear generation will be equally as protracted. Companies are waiting for a government taskforce to release guidelines on the incentives—meant to cover 80% of the debt financing of new nuclear plants—before ascertaining how far nuclear construction projects are bankable.

Sources familiar with the taskforce's thinking say that the government is reluctant to offer the guarantees as authorized by the **Energy Policy Act** of 2005, adding that the 80% mark was never mandated. “The taskforce only wants to guarantee 80% of

the 80% [of the debt],” lamented **Mac McFarland**, head of mergers and acquisitions at **Exelon Corp.**, which has the largest nuclear fleet in the U.S.

“The **Department of Energy** and **Office of Management and Budget** would like to have a second tranche of commercial bank debt making up the balance, and insist that the commercial debt must be subordinate to the guaranteed debt, which compromises the value of the loan guarantee,” added **Richard Myers**, director of policy development for the **Nuclear Energy Institute** in Washington.

M&A Climate Seen Drawing Mid-Term Relief

The passing of the mid-term elections seemed to draw a sigh of relief from attendees, many of whom feel political grandstanding has stymied consolidation.

“I expect things will return to a more normal way of doing business,” says **Lillian Federico**, senior v.p. of Jersey City, N.J.-based **Regulatory Research Associates**. “Legislators have been overreacting in the interest of currying favor, but after [Nov. 7] it will be back to business,” adds a banker.

Companies caught up in the electioneering—notably **Exelon Corp.**, **Public Service Enterprise Group**, **FPL** and **Constellation Energy**—made a point of emphasizing to investors their strategies for growth as standalone entities. **Constellation CEO Mayo Shattuck**, for one, addressed concerns that its Maryland-regulated utility **Baltimore Gas & Electric** may act as a drag on the unregulated side of the business. The issue of “whether unregulated companies are well married with their regulated counterparties” is a viable one worth examining, Shattuck said. But he does not consider **BGE** “credit dilutive to its parent”—despite it having been downgraded two notches to **Baa2** in recent months by **Moody's Investors Service**.

Shattuck's remarks did not appear to satisfy everyone, however. One investor speculates it is only a matter of time before the

Edison Electric Institute's Annual Confab (cont'd)

subsidiary will be spun off. Separating the regulated and non-regulated parts of the business would make valuing and managing them somewhat easier, notes **Todd Jirovec**, v.p. at strategy consultancy **Booz Allen Hamilton** in Dallas, which advised Constellation shortly after it proposed a tie-up with FPL.

King Coal?

TXU Envisages 23 GW Coal Empire

TXU Corp.'s planned rollout of up to 23 GW in coal-fired baseload generation highlights the company's aspirations of becoming a merchant behemoth in what CEO **John Wilder** described as a "stunningly fragmented and poorly performing industry."

Industry players who heard Wilder's remarks at last week's conference warn of the risks of not being able to access fresh capital throughout the company's \$11 billion development program, and of possible commodities shocks mid-build. "There is a risk that investors won't stick around throughout the construction cycle," notes one investor. The specter of coal emissions legislation is also too great to ignore, says **Michael Peevy**, president of **California Public Utilities Commission**. "Be very cautious if you go down the road of pulverized coal—the consequences could be very serious," he cautioned.

But Wilder insists that TXU has weighed the risks. "We built in the fact that there will likely be [carbon regulation]. If you're building coal, you need to build in a probabilistic view of the

future costs of carbon," he said. The Dallas energy holding company has made a number of provisions for future environmental controls, including mapping out facilities for carbon sequestration on each of its sites.

About 37%, or 634 MW of a to-be-built unit—1.7 GW Oak Grove in Robertson County—is already in the process of being sold to two electric cooperatives, says **Mike Childers**, ceo of generation and development. A further 50% in a separate, undisclosed facility, is also being shopped. Asked if the unit in question is first-to-be-built 581 MW Sandow Unit 5 in Milam County, Childers declined comment. The dollar value of the equity participation the company is seeking could not be learned.

In addition to TXU's 9.1 GW development effort in ERCOT—where reserve margins are expected to fall below 7% by 2008—some 2-4 GW of projects are under consideration in the PJM market as well as 5-10 GW in other regions. TXU refused to disclose the exact locations of the new sites, but in a report the company cites the MRO, RFC and WECC markets as areas where there is opportunity to displace older, less efficient coal and gas units. Permits for the newer capacity, expected to cost about \$1,100 per KW to build, still need to be sought. Debt financing is being arranged via **Morgan Stanley**, **Citigroup** and **Merrill Lynch** (*PFR*, 8/14).

After planning to sell down a 35% equity stake, or 3 GW, in the 9.1 GW portfolio, TXU is pursuing the sale of 49% of the total equity in **TXU Power Development Company**. Advisor **Morgan Stanley** dispatched offering memorandums late last month (*PFR*, 10/23).

Financing Record (NOVEMBER 1-NOVEMBER 7)

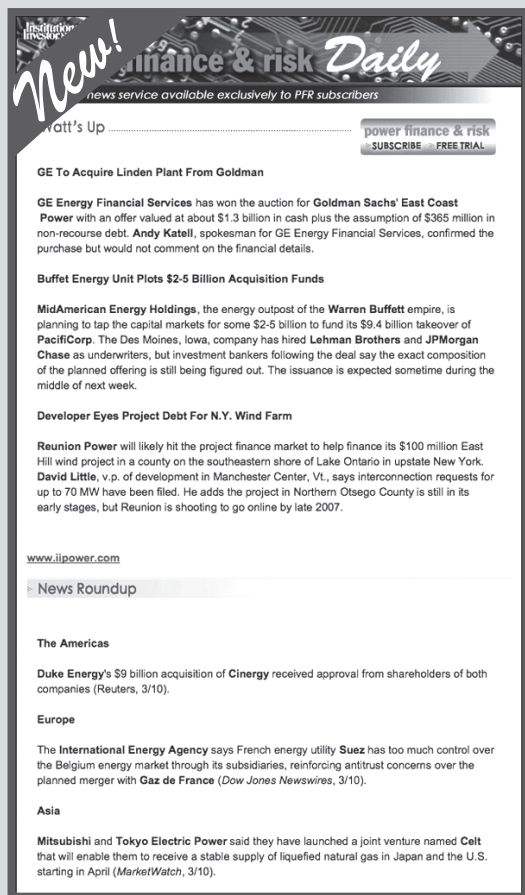
Debt

Rule 144A	Issue Date	Issuer	Principal (\$mil)	Coupon (%)	Type of Security	Maturity	Offer Price	YTM(%)	Spread	S&P	Moody's	Fitch Rating
No	11/1/06	Electricity of Vietnam	62	Varies	Step-Up Bonds	11/8/16	100	Varies		NR	NR	
Yes	11/1/06	Sabine Pass LNG Terminal	550	7.25	Sr Secured Nts	11/30/13	100	7.25		BB	Ba3	NR
Yes	11/1/06	Sabine Pass LNG Terminal	1,482.00	7.5	Sr Secured Nts	11/30/16	100	7.5		BB	Ba3	NR
	11/2/06	Wisconsin Electric Power Co	300	5.7	Debentures	12/1/36	99.923	5.705	99	A-	A1	A+

M&A

Date Announced	Date Effective	Target Name	Target Advisors	Target Country	Acquiror Name	Acquiror Country	Value (\$mil)
11/1/06	11/1/06	Akenerji Elektrik Ihracat		Turkey	Akenerji Elektrik Uretim AS	Turkey	0.069
11/1/06		Bulgaria-Heating Utility		Bulgaria	Dalkia International	France	8.651
11/1/06	11/1/06	Christofferson-Wind Farm	Credit Suisse Group	Germany	International Power PLC	United Kingdom	721.108
11/1/06		Delta Power Co LLC		United States	Arroyo Energy Investors LP	United States	
11/2/06		Stadtwerke Oranienburg GmbH		Germany	H/H Stadtwerke-	Germany	
11/2/06		Stadtwerke Oranienburg GmbH		Germany	H/H Stadtwerke-	Germany	
11/2/06		Consorcio TransMantaro SA	Citigroup	Peru	Investor Group	Colombia	33
11/2/06		Tuscarora Gas Transmission Co	Lazard UBS Investment Bank	United States	TC Pipelines LP	United States	137
11/3/06		Goldendale Energy Center		United States	Puget Sound Energy	United States	100
11/6/06		Huaian Xinao Gas Co Ltd		China	Xinao(China)Gas Investment Co	China	3.534
11/7/06	11/7/06	Snam Rete Gas SpA		Italy	ENI SpA	Italy	

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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

- Subsidiaries of **American Electric Power** in Texas are attempting to raise transmission and distribution rates for retail electric providers. **Texas Central** is seeking an increase that translates into \$82.7million, and **Texas North** is seeking a \$25 million increase (*Reuters*, 11/9).
- The **Nevada Public Utilities Commission** approved a \$3.7 billion plan by **Sierra Pacific Resources** to build new power plants and transmission lines including the Ely Energy Center in eastern Nevada, a north-south transmission Intertie, and development of renewable energy resources (*Reuters*, 11/8).
- **Progress Energy** has commenced cash tender offers for \$550 million in 7.1% senior notes due 2011 and 6.85% senior notes due 2012. The offers, part of a debt reduction plan initiated by the Raleigh, N.C.-based energy company, will be funded with existing cash and no additional debt will be incurred (*Associated Press*, 11/8).
- **NRG Energy** has submitted a proposal to develop a 680 MW plant at the Huntley Generating Station in western New York, using coal-gasification technology. Financial terms of the bid were not disclosed. The New York Power Authority will announce the preferred bidder by the end of the year (*Associated Press*, 11/6).
- **DTE Energy** has announced a plan to sell off certain non-utility assets. It expects to generate \$1 billion in cash to repurchase equity and debt. DTE is also exploring the sale of a portion of its unconventional gas assets, which could produce proceeds of \$250 million to \$1 billion (*Reuters*, 11/7).
- Canada's **SkyPower** and Maryland's **SunEdison** will form a joint venture to build three to five solar photovoltaic farms in Ontario over the next three years. Each will produce 10 MW of electricity (*Toronto Star*, 11/7).

- The **International Energy Agency** urged governments to build more nuclear plants to slow climate change and increase energy security, in its annual World Energy Outlook report. Energy conservation and investment in nuclear power could cut consumption by 10% by 2030, according to the report (*Reuters*, 11/7).

- **Bill Gates'** personal investment vehicle **Cascade Investments** will form a joint venture with **PNM Resources**. The as yet unnamed venture will make the two 50-50 partners in a new entity geared to investing in wholesale and retail power sales, generation and some energy trading (*Wall Street Journal*, 11/3).

- **NRG Energy** posted a profit in the third quarter due to the acquisition of **Texas Genco** and mark-to-market gains. It earned \$408 million, or \$2.65 per share, compared with a year-ago loss of \$31 million, or 39 cents per share (*Associated Press*, 11/3).

- **Barclays Capital** has agreed to settle bankruptcy litigation with **Enron**. Barclays will pay \$144 million in cash to settle all claims Enron asserted against it in the litigation and in turn Enron will allow Barclays' claims filed in the bankruptcy that total \$310 million (*Associated Press*, 11/3).

Europe

- The number of turbines proposed by developers **Wind Hydrogen Limited** for one of Europe's largest wind farms in Ayrshire, Scotland, has been reduced to 24 from 148, following protests from the public and conservation groups. Plans for a hydrogen fuel storage plant and hydrogen research and development facility remain intact (*Glasgow Herald*, 11/3).

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Weekly Recap (cont'd)

● **E.On** has accepted the Spanish government's decision to drop 17 of the 19 conditions that the country's energy regulator initially imposed on the its E37 billion (\$47 billion) bid for **Endesa**. The two conditions that were kept refer to E.On's obligation to sell its Endesa shares in case a third company acquires more than half of E.On's stock, and E.On's mandatory commitment to abide by Endesa's current investment plans (*Wall Street Journal*, 11/7).

● Italy's **Enel** may team up with a Turkish partner to bid on at least one of three power grids that are for sale in that country. **E.On** of Germany and Spain's **Iberdrola** are also bidding for three Turkish electricity grids, part of that country's **International Monetary Fund**-backed plan to reduce the state's role in energy (*Bloomberg*, 11/8).

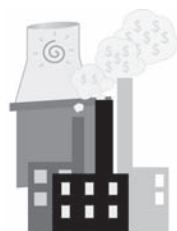
● Spanish electricity utility **Iberdrola** is considering investment

options but has not yet made any decisions, and denied reports that it had made an offer for **Scottish Power**. Spanish media had reported that Iberdrola was willing to offer at least 10 billion pounds (\$19.1 billion) for the company (*Associated Press*, 11/9).

● **European Union** regulators have adopted cross-border electricity trading rules to ease shipments and prevent blackouts. The new rules require improved cooperation between transmission system operators to allocate cross-border flows and manage bottlenecks in the transmission network (*Bloomberg*, 11/9).

Russia

● Russian state gas monopoly **OAO Gazprom** warned the country of Georgia that it would cut off supplies by Jan. 1 unless it signs a new contract at more than double the current price (*Wall Street Journal*, 11/8).



Generation Auction & Sale Calendar

Following is a directory of ongoing generation asset sales. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. To report new auctions or changes in the status of a sale, please call Mark DeCambre, managing editor, at (212) 224-3293 or e-mail mdecambre@iinews.com.

Seller	Plants	Location	MW	Plant Type	Advisor	Status/Comments
Alloy Power/West Virginia Alloy	Hawk's Nest Glen Ferris	Fayette, W.Va. Fayette, W.Va.	102 4.6	Hydro Hydro	JPMorgan	Brookfield Power agreed to acquire both facilities. Terms not disclosed. Deal expected to close by year-end 2006.
American Electric Power	Plaquemine Cogeneration Facility	Plaquemine, La.	880	Gas/Steam	N/A	Dow Chemical Co. will pay AEP \$64 million at closing, which is expected in December.
American Securities Capital Investments (Primary Energy Ventures)	Naval Station North Island NTC Oxnard Kenilworth Greeley Roxboro Southport North Lake (15.4%) Cokenergy (15.4%) Ironsides (15.4%) Portside (15.4%) Harbor Coal (15.4%)	San Diego, Calif. San Diego, Calif. San Diego, Calif. Oxnard, Calif. Kenilworth, N.J. Greeley, Colo. Roxboro, N.C. Southport, N.C. East Chicago, Ind. East Chicago, Ind. East Chicago, Ind. Portage, Ind. East Chicago, Ind.	47 41 25 49 30 82 60 120 75 95 50 64 N/A	Gas Gas natural gas natural gas natural gas natural gas solid fuel fired solid fuel fire waste energy waste energy waste energy natural gas pulverized coal	Lehman Brothers	Epcor Power is acquiring the operation for \$380 million. Deal slated to close in the 4th quarter
Astoria Energy	Astoria Plant	Queens, N.Y.	500	Gas	N/A	The partnership that owns the plant is said to be fielding offers from interested parties.
Atlantic City Electric Co.	B.L. England	Upper Township, N.J.	447	Coal/oil	Concentric Energy Advisors	Rockland Capital Energy Investments offered to buy for \$12.2 million so long as necessary approvals made by March 31, 2007.
BayCorp Holdings	Benton Falls	Benton, Maine	4.3	Hydro	Concentric Energy Advisors	N/A

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status/Comments
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.
Cargill-led investor group	Granite Ridge	Londonderry, N.H.	720	Gas	Morgan Stanley	See story, page 3.
Complete Energy	Batesville	Batesville, Miss.	837	Gas	Dexia	A deal is expected in two weeks.
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		
DPL Inc.	State Line	Hammond, Ind.	515	Coal	Pace Global Energy Services Pace Global Energy Services Pace Global Energy Services	DPL is negotiating with lead bidder and expects to announce deal late this month.
	Darby Electric	Mount Sterling, Ohio	447	Gas		
	Greenville Electric	Greenville, Ohio	206	Gas		
	Montpelier Electric	Poneto, Ind.	219	Gas		
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	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.
	Cogeneration Associates (CDECCA)					
	Berkshire Power Co	Agawam, Mass.	243	Gas		
Invenergy	Hardee Power	Bowling Green, Fla.	370	Gas	Morgan Stanley	Sale effort may be halted.
Lake Road	Lake Road Power Plant	Killingly, Conn.	840	Gas	Credit Suisse	Non-binding bids have been submitted.
LEP Holdings	Liberty	Eddystone, Pa.	568	Gas	JPMorgan	Non-binding 1st round bids are due soon (PFR, 8/17).
Mirant	Curacao Utilities Co. (25.5%)	Curacao	133	Asphalt/Refinery Gas	JPMorgan	First-round bids expected this 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		

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status/Comments
Mirant (cont'd)	Sual Generating Plant	Pangasinan, Philippines	1.2GW	Coal	Credit Suisse	Six bidders reportedly made the second round. Winner planned to be unveiled this month (PFR,9/25).
	Pagbilao Generating Plant	Quezon, Philippines	704	Coal		
	Apex plant	Las Vegas, Nev.	518	Gas	JPMorgan	Credit Suisse of JPMorgan are prepping staple financing (PFR, 10/2).
	Bosque	Clifton, Texas	537	Gas		
	Shady Hills	Pascoe County, Fla.	469	Gas/Oil		
	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	Energy Capital Partners' \$1.34 billion acquisition was completed Nov. 2.
	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		
	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		



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Round One

Progress Set To Take First Round Plant Bids

Progress Energy expects to take first round bids for a portfolio of nearly 2 GW in unregulated generation Nov. 15. Auctioneer **JPMorgan Chase** has circulated marketing material for the businesses to be offloaded. The Raleigh, N.C., company first considered auctioning the plants as well as its merchant trading operation **Progress Energy Ventures** in early September, as first reported on *PFR's* Web site www.iipower.com. Calls to **Thomas Sullivan**, treasurer, were not returned and JPMorgan executives declined comment.

On the block are a trio of combustion turbine Georgia plants including a 350 MW facility known as Monroe Power and an adjacent 600 MW facility Washington County. The facilities are believed to have contracts in place for the next 10 years. Details about possible bids and parties interested could not be learned.

Progress has been offloading merchant assets and a gas business. It agreed to sell a 925 MW merchant power plant in Rowan County, N.C., and its DeSoto plant, a 320 MW peaker near Arcadia, Fla., to **Southern Co.**

AEP EYES

(continued from page 1)

ERCOT, coupled with the Energy Policy Act, which provides enticements for energy players to make investments.

The MidAmerican deal marks a change in AEP strategy from an earlier deal with the **Lower Colorado River Authority**, which handled all construction financing for their \$90 million power line in West Texas. MidAmerican will commit about \$150 million in cash and AEP about \$150 million in transmission assets over a five-year period to a jointly owned venture company using a 60/40 debt-to-equity capital structure. A series of 345kV-transmission facilities are envisaged with the aim of bringing wind-generated electricity to poorly serviced load pockets in ERCOT. **Warren Buffet**-backed MidAmerican was chosen because of its technical know-how, its realistic view of the regulatory process and not least of all its balance sheet, Morris said.

"This is precisely the kind of project Buffet has always said he'd be interested in," said **Swami Venkataraman**, a director with **Standard & Poor's** in San Francisco, of the estimated \$1 billion project. "One, it's a regulated asset so there's less risk, and two, there's no commodities exposure, just a stable transmission tariff."

Mike Heyeck, senior v.p. for transmission at AEP in Columbus, Ohio, says particularly enticing about the transmission joint venture is the \$10 billion wind power

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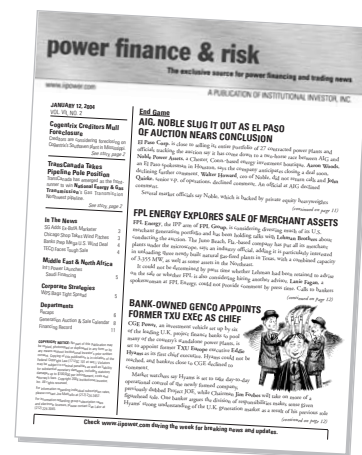
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initiative recently announced in ERCOT. “[Transmission] opportunities have always been there, but with the wind projects, there’s now a real need.”

As more generation facilities are built and older units retire, generation bottlenecks become worse in Texas and across the country, says Heyeck. ERCOT offers more certainty than other regions when it comes to return on investments and approval processes. Regulation is more streamlined, owed to the fact that market itself identifies projects and allows builders to apply each year for rate increases if they demonstrate transmission assets are operating efficiently, he adds.

With ITC, a unit of independent transmission company ITC Holdings Corp., AEP plans to extend its 765-kV transmission infrastructure through Michigan, linking it up with its network in the Midwest to alleviate bottlenecking. Further details of the project will emerge upon completion of the feasibility study.

—Ben Miller & K.B.

NISOURCE TAPS

(continued from page 1)

Robert Skaggs, ceo, told analysts on a Nov. 3 earnings call that NiSource was considering a restructuring in an attempt to “unlock the underlying value of [its] asset base,” adding the board of directors hoped to reach a decision by year-end or early next. Kris Falzone, a spokesman for NiSource declined to comment and calls to Blackstone were not immediately returned.

A separation of generation from natural gas transmission, storage and distribution business—much of which was inherited in its 2000 merger with Herndon, Va.-based Columbia Energy Group—would mirror Duke Energy’s efforts to spin off its gas and electric business following its merger with Cinergy in April.

—Katy Burne

NRG SOLVES

(continued from page 1)

says the company came up with the idea after tossing around various scenarios. “We would have done it back on the acquisition date if we could,” he says.

Resetting the agreements, which run until 2010, at today’s prices will stabilize NRG’s cash flow, and better protect it against gas-price volatility that has been as much as plus or minus 40% recently. But Flexon says the big benefit was amending the company’s credit profile enough to convince Merrill Lynch’s commodities desk, whom it’s hard to do hedges without, to be available for future agreements. “With Merrill in, we can do sizable hedges on a moment’s notice,” he says. J. Aron, another essential partner, can now take on more hedges from NRG than they could under the existing agreements, he added.

Flexon says there was a risk to taking on so much interest-

bearing debt, but so far he’s pleased with the market’s response.

Fitch Ratings and Standard & Poor’s did not change their overall credit ratings, while Moody’s Investors Service lowered its outlook from “stable” to “negative” on concern about the new debt levels. The total amount to be paid to reset the agreements is approximately \$1.3 billion, with the remaining \$200 million coming from available cash.

Merrill and Morgan Stanley will serve as joint bookrunners on the debt offering, which will close Nov. 21. The notes, maturing January 2017, were rated B+ by S&P and B1 by Moody’s.

—B.M.

Quote Of The Week

“In previous years, the theme was ‘Let’s get together,’ whereas this year it seems to be ‘Let’s break up.’”—Rudy Tolentino, energy analyst at Morgan Stanley, predicting the industry will see more transmission spinoffs (see story, page 1).

One Year Ago In Power Finance & Risk

Calpine Corp. sought to sell a stake in two natural-gas fired power plants, the Riverside Energy Center in the Town of Beloit, Rocky County, Wis., and Rocky Mountain Energy Center in Weld County, Colo., to LS Power Holdings. [These and other potential Calpine sales were jeopardized in December 2005 by Calpine’s bankruptcy filing (PFR 12/2/05).]

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