

power finance & risk

The exclusive source for power financing and trading news

www.iipower.com

A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

NOVEMBER 14, 2005

VOL. VIII, NO. 45

ArcLight Venture Mulls Structure For Coal Plant

ArcLight Capital Partners and **Peabody Energy** are considering non-recourse debt and other financing options for its Illinois coal-to-natural gas facility.

See story, page 2

Merrill Snags JPMorgan Analyst

Merrill Lynch has hired **JPMorgan Chase** senior analyst **Gabe Moreen** to cover natural gas utilities.

See story, page 3

In The News

Commodities Firm Hires Oil Trader	3
Tyr Nets Green Country Acquisition	3
Juiced Cash Flow Buys Dynegy	3

EEI Conference

Entergy Asks For Federal Hand	6
PSEG Plots PSEG Global Auction	6
New Construction Prices Spike	7

Corporate Strategies

Kinder Offers Equity	9
Entergy Shops Hurricane Bonds	9
EI Paso Trims Debt With Sales	9

Departments

Financing Record	4
Weekly Recap	7

COPYRIGHT NOTICE: No part of this publication may be copied, photocopied or duplicated in any form or by any means without Institutional Investor's prior written consent. Copying of this publication is in violation of the Federal Copyright Law (17 USC 101 et seq.). Violators may be subject to criminal penalties as well as liability for substantial monetary damages, including statutory damages up to \$100,000 per infringement, costs and attorney's fees. Copyright 2005 Institutional Investor, Inc. All rights reserved.

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

CALPINE TO SHOP STAKE IN 1.2 GW BASELOAD FACILITIES



Cash-strapped **Calpine Corp.** is seeking a sale of a stake in natural-gas fired power plants, **Riverside Energy Center** in the Town of Beloit, Rocky County, Wis., and **Rocky Mountain Energy Center** in Weld County, Colo., to private equity shop **LS Power Holdings**. According to officials familiar with the planned transaction, LSP Power is expected to acquire a 45-50% interest in the pair of base-load

facilities, which were constructed over the past 12-14 months. An exact price tag could not be learned, but last year Calpine obtained a \$655 million B loan on the pair of plants, refinancing construction debt via **Credit Suisse First Boston** (PFR, 6/23/04). The deal,

(continued on page 11)

HVB SCORES LEAD ON \$300M WIND LOAN

HypoVereinsbank has been tapped to arrange a roughly \$300 million wind construction loan for **Airtricity**. **Ciaran O'Brien**, senior v.p. and head of financing at the Dublin-based renewable shop, says HVB will fully fund a non-recourse loan to bankroll its construction of a trio of wind farms in Idaho, New York and Texas. Pricing and tenor could not be determined. HVB is expected to look to syndicate the loan in February as Airtricity gets closer to breaking ground on 215 MW in wind facilities next spring in Texas. **HSH Nordbank**, **Dexia Cr dit Local**, **BayernLB**, **Allied Irish** and **Barclays Capital** likely would be selected to round out the syndicate, he says. The financing represents approximately 90% of the \$330 million project cost. The remainder is being funded with cash on hand. Officials at the banks either declined to comment or did not return calls.

(continued on page 12)

EEI Confab

M&A, NEW PLANT CONSTRUCTION SLATED TO GUSH

Energy officials at the **40th Edison Electric Institute Financial Conference** at the Westin Diplomat Resort & Spa in Hollywood, Fla., were optimistic in anticipation of a wave of new plant construction and consolidation on the horizon in the energy sector over the next few years. "The growth stories are back," said **Jim Heidell** of **PA Consulting**. **Ed Tirello**, a managing director at **Berenson & Co.**, agreed that optimism was in the air and construction and M&A on the tongues of energy execs.

Coloring much of the construction and merger chatter is ever-escalating high oil and natural gas prices, as well as increased demand.

(continued on page 6)

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



At Press Time Lehman Shops PSE&G Office

A Lehman Brothers partnership is selling 80 Park Plaza, a 100,000-square-foot office in Newark, N.J., that is also the headquarters of Public Service Electric and Gas (PSE&G). The 26-story glass building is the third tallest in the city and was constructed in 1980. The building is largely occupied by PSE&G, which is being acquired Exelon Corp. Calls to Lehman were not returned by press time.

DBRS Snares JPMorgan Banker

Dominion Bond Rating Services has hired energy banker Robert Bowen from JPMorgan Chase as a managing director of global energy to head up its utility and pipeline business. Bowen, who will be working out of New York, is taking on a new position at the Toronto-based rating agency, which is aiming to expand its presence globally. The senior exec will be charged with coordinating the agency's existing energy groups in Europe and The Americas and bringing on additional rating mandates. Bowen directed calls to spokeswoman Caroline Creighton in Toronto, who says the executive is expected to officially report for duty today.

ArcLight Venture Weighs Funds For Ill. Coal Converter

ArcLight Capital Partners and Peabody Energy are hammering out details for the construction of a \$1 billion coal-to-natural conversion facility, including the possibility of funding the deal with non-recourse debt. Still in its nascence, developers are identifying sites for the facility over the next three or six months in southern or central Illinois, says Vic Svec, v.p. public and investor relations for the St. Louis-based Peabody.

A number of potential financing structures are being weighed by the partnership, the spokesman says, declining to be specific. A call to Robb Turner, managing director at ArcLight in New York, was referred to Heidi Milne, spokeswoman in Boston, who declined to comment.

Svec says the project would be a strict coal-to-natural-gas plant, producing pipeline quality natural gas. The project will be designed with ConocoPhillips technology featuring an oxygen-blown gasification system. After a site is selected, the partners would look to obtain local and federal permits for the operation with an eye toward breaking ground on the development in the next few years.

Tell Us What You Think!

Do you have questions, comments or criticisms about a story that appeared in *PFR*? Should we be covering more or less of a given area? The staff of *PFR* is committed as ever to evolving with the markets and we welcome your feedback. Feel free to contact **Mark DeCambre**, managing editor, at 212-224-3293 or mdecambre@iineews.com.

power finance & risk

The exclusive source for power financing and trading news

EDITORIAL

TOM LAMONT
Editor

STEVE MURRAY
Deputy Editor

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

MARK DeCambre
Managing Editor
(212) 224-3293

PETER ROTH
Associate Reporter
(212) 224-3226

MARI SLATER
Associate Reporter
(212) 224-3116

STANLEY WILSON
Washington Bureau Chief
(202) 393-0728

JANA BRENNING,
KIERON BLACK
Sketch Artists

PRODUCTION

DANY PEÑA
Director

LYNETTE STOCK, DEBORAH ZAKEN
Managers

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

JENNY LO
Web Production & Design Manager

MARIA JODICE
Advertising Production Manager
(212) 224-3267

ADVERTISING

JONATHAN WRIGHT
Advertising Director
(212) 224-3566
jwright@iineews.com

PAT BERTUCCI,
MAGGIE DIAZ
Associate Publishers

PUBLISHING

ELAYNE GLICK
Publisher
(212) 224-3069

BRIAN McTIGUE
Senior Marketing Manager
(212) 224-3522

JAMES MERRINGTON
Marketing Manager [London]
(44-20) 7779-8023

AMANDA CATERINA
Associate Marketing Manager
(212) 224-3096

VINCENT YENOSKY
Senior Fulfillment Manager
(212) 224-3096

SUBSCRIPTIONS/ ELECTRONIC LICENSES

One year - \$2,545 (in Canada add \$30 postage, others outside U.S. add \$75).

DAN LALOR
Director of Sales (212) 224-3045

TOM GANNAGÉ-STEWART
Account Executive [London]
(44-20) 7779-8998

SABEENA NAYYAR
Account Executive [Hong Kong]
(852) 2842-6929

GEORGE WITTMAN
Client Development Manager
(212) 224-3019

REPRINTS

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

CORPORATE

CHRISTOPHER BROWN
Chief Executive Officer

DAVID E. ANTIN
Chief Operating Officer

ROBERT TONCHUK
Director/Central Operations & Fulfillment

Customer Service: PO Box 5016,
Brentwood, TN 37024-5016.
Tel: 1-800-715-9195. Fax: 1-615-377-0525
UK: 44 20 7779 8704
Hong Kong: 852 2842 6950
E-mail: customerservice@iineews.com

Editorial Offices: 225 Park Avenue
South, New York, NY 10003.
Tel: 1-212-224-3293
Email: mdecambre@iineews.com

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

Power Finance & Risk ©2005
Institutional Investor, Inc.

Copying prohibited without the permission of the Publisher.

**Institutional
Investor NEWS**
INTELLIGENCE FIRST

Sierra Pacific Utilities Bag Cap Ex Revolver

Nevada Power and Sierra Pacific Power, subsidiaries of Sierra Pacific Resources, completed syndication, through its lead bank arrangers, of a \$750 million five-year revolver. Pricing on the facility, pitched earlier on the Street at around LIBOR plus 112 basis points, fell to 87.5 by the completion of the deal on the back of Standard & Poor's revising the outlook of the holding company from negative to positive and affirming its B+ rating, bankers say. About \$500 million of the revolver is geared for use by Nevada Power with the remainder designated to Sierra Pacific. Both are expected to tap into the debt for capital expenses. Calls to Bill Rogers, treasurer at Sierra Pacific Resources in Reno, were not returned.

Wachovia served as administration agent on the financing with Union Bank of California and Citigroup, taking on frontrunner bank roles. All totaled, about 20 banks signed up to fund pieces of the revolver, including UBS, Barclays Capital, Bank of New York, Merrill Lynch, WestLB, Société Générale, Lehman Brothers and Credit Suisse First Boston. Exact allocations could not be learned. Officials at the banks either declined to comment or did not return calls.

Northeast Utilities Wholesale Sell-Off May Boost Credit

Northeast Utilities' plan to shed its wholesale business likely will improve the energy company's credit quality. Arleen Spangler, an analyst at Standard & Poor's in New York, says the company's wholesale electricity unit, which includes its trading book and subsidiaries Northeast Generation Co. and Select Energy, has been a drag on the holding company's overall business, noting that its wholesale unit recorded a loss of \$129.6 million in Q3 compared with \$43 million for the same period last year. Comparatively, NU's regulated arm earned \$38.6 million in Q3, compared with \$37.8 million last year. Northeast Utilities carries an investment grade BBB rating from S&P.

David McHale, treasurer for the Berlin, Conn., utility was traveling, so calls were referred to Jeff Kotkin, vp of investor relations. According to Kotkin, the company has been financing those losses with debt and is hoping to pay off that debt with the proceeds from its generation sales, noting that the book value of its wholesale assets is \$825 million. He declined to comment further. Northeast has been in talks to shop its trading book to entities, including a division of Goldman Sachs (PFR, 9/5). Spangler declined to say how much credit improvement Northeast Utilities might achieve from sales.

Merrill Snags JPMorgan Senior Utility Analyst

Merrill Lynch hired JPMorgan Chase senior analyst Gabe Moreen to cover natural gas utilities last week. He replaces Sam Brothwell, senior analyst, who left to join Wachovia Securities this summer. Moreen covers companies such as El Paso Corp., ONEOK, and NiSource. Merrill now has nine analysts covering energy, including exploration and production, natural gas processors and producers, as well as utilities for all types of energy production. Moreen had been at JPMorgan since 2001, and had previously worked for CSFB. He declined to comment. Merrill Lynch and JPMorgan officials did not return calls.

Commodities Firm Hires Oil Trader

Galena Asset Management, a subsidiary of commodities trading firm Trafigura Group, has hired Paul Butcher as a trader for its planned oil and energy hedge fund. He was due to join the firm today late last week. Butcher, who could not be reached, was previously at Glencore U.K. in London but has taken some time off between roles, says Jeremy Weir, director. A Glencore official declined to comment, citing firm policy.

Butcher reports to Weir and Mark Thompson, cio, but "Paul will be driving the process very much," continues Weir. The oil and energy fund is set to launch in early 2006, and the firm is likely to bring other traders on board, he adds. "We'll probably wait until [Butcher] gets his feet under the desk," says Weir.

Kan. Boutique Nabs Slice Of Goldman's Green Country Plant

Tyr Energy has wrapped an investment of the 810 MW gas-fired Green Country generation plant in Jenks, Okla., from Cogentrix. Tyr, backed by CHUBU Electric Power and ITOCHU Corp, is paying \$25-35 million for a little over 10% stake in the Goldman Sachs owned generation facility, according to an official tracking the sale. Brad Nordholm, ceo at Tyr in Overland Park, Kan., confirmed a deal had been struck but declined to comment on details including pricing. Tyr sister company, North American Energy Services, is expected to manage the plant. Goldman spokesman Ed Canady confirmed the sale but would say nothing more.

Green Country is operated under a long-term tolling agreement but the details of that agreement could not be ascertained. Cogentrix owns some 4.2 GW in generation capacity across the U.S. it acquired the equity interests in 11 power plants, a natural gas pipeline and related assets from National Energy & Gas Transmission for approximately \$550 million earlier this year.

Dynegy '06 Guidance and Earnings Surprises Market

Dynegy Inc. surprised the market by reporting an optimistic 2006 guidance and a six cent gain during its third quarter earnings call. **Lasan Johon**, an analyst at **RBC Capital Markets** in New York, says the announcement may have driven up the stock. On the day of the call, Houston-based Dynegy's stock opened at \$4.54 and closed at \$4.74 after reaching a high of \$4.84. The consensus was Dynegy would report a five cent loss. A call to **Nick Caruso**, cfo in Houston, was passed on to investor relations, which did not call back.

Johon says Dynegy's generation in the Northeast was well in excess of what it had been last year, which improved its cash flow dramatically. Increased cash flow coupled with proceeds from asset sales the company just closed, Johon thinks the company will survive well past this decade. He says the company has no significant debt coming due until 2010 and says there is enough cash on hand between now and then to pay down its debt. Dynegy

has about \$5 billion in debt and is hoping to get that down to \$4 billion by the end of the year.

HSBC Seeks Commodities Pros

HSBC Alternative Investments Limited, which manages \$500 million in single-manager hedge funds, is seeking a team to launch and manage a commodities fund, which includes natural gas and power. "We think it's a very interesting space," says **Bill Maldonado**, ceo in London, citing the recent strong performance of energy and metals. "We've seen the first leg of a move in commodities that we anticipate will be much longer-lasting than people expect...and much more broad-based."

Maldonado has been interviewing but has not met the right managers yet, he says. Any hires will be made opportunistically and there is no timeframe for launching the commodities fund. Although individuals would be considered, the firm will ideally find a team of specialists with a previous working relationship, adds Maldonado.

Financing Record (NOV. 3-NOV. 8)

Debt

Rule 144A	Issue Date	Issuer	Business Description	Amount (\$ mil)	Coupon (%)	Type of Security	Maturity	Offer Price	YTM(%)	Spread	S&P	Moody's	Fitch
	11/4/05	Termopernambuco SA	Electric utility	180.1	Floats	Debentures	12/6/11	Market	na		NR	NR	NR
	11/4/05	Termopernambuco SA	Electric utility	22.5	Floats	Debentures	5/6/13	Market	na		NR	NR	NR
	11/8/05	Eesti Energia(Estonia)	Electric,gas utility	353.6	4.5	Fxd/Straight Bd	11/18/20	99.412	4.554	73	A-	A3	NR
Yes	11/9/05	Kewespo	Cogeneration plant	300	5.25	Fxd/Straight Bd	11/15/12	98.729	5.471	95	A-	A2	A-
	11/10/05	ONEOK Inc	Pvd gas purchasing svcs	402.4	5.51	Sr Unsecurd Nts	2/16/08	100.582	5.235		BBB	Baa2	NR

M&A

Announced	Date Effective	Target Name	Target Advisors	Target Industry Sector	Target Nation	Acquiror Name	Acquiror Advisors	Acquiror Industry Sector	Acquiror Nation	Value(\$Mil)
11/3/05		Hidroelectrica de Cahora Bassa	UBS Investment Bank	Electric, Gas, and Water Distribution	Mozambique	Republic of Mozambique		Public Administration	Mozambique	950
11/3/05		RBV		Electric, Gas, and Water Distribution	Germany	BELKAW		Electric, Gas, and Water Distribution	Germany	
11/4/05		Yunnan Wenshan Elec Power Co		Electric, Gas, and Water Distribution	China	Yunnan Guangju Mingyuan Invest		Investment & Commodity Firms,Dealers,Exchanges	China	9.828
11/7/05		Cap Rock Energy Corp	Houlihan Lokey Howard & Zukin	Electric, Gas, and Water Distribution	United States	Lindsay Goldberg & Bessemer	Berenson & Co LLP	Investment & Commodity Firms,Dealers,Exchanges	United States	35.937
11/8/05		CKI/HEI Hldg (Aus)Pty Ltd		Electric, Gas, and Water Distribution	Australia	CHEDHA Holdings Pty Ltd		Electric, Gas, and Water Distribution	Australia	
11/8/05		ETSA Utilities		Electric, Gas, and Water Distribution	Australia	Spark Infrastructure		Business Services	Australia	
11/8/05	11/8/05	Gamesa Corporacion-Wind Farms		Electric, Gas, and Water Distribution	Italy	Electrabel SA		Electric, Gas, and Water Distribution	Belgium	122.595
11/8/05		Great Yarmouth Power Ltd		Electric, Gas, and Water Distribution	United Kingdom	RWE npower	Citigroup	Electric, Gas, and Water Distribution	United Kingdom	270.413
11/8/05		LG Energy Co Ltd		Electric, Gas, and Water Distribution	South Korea	GS Holdings Corp		Investment & Commodity Firms,Dealers,Exchanges	South Korea	79.074
11/8/05	11/8/05	Village of Philo,IL		Electric, Gas, and Water Distribution	United States	Aqua Illinois Inc		Electric, Gas, and Water Distribution	United States	

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

Attend the

**February 19-22, 2006
London Hilton
22 Park Lane
London, United Kingdom**

Edison Electric Institute International Utility Conference

The EEI International Utility Conference is the premier meeting for global utility financial issues. Utility chief executives, chief financial officers, treasurers, investor relations representatives and analysts and investors from the financial community can meet and exchange information on critical industry issues and competitive strategies.

The agenda includes both general sessions and company visits which 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.

Visit www.eei.org/meetings-intl for more information.



**EDISON ELECTRIC
INSTITUTE**

701 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2696
202-508-5000
www.eei.org

© 2005 by the Edison Electric Institute. All rights reserved.

EEI Confab

More than 1,350 power company executives, bankers, analysts and consultants descended upon Hollywood, Fla., for Edison Electric Institute's 40th annual Edison Electric Conference. Turnout at the Westin Diplomat Resort & Spa was highlighted by a strong showing of senior officials seeking to powwow over the state of the energy markets. Associate Reporter Peter Roth filed the following stories.

M&A, NEW

(continued from page 1)

"A year ago natural gas prices were \$5 to \$6 per barrel. Now, some people think they'll go to \$20," says **James Stewart**, investor relations executive at **Southern Cos.** The fallout in the U.S is prompting a call for energy independence with a renewed interest in alternatives such as nuclear, wind and solar. New technologies, such as coal liquefaction plants and other clean-coal-burning plants, also are on the drawing board.

On the merger front, **John Wilder**, ceo of **TXU Corp.**, told attendees that M&A could help eliminate waste in transmission and distribution in ERCOT and create market efficiencies. Corporate level tie-ups expected to be completed over the next several months include **Duke Energy** and **Cinergy Corp.** as well as that of **Texas Genco** and **NRG Energy**, with others anticipated in the wake of those planned deals.

Commenting on TXU's own M&A potential, Wilder said

the company does not feel pressure to go out and spend. TXU had been rumored to be working on a divestiture or spin off of its transmission business for some \$10 billion, but declined to make any comment on its prospects. TXU is aiming to generate EBITDA of about \$2.6-2.8 billion this year and more than \$7 billion from 2006-2010, which it could use to fund deals.

Southern Cos.' Stewart warned that dealmakers must consider regulatory responses to deals when they are structured since regulators can sometimes inadvertently undermine planned synergies by forcing divestitures of key assets in an effort to prevent monopolies.

American Electric Power CEO **Michael Morris** cautioned attendees that paying a substantial premium for a portfolio of assets in order to get at one target does not always pan out because of the possibility you may be asked to shed it to meet regulatory compliance.

—Peter Roth

Entergy Implores Feds For Storm Aid

Entergy Corp CEO **Wayne Leonard** painted a dire picture of the state of the company's **Entergy New Orleans** unit, hobbled by hurricanes this past summer, and pleaded to get the federal government to step in with aid. During a presentation to analysts and other industry watchers, the CEO said that restructuring the utility would be unlikely without subsidies. "In the absence of some kind of federal assistance, that doesn't look very doable," said Leonard.

The presentation, which ended on a rousing note as Leonard acknowledged the lengths his colleagues and employees went to in order to turn the lights back on in New Orleans even as they dealt with their own personal grief, elicited a loud ovation. Their actions "reflected the virtues and the values we hoped for," he said.

Curt Hébert, executive v.p. of external affairs at Entergy, said he has "been working Washington, D.C. hard." He said Entergy staffers have lobbied over 200 people in government, including senators, representatives, and officials in various government agencies. Leonard said Entergy's requests include tax relief and aid through the Stafford Act for relief for costs that were not able to be insured.

Both Leonard and Hébert were hopeful that the federal government would come through but stressed the need for quick

action. "I don't think the administration has done what they need to do," Hébert said.

PSEG Outlines Sale Plans For PSEG Global

Public Service Enterprise Group wants to complete the sale of international generation assets in its **PSEG Global** portfolio within 24 to 36 months after the planned merger with **Exelon Corp.** closes, **John Young**, executive v. p. of finance and markets at Exelon, told conference attendees at an Exelon/PSEG presentation. Most of the focus is on selling the international assets. Previously, the timetable for the divestiture of those assets was undefined, says **Sue Carson**, director of investor relations at PSEG.

Young says the assets are not part of the post-merger value proposition and that the company did not want to be exposed to currency risks or have to deal with income repatriation. Most of PSEG Global's facilities are in South America, and the rest are located in Europe and the U.S., says Young.

Carson declined to single out specific assets on the block or to provide a book value for them, but according to the company's Web site, the total assets of PSEG Global are valued at \$3.97 billion, and the property, plants and equipment are worth \$1.5

EEI Confab (cont'd)

billion. **Paul Rosengren**, spokesman for PSEG, says that there is interest from potential buyers, but he declined to provide names.

Brain Drain Impacts Price Tag For New Construction

A dwindling number of executives with construction know-how at utilities and independent power producers and a heavy dependence on third-party developers are pushing up the cost of building new generation plants. During a well-attended session discussing infrastructure investments, utilities and merchant suppliers say they are grappling with the loss of internal expertise at managing large construction projects. "At the same time we need new skills, we're losing people to retirement," said **James Rogers**, ceo of **Cinergy Corp.** **Paul Hanrahan**, ceo of **AES Corp.**, concurred. "You can't snap your fingers and have workers with those skill sets," he said.

Speaking on a sustainable growth panel, **John Wilder**, ceo of

TXU Corp., noted that utilities no longer have expertise in most large construction projects, and that lack of knowledge could eventually affect the cost to the company's customer base. "You always want to look for the customer to bail you out for bad execution," he said. Wilder emphasized the lack of expertise in the industry with a story he heard while working at **Entergy Corp.**

John Young, executive v. p. of finance and markets at **Exelon Corp.**, said Exelon started to again develop construction management skills two years ago, but is still not ready to go it alone and will have to contract out any new large projects to companies like **Bechtel**, **General Electric** and **Shaw**. But, he noted, "You pay a price" for their services.

Officials declined to quantify how much cost had increased.

One analyst at the conference pointed to AES' plan, which is to work jointly with construction companies in order to take some of the risk, and therefore some of the risk premium priced into the projects, off the contractors' shoulders.

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.

The Americas

- **Constellation Energy Group's** 780 MW High Desert natural gas-fired power station in California returned to service after a few days' outage. The unit went offline Oct. 24, came back to full output a week later, and then went back offline, again (*Reuters*, 11/04).
- A group of investors hope to sign an agreement to build a \$20 million, 20 MW wood-fired power plant in La Pine, Oregon. The second proposed plant in that area after the Warm Springs Forest Products company operates a 3 MW plant in Jefferson County, Ore., and plans to expand its power-generating capacity to 20 MW (*Corvallis Gazette-Times*, 11/07).
- Massachusetts governor **Mitt Romney** has told **Douglas Foy**, head of state development, to recuse himself from any further involvement in a proposal to build an LNG terminal in Boston Harbor, after learning Foy held stock in the energy company behind the \$500 million plan (*Associated Press*, 11/08).
- **Southern California Edison Co.** is close to reaching a deal with the Hopi, Navajo and **Peabody Energy Corp.** to keep open a Nevada power plant that provides cheap electricity to Southern California, but is also a major source of air pollution. Closed-door talks among Edison, Peabody and the tribes of northern Arizona are aimed at resolving water-use issues that threaten the

future of Peabody's coal-mining operations on Indian land. Ensuring a steady supply of coal and water is crucial to Edison's attempt to keep the 1.6 GW plant open despite a court-ordered Jan. 1 deadline requiring the utility to either install costly pollution-control equipment or shutter the 34-year-old generating facility (*Los Angeles Times*, 11/08).

- **Florida Power & Light Co.** has lost its bid to build a coal-fired generating plant in southwestern St. Lucie County, Fla. FPL has an option on 7,400 acres with 3,000 acres for the 1,700 MW power plant. Another 3,000 acres would have gone to the water management district and 1,400 to the county for recreation and preservations purposes. A unanimous county commission voted to kill the project (*Palm Beach Post*, 11/08).
- **Enron** is trying to recover \$8.2 billion from **Citigroup**. Enron has been suing its former advisors and since emerging from bankruptcy, the company has recovered \$2.2 billion in assets from **JP Morgan Chase** and four other banks. The company is seeking \$3 billion in cash and asking the bank to drop \$5.2 billion of its claims against Enron. The directors at the energy company also want \$2 billion in cash from **Deutsche Bank** and more than \$500 million in total from **Merrill Lynch**, **Barclays** and **Credit Suisse First Boston** (*Business Week*, 11/08).
- The Montana Department of Environmental Quality has

agreed to extend the air-quality permit for a coal-fired power plant project in the Bull Mountains, in exchange for some additional stipulations on emissions. **Bull Mountain Development Co.** said the company will comply with state regulators and seek a permit for coal it stripped from the site last month (*Associated Press*, 11/09).

- The **Alaska Industrial Development and Export Authority** has sued a Fairbanks utility in a dispute over the \$300 million Healy Clean Coal Project that was built in the late 1990s with federal and state funds. The state agency is seeking \$167 million in damages from **Golden Valley Electric Association**, claiming the utility is preventing AIDEA from restarting the troubled coal plant. The 50 MW plant was plagued with problems, and has been shut down for six years (*Anchorage Daily News*, 11/09).

- The Bahamas' **Teekay LNG Partners** will acquire three Suezmax class crude oil tankers and related long-term fixed-rate charters for \$180 million from its parent company, **Teekay Shipping Corp.** The company plans to finance the acquisition with the net proceeds of a proposed public offering of its common units, together with borrowings under its revolving credit facility, cash balances or both (*Reuters*, 11/04).

Europe

- Italy and Greece signed an €950 million, \$1.15 billion, agreement for a gas pipeline construction deal that will bring gas from Turkey through Greece to Puglia. The 200 km pipeline between the coasts of Italy and Greece will be built by Poseidon, a joint venture between **Edison** and the Greek gas firm **Depa**, with an investment of €350 million. Turkish firm **Botas** could join the venture later. The remaining 600 km in Greece will be built by **Depa** for €600 million. Work should start in 2007 and finish in 2010 (*Reuters*, 11/04).

- **Scottish Power** is bracing itself for a hostile bid from **E.ON** if talks continue to founder over the offer price. The companies are still negotiating over price, even though they have been in talks since early October, when E.ON first expressed interest in Scottish Power (*The Times*, 11/07).

- **Scottish & Southern Energy** has retained advisers with a view to making an offer for **Scottish Power**. S&SE has appointed **Credit Suisse First Boston** to evaluate a potential merger with Scottish Power, which is already being courted by German utility **E.ON**. Scottish Power is being advised by **Morgan Stanley** and **UBS** while E.ON has retained **Lazards** (*The Independent*, 11/07).

Russia and Asia

- Russia may end export duties on liquefied natural gas. **German Gref**, Russian Minister of Economic Development and Trade, said the duties could be abolished at the end of November, or the beginning of December (*RIA Novosti*, 11/08).

- Japanese oil and gas exploration company **INPEX Corp.** said it will start commercial production of liquefied natural gas from the Masela block in Indonesia in the first half of 2010. Production at the offshore block in the Timor Sea is expected to start at between 3 million and 5 million tons a year and INPEX will start drilling for commercial production in the middle of 2006 (*Reuters*, 11/04).

- **Singapore Power** plans to sell shares in its Australian unit for A\$1.6 billion, or about \$1.2 billion, more than bankers had estimated, as investors seek stocks with higher dividend yields. The utility is selling 49% of its **SP AusNet** unit at between A\$1.29 and A\$1.57 a share. The shares are due to start trading in Australia and Singapore on Dec. 14 (*Bloomberg*, 11/07).

- Hong Kong utility **CLP Holdings** will decide where to build Hong Kong's first liquefied natural gas terminal by early next year. **Andrew Brandler**, managing director, said he expects the LNG terminal to start operating in 2010 if the government approves its proposal by the end of next year. The company declined to give an estimate of the cost of building the terminal (*Dow Jones*, 11/08).

- Indonesia's government plans to sign an agreement by the end of this month with Japanese buyers to extend an existing liquefied natural gas supply contract of 6 million metric tons per year that expires in 2010. The pricing formula for the LNG cargoes produced by the LNG plant in Bontang, East Kalimantan, has been agreed upon, according to the **Upstream Oil and Gas Regulatory Agency** (*The Jakarta Post*, 11/09).

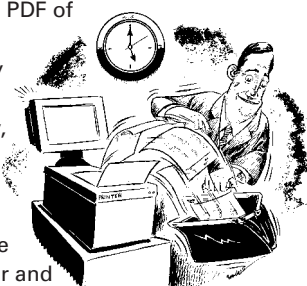
- **China Petroleum & Chemical Corp.** has not reached a final agreement with Iran on the purchase of liquefied natural gas and the exploitation of the Yadavaran oil field. The company's vice president said there is an in-principle contract, but no agreement (*AFX*, 11/09).

- Sri Lankan's energy company **NTPC** is looking offshore to expand its energy business. The company has submitted a proposal to the Sri Lankan government to develop a 500 MW plant in the island nation. The project is proposed to be expanded to 1,000 MW (*The Economic Times*, 11/09).

NOW GET power finance & risk EVERY FRIDAY!

Paid subscribers now have access to a PDF of the upcoming Monday's newsletter on *Power Finance & Risk's* Web site every Friday afternoon before 5 p.m. EDT.

That's a 64 hour jump on mail delivery, even when the post office is on time! Read the news online at your desk or print out a copy to read at your leisure over the weekend. Either way, you'll be getting our breaking news even sooner and starting your week off fully informed!



Strategies

Kinder To Chop Debt Via Equity Offer

Kinder Morgan Energy Partners has earmarked \$130 million in proceeds from the sale of 2.6 million units of common units for debt reductions. **Robert Lane**, master limited partnership analyst at **Sanders, Morris Harris** in Houston, who covers the entity, says funds from the stock offering will be used to pay down Houston-based Kinder Morgan's short-term debt obligations. Kinder has a \$1.6 billion unsecured five-year credit facility that supports its \$350 million commercial paper program. The money is used for working capital.

According to Lane, Kinder typically aims to wipe out somewhere in the order of a couple billion dollars in debt quarterly. He adds that the midstream energy company had about \$540 million in debt before the offering that will now be reduced to about \$410 million. Calls to **Rick Rainey**, Kinder spokesman in Houston, were not returned.

Via underwriter **Morgan Stanley**, shares were shopped at \$51.75 per unit. Given the capital intensive nature of Kinder Morgan's business, the master limited partnership tends to hit the public markets to finance its plans frequently, notes Lane. "Everybody wants a piece of Kinder, because Kinder sells," he adds.

Kinder Morgan has about \$350 million of capital expenditures this quarter. The midstream company will use about \$45 million to fund planned expansions, including pipeline construction projects in the U.S. Lane speculates that Kinder Morgan would look to bankroll its projects with 85% equity and 15% debt. It typically targets an equity-to-debt ratio of 60:30.

Kinder Morgan, Inc. is the general partner of Kinder Morgan Energy Partners, which is a natural gas and storage entity.

Entergy Arm Hawks \$150M Hurricane Recovery Bonds

Entergy Louisiana plans on using proceeds from a late-October note offering to help support the cost of building out its energy infrastructure in the aftermath of Hurricane's Rita and Katrina. The Jefferson, La., utility arm of **Entergy Corp.** auctioned \$150 million worth of 10-year first-mortgage bonds, which is expected to cover some of the approximately \$355-415 million in damages wrought by the storms, says **Frank Williford**, assistant treasurer. "The funds are for general corporate purposes but in large part it will go toward funding storm restoration," he says. The utility and its parent are also hoping that federal and local subsidies will be able to fund the remaining costs.

"We are still hopeful that we'll have some form of government assistance available in outright grants or advantageous structures," Williford notes. He declined to speculate on possible

financing structures.

The 5.83%-coupon notes were issued through joint underwriters **RBS Greenwich** and **Citigroup** and mature in November 2010. The secured debt is callable at par, two years from issuance but Williford declined to say how much the company paid for the call feature. Citi and RBS garnered lead roles given the pair's previous work on deals for Entergy Louisiana and its parent. Citi leads Entergy Corp.'s \$2 billion revolving credit line, which is priced on a grid pegged to its credit rating. Pricing stands at about 47.5 basis points over LIBOR.

At this point, Entergy Louisiana has roughly \$1 billion in debt outstanding, including \$250 million in pollution-control bonds bearing 10-20 year tenors. The remaining debt is comprised of first-mortgage bonds with five- to 30-year maturities.

El Paso Pursues Midstream Auction To Trim Debt

El Paso Corp. has unloaded \$642 million in midstream assets in an effort to cut its debt-load by \$1.2-2 billion by year-end. Part of that initiative involves auctioning ancillary midstream assets the company has scattered across the country in order to focus on its mainline production and long-haul pipeline businesses.

According to **Bill Baerg**, manager of investor relations, the company has been offloading various assets since 2003. El Paso maintains approximately \$1 billion in debt including lines of credit and debt securities, which it hopes to pay down as they come due, he says, declining to provide specifics. As of September 30, the company had about \$17 billion in debt.

In early November, El Paso sold its 40% interest in the Javelina midstream assets in Corpus Christi, Texas, to **MarkWest Energy Partners** for about \$156 million and it shopped processing and fractionation facilities located in South Louisiana for about \$486 million to **Crosstex Energy**. Calls to **Andy Schroeder**, v.p. finance at Englewood, Colo.-based MarkWest and to **William Davis**, cfo at Dallas-based Crosstex, were not returned.

According to Baerg, El Paso's international assets will be next on the block save facilities in Brazil.

Recently, El Paso subsidiary **Colorado Interstate Gas** sold \$400 million 10-year notes for the purpose of buying its fellow El Paso subsidiary **Wyoming Interstate Gas**, which in turn used a portion of the proceeds to funnel up to parent El Paso as an inter-company loan (PFR, 11/07). An energy credit analyst suggested the added liquidity would be a boon for El Paso, considering the gas hedges it already has in place. Baerg adds that having liquidity on hand to deal with higher gas prices is a concern as the company was compelled to post \$654 million in collateral to cover rising gas costs.

Tired of waiting in line for your turn to read the latest financial news?



**Try our online solution:
The Corporate
Access Program.**

Staying on top in the financial world requires the most current communication tools. A long routing list is not one of them.

Our program offers online information access to multiple users in your firm. Breaking news, feature articles, deal opportunities, regulatory insights, and online archives.

**For information on how to
customize a plan to meet your
needs and your budget, contact
Daniel Lalor at 212-224-3045
or dlalor@iinews.com**

**Institutional
Investor NEWS**
INTELLIGENCE FIRST

INSTITUTIONAL INVESTOR NEWS / 225 PARK AVENUE SOUTH / NEW YORK, NY 10003
WWW.IINEWS.COM

Munis Eye Tax-Exempt Bonds For Ohio Coal Plant

American Municipal Power-Ohio will consider tax-exempt bonds to finance its proposed \$1.3 billion, 1 GW coal-fired plant in Meigs County, Ohio, after it files for the necessary permits. According to **Kent Carson**, spokesman for the Columbus, Ohio-based company, AMP-Ohio has issued tax-exempt bonds to finance projects in the past. The municipality does not expect to finalize financing details for some time with the plant slated to be fired up by 2012. Construction will take approximately five years. Calls to **Marc Gerken**, president of AMP-Ohio, were referred to Carson.

Blue Ridge Power Agency, a Danville, Va.-based municipality, and **Michigan South Central Power Agency**, a Litchfield, Mich.-based municipality will be offtakers for the planned facility. According to **Duane Dahlquist**, general manager at Blue Ridge Power Agency, that agency will own 10% of the plant, or 100 MW. He adds its members have issued debt before to fund projects, but underscores that details have not been worked out. Calls to **Jack Bierl**, general manager at Michigan South Central Power, were not returned. Along with the Virginia and Michigan municipalities, 78 of AMP-Ohio's members will be offtakers.

Carson says the non-profit agency is active in the financial

markets. He says it is still too early to speculate on possible financial advisors for the project, saying the company has worked with various firms in the past, and will draw from that list. The municipality issued an \$80 million revolver back in March that was arranged by **JPMorgan Chase**.

CALPINE TO

(continued from page 1)

pending **Federal Energy Regulatory Commission** approval, is anticipated to be tied up over the next several months.

Spokeswoman **Katherine Potter**, at Calpine's headquarters in San Jose, Calif., declined to comment on pending transactions. **Darpan Kapadia**, managing director at **LS Power** in New York, also declined to comment. The acquisition likely will be completed via **LS Power's** \$1.2 billion investment fund **LS Power Equity Partners L.P.**, which wrapped fund raising in the summer (PFR, 8/15).

Calpine obtained a seven-year, \$250 million institutional loan to fund construction of the roughly 600 MW Rocky Mountain plant, while \$230 million was obtained for the construction of the 600 MW Riverside operation. Additional cash was plowed into both for working capital purposes when the facilities got up and running.

The Golden State independent power producer is aiming to wipe out some \$17 billion in debt coming due in 2007-2008 as it attempts to stave off bankruptcy. At the beginning of

SUBSCRIPTION ORDER FORM

www.iipower.com

☐ **YES!** Please send me 1 year (51 issues) of **Power Finance & Risk** at the special price of \$2,245*. Once I have subscribed I can select a permanent User ID and Password to www.iipower.com at no extra charge.

NAME B4001101

TITLE FIRM

ADDRESS

CITY/STATE POSTAL CODE/ZIP COUNTRY

TEL FAX E-MAIL

Options for payment:

- ☐ Bill me ☐ Check enclosed (please make check payable to Institutional Investor News)
☐ I am paying by credit card: ☐ Visa ☐ Amex ☐ Mastercard

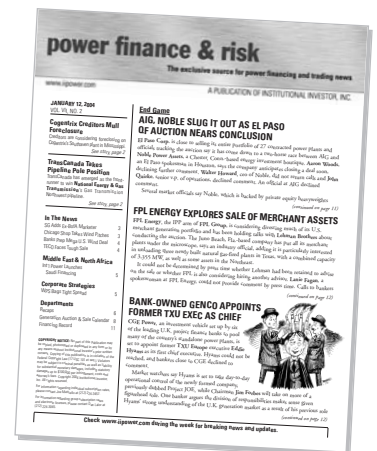
CREDIT CARD NUMBER EXPIRATION DATE SIGNATURE

The information you provide will be safeguarded by the Euromoney Institutional Investor PLC group, whose subsidiaries may use it to keep you informed of relevant products and services. We occasionally allow reputable companies outside the Euromoney Group to mail details of products which may be of interest to you. As an international group, we may transfer your data on a global basis for the purposes indicated above.

- () Please tick if you object to contact by telephone.
 () Please tick if you object to contact by fax.

- () Please tick if you object to contact by email.
 () Please tick if you do not want us to share your information with other reputable businesses.

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



Institutional Investor NEWS
 INTELLIGENCE FIRST

UNITED STATES
 Tel: 1-212-224-3570
 Fax: 1-615-377-0525
 Email: customerservice@iinvest.com
 Mail: Institutional Investor News
 P.O. Box 5016
 Brentwood, TN 37024-5016

UNITED KINGDOM
 Tel: 44 20 7779 8998
 Fax: 44 20 7779 8619
 Email: tgstewart@euromoneyplc.com
 Mail: Thomas Gannag-Stewart
 Institutional Investor News
 Nestor House, Playhouse Yard
 London, EC4V 5EX, England

HONG KONG
 Tel: 852 2842 6929
 Fax: 852 2153 5930
 Email: nayyars@iinvest.com
 Mail: Sabeena Nayyar
 Institutional Investor News
 17/F, Printing House, 6 Duddell Street
 Central, Hong Kong

November, Moody's Investors Service downgraded Calpine's senior debt rating to B2 from Ba3—a few notches from defaulted debt—because of weaker than expected cash flow.

The IPP is also weighing the sale of its prized geothermal portfolio, which includes plants in Sonoma and Lake County, Calif., (PFR, 10/31).
—Mark DeCambre

HVB SCORES

(continued from page 1)

O'Brien says Airtricity gave HVB the deal based on the bank's familiarity with Gamesa- and Siemens-manufactured turbines. "A key part of this deal is that [HVB] saw value in the turbines and was comfortable with the technology," he says. The official explains that Airtricity obtained the wind turbines "pre-PTC"—before production tax credits subsidizing the development of wind developments were extended this year resulting in pumped up demand for turbines.

The to-be-constructed wind farms are in the planning stages with Airtricity still working on PPAs. O'Brien declined to disclose the identity of possible offtakers. Although three projects are slated, the developer could look to fund another in Texas via the same loan.

Airtricity set up a Dallas office last year, and has eight projects in various stages of development across the Lone Star state totaling over 700 MW. In New York, the company is looking at sites in Hartsville and has set a spot in northern Idaho for its Northwestern wind facility.
—M.D.

For More Benefits Visit Our Web Site

As a *Power Finance & Risk* subscriber, you're entitled to access the *Power Finance & Risk* Web site absolutely free! Go to www.iipower.com and discover the added value to your subscription, including:

- **Breaking News**—stories are posted as we get them. Check www.iipower.com during the week for the hottest power news.
- **Breaking News E-mail Alerts**—your advance notice of the hottest stories as they break.
- **Additional Content**—in-depth statistics, ratings and rankings available online.
- **Earlier delivery**—each issue of *Power Finance & Risk* is available in full on the Web site every Friday at 4pm EST.
- **Generation Sale & Auction Calendar**—access a searchable archive that includes all the stories and features from past issues of *Power Finance & Risk*.
- **Printer-Friendly Stories**—click on the "printer-friendly version" link at the bottom of the story to get a clean copy of the article to print, with no irregular page breaks or uneven margins.

To set up your subscriber password, please contact us at customerservice@iinews.com or at 1-800-715-9195 between 8 a.m. and 6 p.m. EST.

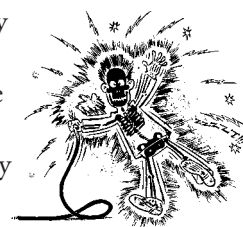
Alternating Current



Power Runner

Few runners can shave 18 minutes off their best full-blown marathon, but that's precisely what 25-year industry veteran Dempsey Gable managed to pull off in the New York City Marathon. The managing director in the utilities syndication group at WestLB in New York clocked a 3 hour and 50 minute time, well under his sub-four hour target and faster even than his personal best nine years ago. "I'm fighting time," he jokes.

Despite catching a few cramps as he closed in on the 20-mile mark in the relatively balmy 70 degree November heat, the pro managed to jack up the pace in the last few miles. WestLB senior associate Jimmy Anderson, not to be outdone by the vet, ran the marathon in 3 hour and 12 minutes.



Calendar

- **Infocast** will be hosted a coal-fired generation conference entitled "Coal Power Project Development Status & Outlook" on Nov. 16-18 at the Ritz Carlton in Clayton, Mo. For more information please call (818) 888-4444.
- **POWER-GEN Renewable Energy** is hosting its second annual renewables conference on April 10-12 at the Mandalay Bay Resort in Las Vegas. For additional info go to www.power-gengree.com.

Quote Of The Week

"You can't snap your fingers and have workers with those skill sets."—Paul Hanrahan, CEO of AES Corp., about the dwindling number of executives with construction know-how at utilities and independent power producers (see story, page 7).

One Year Ago In Power Finance & Risk

WPS Resources was preparing to launch a formal auction of its 450 MW Sunbury coal-fired merchant plant in Shamokin Dam, Pa. It tapped Lazard Frères to lead the sale and was conducting first-round bidding. The Green Bay, Wis.-based holding company was hoping to fetch more than \$120 million. [The sale has been stalled because of a lack of a fuel supply contract for coal tailings. WPS is reportedly in the second round of bidding, but potential buyers are balking at the absence of a contract (PFR, 4/11).]