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Former El Paso Plant Sale Seen Closing

An undisclosed buyer is about a month away from closing the purchase of a 542 MW gas-fired merchant generation plant in Milford, Conn., developed by El Paso.

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NRG To Arrange Close To $1B In Funding

NRG Energy is hammering out its post bankruptcy financing, with plans to arrange nearly $950 million in financing that will cut the spread dramatically on its term loan.

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ILL. BOUTIQUE READIES $500M RENEWABLES FUND

Marathon Capital is planning a $500 million fund that will invest in renewable and clean energy projects. **Ted Brandt**, ceo at the Bannockburn, Ill.-based boutique investment bank, says the private passive equity fund will invest in 20-30 renewable energy projects over the next several years.

Ted Brandt

The fund is to use a variety of structures to monetize renewable generation tax benefits. Some 2-3 GW of wind generation is expected to be built over the next few years thanks to the extension of production tax credits earlier this fall (PFR, 10/4). "There is a gigantic shortage of this kind of tax efficient money in the market," says Brandt.

The wind sector has attracted tax-driven investing in the past, but the

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<u>**Ripper, Mate**</u>

BABCOCK, IPP PREP $230M FINANCING FOR AUSSIE WIND FARM

Babcock & Brown and Sydney, Australia, IPP **National Power**, plan to tap the project debt and private equity marts to finance the second phase of the 210 MW Lake Bonney wind project in South Australia. The funding, estimated at $230 million, will consist of 70% project debt with the remainder in equity, says **Mike Garland**, head of North American infrastructure at Babcock in San Francisco. About 846 miles southwest of Sydney, at a site chosen for its abundance of wind power and proximity to the transmission grid, the wind farm will be Australia's largest, he says.

The venture has not yet selected lead banks and pricing and maturity have not yet been determined, Garland says. The partners are hoping to secure an offtake contract in a few

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WPS FIRES UP SALE OF 450MW PA. PLANT

WPS Resources is preparing to launch a formal auction of its 450MW Sunbury coal-fired merchant plant in Shamokin Dam, Pa., and has tapped **Lazard Fréres** to lead the sale. It is currently conducting first-round bidding and has identified a handful of possible buyers, said **Mark Radtke**, president of **Wisconsin Power Development**, a WPS subsidiary. He declined to disclose details on the prospects. **Peter Marquis**, a managing director with Lazard's power group, declined to comment.

After being rebuffed by **Duquesne Light Co.** last month, the Green Bay, Wis.-based energy holding company is hoping to fetch more than Duquesne's $120 million offer, given the heightened demand for merchant coal plants. Potential buyers for the plant among regulated energy companies include **Cinergy**, **Dominion** and **Constellation Energy**, which have assets

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Calpine To Wrap $1.1B In Non-Recourse Debt

Calpine expects to complete over $1.1 billion of project financing this year. **Bob Kelly**, executive v.p. and cfo, told analysts on Nov. 4 that the company likely will close four transactions, the $400 million 550 MW Fox Energy deal in Kaukauna, Wis., (PFR, 8/14), the $125 million 80 MW Bethpage plant on Long Island (PFR, 10/16), and the combined $500 million financing for the 615 MW Freeport and Mankato assets in Texas and Minn., respectively. Additionally, it will wrap up its existing $100 million Metcalf project in San Jose, Calif., he noted.

All of the deals are either being approved by the lender or are in the final stages of the documentation process.

The IPP expects to arrange $475 million in non-recourse debt to fund the construction of plants next year, according to **Peter Cartwright**, chairman and ceo. The San Jose, Calif.-based company is currently building 11 projects, six of which have long-term contracts. A call to Cartwright was not returned by press time. A call to **Brian Harenza**, v.p. of finance, who handles non-recourse financing, was also not returned.

NRG Preps $950M Post Bankruptcy Financing

NRG Energy plans a roughly $950 million post bankruptcy financing that will cut the spread dramatically on its term loan only one year after the debt was put in place as part of the IPP's exit from bankruptcy. **Credit Suisse First Boston** and **Goldman Sachs** are leading the financings move. Calls to the banks were not returned and an NRG spokeswoman declined additional comment.

According to *PFR* sister publication *Loan Market Week*, the refinancing comes as a result of the ramp up in the natural gas prices over the past several months, which in turn has bolstered the Princeton, N.J., company's cash flow. "Gas prices have been very high and they benefit from a larger margin on their [coal] plants when gas prices are high," noted **Arleen Spangler**, an analyst with **Standard & Poor's**. "The question is—how sustainable is that over the longer term?"

NRG is targeting a reduction in spread from LIBOR plus 4% to the LIBOR plus 2-2 1/2% range, said buysiders. The loan was put in place Dec. 23, 2003 as part of NRG's $1.45 billion senior debt exit financing, The term loan was originally $950 million but in January, NRG prepaid $503.5 million through issuing 8% second priority notes. Interest expenses at the time included $15 million of pre-payment penalties due to a 103 call premium. Buysiders said the planned refinancing is scheduled after Dec. 23 when the prepayment penalty drops from 103 to 102.

Lenders were a bit miffed that the spread is being cut but are happy that they will get paid a premium. The term loan dipped from 103 to 102 1/2-103 1/3 in the secondary market last week after the company announced its refinancing plans. CSFB and **Lehman Brothers** lead the original credit, which also comprises a $250 million revolver and a $250 million letter of credit facility.

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Shell Venture Eyes Leads For Latest Wind Deal

Shell WindEnergy and joint venture partner **Entergy Corp**. have auditioned roughly a dozen banks for lead arrangers to finance several undisclosed wind farms in Texas and Iowa. Over the next couple of weeks the two companies plan to narrow the number of lenders down to six potential leads, which will be asked to make a bid. The size of the financing could not be ascertained. **Tim O'Leary**, Shell spokesman in Houston, declined to comment on the financing or discussions with the banks. A call to **Leo Denault**, executive v.p. and cfo at Entergy in New Orleans, was not returned.

Last month, Shell and Entergy were planning to meet with several banks to arrange debt for wind assets thought to include the 80MW White Deer project near Amarillo, Texas and 80 MW Top Of Iowa Wind Farm in Bristol and Fertile Townships (PFR, 10/25).

About three weeks ago, **Fortis Capital** completed a 15-year, $123.3 million non-recourse loan for Shell to fund three wind farms in California and Wyoming (PFR, 10/25).

And The Winner Is . . .

Sale Seen Close Former El Paso Conn. Plant

An unidentified buyer is hammering out a deal to acquire a 542 MW gas-fired merchant generation plant in Milford, Conn., developed by **El Paso**. Negotiators are about a month away from clinching the dealing, estimates an official close to the situation. "We're in the final, final stages of discussions." He declined to provide information about the buyer but said interest in the plant has been strong. The negotiating parties are awaiting a favorable rates decision, which the official declined to specify.

Lazard Frères launched a sale of the plant, after creditors foreclosed on it, in July. Bankers at Lazard declined to comment. **Wim Verbraeken**, head of project finance at **KBC Bank**, which is leading the creditor group, did not immediately return a call for comment. A variety of financial investors have been looking to exploit Milford's fast response time and potential beyond being a base-load operator. Strategic bidders with activities in New England were also eyeing the plant (PFR, 7/23).

Newly-built Milford has been beset by problems since construction began. In February 2000, two construction workers were killed in an accident and the **Occupational Health and Safety Administration** cited the plant's construction company, **Black & Veatch**, of Overland Park, Kan., for inadequately bracing the structure. Black & Veatch suspended construction on the plant and El Paso defaulted on project-level debt repayments in October 2002. A subsequent settlement between El Paso and Black & Veatch over the construction paved the way for the plant's completion.

Northeast Utilities Wraps $900M Credit

Northeast Utilities has closed $900 million in five-year revolving credit lines. The facilities refinance two previous 12-month revolvers totaling $650 million, both of which were due to expire before year-end, says a banker close to the deal. **Jeff Kotkin**, v.p. of investor relations at the West Springfield, Mass. utility says it expanded its credit lines in part because its regulated companies plan to construct new electric and gas facilities in New England.

The new credit breaks down into a $400 million revolver for Northeast's regulated subsidiaries and a $500 million revolving credit for the parent company, Kotkin says.

Union Bank of California, **Citigroup**, **J.P. Morgan** and **Barclays Capital** acted as lead arrangers. Details on pricing and terms could not be ascertained. A total of 13 banks participated in the transaction, which was oversubscribed, a banker adds, declining to provide additional information on the syndicate.

At the corporate level, Northeast wanted to ensure that it had enough liquidity to maintain its investment grade ratings by **Standard & Poor's**, which announced new assessment tests in the spring, Kotkins adds.

Cargill Hedge Fund To Boost Energy Focus

Black River Asset Management, the hedge fund unit of **Cargill**, is planning to expand its energy investments and is looking to hire a portfolio manager and an analyst within the next few months. The move is part of its plan to expand an existing commodities fund into a much larger one, says an official with knowledge of the firm. **Gary Jarrett**, head of Black River, was out of the office last week and could not be reached for comment. **Nick Sommers**, senior portfolio manager, did not immediately return a call for comment. A call to Cargill spokeswoman **Lori Johnson,** at its Minneapolis headquarters, also was not immediately returned.

A heightened focus on energy makes sense for Black River since Cargill has significant exposure to the commodities markets, including energy, the official says. The firm, which was formed out of Cargill's 19-year-old global capital markets division, was launched in April with $1.3 billion of seed capital.

At this point, Black River has about 60 investment professionals and nine offices across the globe. Clients include foundations, endowments, pensions and family offices, among other institutional investors.

Cargill, the largest private company in the U.S., has a proprietary power and gas trading business.

RBS Taps BNP Staffer

Royal Bank of Scotland has hired **Marin Gagliardi** as associate v.p. on its loan syndication team in New York as part of a continued effort to build out the group. Gagliardi joined last week, says an official, adding he will primarily support its energy business, which includes project finance, power, oil and gas. He reports to **David Nadelman**, senior v.p., loan markets, who declined comment.

Gagliardi joined from the syndication team at **BNP Paribas**, the official says, where he focused on leveraged deals. One banker notes he reported to **Carmen Mendez**, managing director, who is also thought to have left BNP.

Gagliardi and a BNP spokeswoman did not provide comment by press time. A BNP spokeswoman confirmed his departure and added that Mendez was replaced by **John Sullivan**, managing director in the bank's syndication, trading and placement group.

Atlanta Firm To Boost Energy Group

NewEnergy Associates is looking to make hires in a number of energy practice areas, including consulting, trading and risk management. The Atlanta-based consultant, which focuses on energy trading and generation, is hoping to lure consultants to assist energy companies with strategic planning, as well as help implement and develop projects, evaluate the marketplace and provide appraisals, says **Reiner Musier**, v.p. of sales of marketing. He declined to specify the number of people the firm is looking to hire or where they would be located. NewEnergy was acquired by **Siemens Westinghouse Power** in 2002 and the firm is looking to capitalize on Siemens' brand name and its resources.

Financing Record (NOVEMBER 5-NOVEMBER 9)

Debt

	Issue Date	Issuer	Principal Amount ($ mil)	Coupon (%)	Type of Security	Maturity	Offer Price	Offer Yield to Maturity (%)	Spread to Bench-Mark	S&P's Rating	Moody Rating	Fitch Rating	Bookrunner(s)	Gross Spread as % of Prncpl Amt in this Mkt
	11/5/04	Korea Water Resources	150	4.875	Fxd/Straight Bd	11/12/14	99.406	4.951	43	A-	A3	NR	UBS-SZ/CITIGROUP(JB)	0.25
	11/8/04	Entergy Gulf States Inc	50	5.6	Fst Mtg Bonds	12/1/14	99.875	5.616	212	BBB	Baa3	BBB	BARCLAYS-CAP /KEY-CORP(JB)	na
	11/8/04	Entergy Gulf States Inc	225	Floats	Fst Mtg Bonds	12/1/09	99.875	Floats		BBB	Baa3	BBB	BARCLAYS-CAP /ABN-AMRO-INC(JB)	na
	11/8/04	Kinder Morgan Energy Partners	500	5.125	Notes	11/15/14	99.914	5.136	93	BBB+	Baa1	BBB+	GS/JPM(JB)	na
	11/9/04	Alabama Power (Southern Co Inc)	100	3.5	Notes	11/15/07	100	3.5	43	A	A2	A	BA-SEC-LLC/LEH(JB)	na
■	11/9/04	Nevada Power(Sierra Pac Res)	250	5.875	G & R Mtg Bonds	1/15/15	100	5.875	167	BB	Ba2	NR	MERRILL/LEH(JB)	na
	11/9/04	OGE Energy Corp	100	5	Fxd/Straight Bd	11/15/14	99.085	5.118	91	BBB+	Baa1	NR	LEH	na

Debt Registration

Expected Date	Filing Date	Issuer	Bookrunner(s)	Amount (mlns)	Moody's Ratings	Standard & Poors Ratings	Class
Early Dec.	11/5/04	Star Gas Partners LP	JPM	300	Caa3	B-	Senior
11/10/04	11/8/04	TXU Corp	WACHOVIA-SEC CITIGROUP MERRILL	500	Ba1	BBB-	Senior
11/10/04	11/8/04	TXU Corp	WACHOVIA-SEC CITIGROUP MERRILL	500	Ba1	BBB-	Senior
11/10/04	11/8/04	TXU Corp	WACHOVIA-SEC CITIGROUP MERRILL	500	Ba1	BBB-	Senior
11/10/04	11/8/04	TXU Corp	WACHOVIA-SEC CITIGROUP MERRILL	500	Ba1	BBB-	Senior

M&A

Date Announced	Date Effective	Target Name	Target Advisors	Target Country	Acquiror	Acquiror Advisors	Acquiror Nation	Deal Value ($mil)
11/3/04	11/3/04	Gamesa SA-Wind Parks		Electric, Gas, and Water Distribution	Italy	Endesa SA	Spain	320.472
11/4/04		Elettra GLL SpA	Lazard	Electric, Gas, and Water Distribution	Italy	Investor Group	United Kingdom	333.291
11/4/04		MOL Foldgaztarolo Rt	JP Morgan	Electric, Gas, and Water Distribution	Hungary	E ON Ruhrgas International	Germany	
11/4/04		MOL Foldgazszallito Rt	JP Morgan	Electric, Gas, and Water Distribution	Hungary	E ON Ruhrgas International	Germany	
11/4/04		Turbogas-Produtora Energetica		Electric, Gas, and Water Distribution	Portugal	International Power PLC	United Kingdom	17.434
11/5/04		Concorde Chimie SA		Electric, Gas, and Water Distribution	France	Henkel KGaA	Germany	
11/5/04		Elkraft Transmision AMBA		Electric, Gas, and Water Distribution	Denmark	Gastra A/S	Denmark	
11/5/04		Elkraft System AMBA		Electric, Gas, and Water Distribution	Denmark	Gastra A/S	Denmark	
11/5/04		Eltra		Electric, Gas, and Water Distribution	Denmark	Gastra A/S	Denmark	
11/5/04	11/5/04	Energia Solution & Service		Electric, Gas, and Water Distribution	Japan	Chugoku Electric Power Co	Japan	
11/5/04		Keystone		Electric, Gas, and Water Distribution	United States	TechLite Inc	United States	
11/7/04	11/9/04	LG Energy Co Ltd		Electric, Gas, and Water Distribution	South Korea	Oman Oil Co SAOC	Oman	33
11/9/04		KWI Far East Sdn Bhd		Electric, Gas, and Water Distribution	Malaysia	Ranhill Utilities Bhd	Malaysia	1.448

■ Rule 144A Private Placement

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

Electric Industry International Utility Conference

20-23 FEBRUARY 2005

WHAT: Edison Electric Institute Electric International Financial Conference. For preliminary agenda go to:
www.eei.org/meetings-intl

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

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

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

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

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

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

The following utilities hosted a company visit at the 2004 conference.

American Electric Power
Cinergy Corp.
Dominion Resources
Duke Energy Corporation
Edison International
Electricidade de Portugal
Electricite de France
ENAGAS, S.A.
ENDESA, S.A.
E.ON AG
EVN AG
Exelon Corporation
FPL Group
Iberdrola S.A.
National Grid Transco plc
Progress Energy, Inc.
Public Service Enterprise Group
RAO UES Russia
Red Electrica de Espana, S.A.
RWE AG
Scottish and Southern Energy plc
ScottishPower plc
Southern Company
TransAlta Corporation
Union Fenosa
United Utilities PLC
Xcel Energy, Inc.

EEI REGISTRATION: To register with EEI for the conference please contact Debra Henry or Mari Smallwood.

Hotel Cut-Off Date: January 14, 2005

HOTEL RESERVATIONS:
Reservations: 011-44-20-7208-4040
Facsimile: 011-44-20-7208-4140
Web: www.london-parklane.hilton.com

The group room rates for the Conference are:
£150 for single/double
Room types include:
king, queen, single
Mayfair Suite £390
Park Lane Suite £490

Contact hotel directly for suite information.
Room accommodation requests should be made directly with the hotel not with Edison Electric Institute. The above room rates are inclusive of a service charge and a 17.5% VAT. Please reference this number when making hotel reservations: EDIA160205
EEI does not book sleeping rooms for delegates.

AIRLINE INFORMATION: We have a discount travel program with United Airlines. The airline offers a 5% discount off any published fare or 10% off coach fare for reservations/ticketing made 60 days prior to the meeting. To receive the lowest possible fares, please call 1-800-521-4041
[Refer to File: 556AF].

EEI CONFERENCE CONTACTS:
For meeting information and registration forms, please contact:

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(202) 508-5496	(202) 508-5501

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EEI EDISON ELECTRIC INSTITUTE
701 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2696

www.eei.org/meetings-intl

Strategies

Calpine Goes Private To Fund British Plant

Calpine Corp. sold $360 million of redeemable preferred shares on Oct. 26 in a private placement, the proceeds of which will be used to provide a loan to its 1,200 MW Saltend gas-fired cogeneration facility in Yorkshire, England. Spokeswoman **Katherine Potter**, at the San Jose-based company, declined to provide information on the buyer or identify the banks which lead the deal.

The two-year shares were priced at LIBOR plus 700 basis points. "Given current capital market conditions, we believe this was an attractive financing opportunity to enhance liquidity," Potter says, declining to provide additional comment on the pricing. The offering was part of Calpine's previously announced program to increase liquidity. It has about $2.7 billion in liquidity as of Sept. 30, according to its third quarter earnings release.

Saltend cogeneration facility near Hull was developed by **Entergy Corp**. as its first European power station. It generates 100 MW for a **BP** chemical plant adjacent to the site.

N.Y. Utility Squeaks In Ahead Of Bush

Central Hudson Gas & Electric raised $34 million in unsecured notes to retire $26 million of short-term debt ahead of the Presidential election uncertainty of two weeks ago. "We wanted to get the deal done before the election," says **John Cullen**, cash management specialist, explaining the Poughkeepsie, N.Y., utility was uncertain what would happen to interest rates afterward. It turned out to be a good move because the 10-year Treasury, over which the notes are priced, rose to 4.21% last Monday from 4.05% prior to the election, he says.

The utility issued $27 million in 15-year notes and $7 million in 10-year notes, which carry coupons of 5.05% and 4.80 %, respectively, says Cullen. The larger portion is priced at 100 points over the 10-year Treasury, while the latter has a 73 basis point spread. "We have a little excess to fund construction and for working capital," Cullen says of the $8 million remaining after the utility pays off its short-term debt.

J.P Morgan Chase and **KeyBank** co-led the transaction. J.P. Morgan has arranged bond deals for Central Hudson Gas & Electric in the past, but this is the first time it has worked with KeyBank for such a deal, he says. "We [had] what we call a jump ball," he says of its competitive selection process. The utility set the interest rate and asked the potential lead arrangers to sell the notes. J.P. Morgan sold $20 million of the offering, he says and KeyBank did the rest.

Neb. Muni Issues Revenue Bonds For Refi

Nebraska Public Power District has issued $149 million of general revenue bonds to refinance a similar amount of debt issued in 1998. The issuance, which carries a fixed 3.53% coupon and is due Jan. 1, 2014, is a part of a refinancing initiative, says **Donna Starzec**, asstistant treasurer in Columbus. The older notes carried a 5% coupon and were due in 2028, she says.

The new non-callable bonds were issued at a premium and were launched priced at 111.37. The utility issues both par and premium bonds depending on what the market demands, Starzec says, noting it decided to refinance debt now in order to take advantage of the low-interest rate environment. Nebraska Public did not incur an early call penalty in issuing the new deal. It received $165 million from the sale but will pay interest on only $149 million. She could not immediately provide information on what Nebraska Public would do with proceeds.

UBS Financial Services, the senior manager for the deal, was chosen because it was the lead underwriter of a 1998 issuance, Starzec says. "They had the most knowledge of our refinancing initiatives," she comments. The bonds are rated AAA by **Fitch Ratings** and Aaa by **Moody's Investors Services**.

Wisconsin Electric Wraps $125M Revolver

Wisconsin Electric Power has entered into a $125 million revolver led by **JP Morgan** to bulk up the liquidity of its commercial paper. "We don't expect to actually use these funds, but it's a backstop in case we need to have them available" to redeem short-term debt, says **Rick White**, a spokesman at the utility in Milwaukee, Wis. The new facility replaces a $100 million, 11-month letter agreement that recently expired.

The revolver, which expires in November 2007, will carry an interest rate of LIBOR plus 50 basis points and a facility fee of 10 basis points. If Wisconsin Electric uses more than 33% of the revolver's commitments, the interest rate will increase to LIBOR plus 625 basis points.

Wisconsin Electric chose JP Morgan to lead the deal because the bank had acquired **Bank One**, which led its original letter agreement. Although that loan was not syndicated, Wisconsin Electric elected to syndicate the new revolver to spread the risk among several banks. "[J.P. Morgan] had a lot of [risk] exposure to us," says White.

Infocast Conference

*Power players gathered at the Princeton Club in Manhattan for **Infocast**'s two-day conference Financing U.S. Power to discuss trends and strategies. Attendees got a taste for investor risk appetites, how deals are getting done in the tough market and where to find the most promising opportunities for acquisitions and sales. Reporter **Christine Idzelis** filed the following stories:*

Asian, Latin IPP Marts Viewed As Best Buys

Emerging energy markets such as Asia are the best place to find attractive yields, according to **David Haug**, senior managing director and co-founder of **Arctas Capital Group**. While private equity and investment banks are now striking deals with domestic U.S. IPPs, they will find better returns offshore, he told the conference.

Interest in investing in debt in markets such as China, the Philippines and Korea is strong, Haug said, noting that Latin American, Brazil in particular, may see more opportunity towards the end of 2005 or early 2006.

Huag believes the U.S. merchant energy market melt down has turned most players away from international independent power business, though good opportunities exist abroad. Few companies, such as **AES** and **International Power** remain truly global, he notes, adding that most U.S. players have sold their international assets, or hold them reluctantly.

Arctas is a Houston-based investor and advisor focused on energy.

Moody's Pronounces Sector Stabilizing

Credit conditions in the U.S. power sector are finally stabilizing. **Michael Haggerty**, v.p at **Moody's Investors Service**, told attendees that last year there were four times as many downgrades as upgrades in the sector, but the split is now about even.

The difference now is that power companies have managed to shave debt through asset sales and equity issuance, Haggerty said. Indeed, asset sales and debt retirement allowed companies such as Dallas-based **TXU Corp**. to improve net income by nearly 70% compared to last year, according to the utility's most recent earnings report.

An industry-wide back-to-basics focus on regulated operations has helped reduce business risk, resulting in improved ratings. In turn, banks have become more comfortable lending. Banks, once reluctant to do business in the post-**Enron** market, are now returning to the sector thanks to companies' improved liquidity, Haggerty noted.

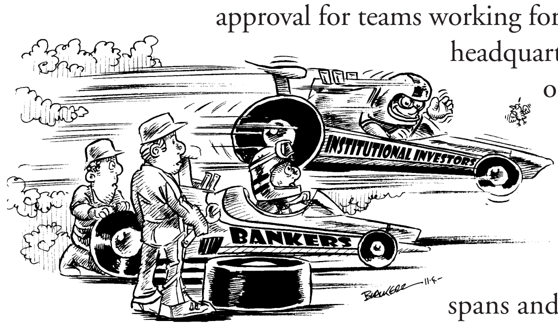
That said, there are still more negative outlooks than positive. Recovery of the wholesale side will be very slow, Haggerty predicted, noting that credit quality has bottomed out. There have been a lot of debt refinancings, but debt remains high and cash flow low, he commented. Furthermore, most major assets have already been sold off, though the industry will see intermittent asset trades. Future upgrades are likely to be driven by reduced debt rather than continued reductions in business risk, he added.

B-Blues

Speedy B Loan Buyers Nose Out Banks

Bankers were grousing about the shrinking timeframe they have to participate on B loans. Given the heavy investor interest from private equity and institutional players, bankers are being asked to speed up credit approval. "They're taking all our business" one discouraged banker yelled out to a panel of speakers the opening day of the conference.

Bankers are complaining that instead of the usual three weeks they once enjoyed to review B loans, they get two. The tightened timeframe doesn't allow sufficient time for credit approval for teams working for banks headquartered overseas, one banker commented.



B loan investors have short attention spans and don't spend a long time looking at assets, responded **Stephen Cheng**, a director in **Credit Suisse First Boston**'s global energy group, basically saying that bankers will need to adapt to the new conditions if they wish to compete. CSFB has been at the forefront of B loans, leading a number of deals this year.

High-yield debt deals are on the rise, Cheng says, noting the B loan market has grown by 6%. If companies are unable to get deals done in the capital market, they turn to the institutional market, he said, which is why institutional investors have been replacing traditional commercial banks in the distressed power sector, he adds. "Everybody is chasing yields and this is where they'll be able to find it."

Infocast Conference (cont'd)

Seen N' Heard

- A power line failure stopped the first scheduled speaker's train in its tracks. **Ed Kee**, head of the global electricity market restructuring effort at **PA Consulting Group** missed the conference entirely.
- During a refreshment break, one attendee remarked the room temperature was surprisingly chilly. Another intimated that it was intentional to keep participants awake.
- Many speakers had technical trouble operating their Power Point presentations. After much tinkering, **Susan Tierny**, principal, **Analysis Group**, declared, "This is nuts." Of course, a technical support staffer arrived only after things began running smoothly, compelling her to shoo them away with, "What are you doing?"
- **Ted Brandt**, ceo at **Marathon Capital**, described his impression of what it means to be ranked the 19th largest advisor in one project finance magazine. "It's a little like being the world's tallest midget."
- Earlier presentations on day two went over their allotted time forcing many attendees to leave before the event finished. Even chairman **Roger Feldman** split early before giving his scheduled closing remarks, leaving attendees wondering who would do the wrap up. In the end, no one did and everyone made a frenzied bee-line for the exits.

Weather Risk Management Confab

The following articles have been obtained from PFR sister publication Derivatives Week, which attended the Weather Risk Management Association's European meeting held in London at Canary Wharf earlier this month.

Centrica Plans Wind Hedging Debut

Centrica, a U.K. electricity and gas supplier, will hedge its wind exposure when its first wind farms start running next year. **Stuart Jones**, business development manager at Centrica, said the corporate is talking to potential counterparties about derivatives strategies for wind hedging.

"Wind is going to be a big thing for us," said Jones. He noted the corporate still has a lot of research to do about it and has not chosen a counterparty. "We will be looking to put some derivatives structures in place over the next 12-18 months," said Jones.

Emissions Trading May Boost Weather Derivatives Volumes

Corporates falling under the European Commission's emission energy trading scheme may increase their use of weather derivatives, **Claire Byers**, emissions trader at **Fortis Bank** in Rotterdam, told delegates. Fortis Bank is looking at pricing cross-commodity products linked to both weather and emissions. There is not sufficient liquidity in either market for this yet, said Byers, who expects these types of instruments to be structured toward the end of next year.

"Weather is probably the most significant variable that affects carbon dioxide emissions," according to Byers. Rain and wind levels increase capacity of alternative energy generators, she explained, while hot summers increase demand for cooling and cold winters increase demand for heating.

Power Companies Driving Up Prices, Say Delegates

Emissions traders think the fledgling European market has come under pressure from power companies trying to artificially inflate the price of allowances. **Claire Byers**, emissions trader at **Fortis Bank**, said manipulation of allowance prices, "appeared to have happened."

According to market scuttlebutt power companies have bought allowances in sizes big enough to push up the price of both the allowances and forward electricity. Power companies need allowances to generate electricity so when the price of allowances starts to increase the price of power will follow. "There is an obvious arbitrage to be made on electricity prices," he added.

Market participants hope rising volumes will mean the price of allowances is less easily moved. The regulation comes into force in January and traders predict volumes will jump.

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
AEP	El Bajio	Mexico	600 (50%)	Gas	WestLB	
AES	Wolf Hollow	Texas	730	Gas	N/A	Ongoing.
	Granite Ridge	N.H.	720	Gas		
	Termomamonal	Colombia	90	Gas		
	Ottana	Italy	140	Gas	None	Ongoing.
Allegheny Energy Supply	Armstrong	Penn.	356	Coal	J.P. Morgan	Ongoing.
	Hatfield	Penn.	1,600 (75%)	Coal	Citibank	
	Mitchell	Penn.	442	Coal	J.P. Morgan	
Aquila	Racoon Creek	Ill.	340	Gas	Not chosen	Intention to sell.
	Goose Creek	Ill.	340	Gas		
	Crossroads	Miss.	340	Gas		
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention to sell.
Black Hills Energy	Pepperell	Mass.	40	Gas	-	Intention to sell.
BNP -led bank group	Mystic River 7	Mass.	560	Oil/Gas	Lazard	Ongoing.
(Exelon developed plants)	Mystic River 8	Mass.	832	Gas		
	Mystic River 9	Mass.	832	Gas		
	Fore River	Mass.	832	Gas		
Citi & SocGen-led creditor group	Union	Ark.	2,200	Gas	Goldman	Ongoing.
(TECO Energy developed plants)	Gila River	Ariz.	2,300	Gas		
CMS Energy	Ensenada	Argentina	128	Gas	Not chosen	Announced intention to sell.
	CT Mendoza	Argentina	520	Gas	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydro	J.P. Morgan	
Citi-led bank group	Lake Road	Conn.	840	Gas	Lehman Bros.	Seperate auction for each plant.
(NEG developed plants)	La Paloma	Calif.	1,121	Gas	Lehman Bros.	
ConocoPhilips	Ingleside	Texas	440 (50%)	Gas	None	Looking to sell stake by June.
Damhead Power	Damhead	U.K.	800	Gas	E&Y	Has agreed sale to ScottishPower.
Delta Power	Lowell Power	Mass.	82	Gas	None	Actively pursuing a sale.
Duke Energy North America	Grays Harbor (in construction)		Wash.	650	Gas	Ongoing.
	Deming Energy (in construction)		N.M.	570	Gas	
El Paso Europe	Enfield	U.K.	396 (25%)	Gas	No Advisor	Looking to exit Europe.
	EMA Power	Hungary	70	Coal		
	Kladna	Czech Rep.	350	Coal		
El Paso North America	Berkshire	Mass.	261 (56.41%)	Gas		Final bids due.
(Merchant assets)	CDECCA	Conn.	62	Gas		
	Eagle Point	N.J.	233	Gas		
	Fulton	N.Y.	45	Gas		
	Pawtucket	R.I.	67	Gas		
	Rensselaer	N.Y.	79	Gas		
	San Joaquin	Calif	48	Gas		
El Paso North America	Midland Cogen	Miss.	1,500 (44%)	Gas	Citigroup	Has sold majority of QF portfolio to ArcLight.
(Contracted assets)	Prime	N.J.	66 (50%)	Gas		
Endesa	Conatillor	Chile	172	Hydro	N/A	Ongoing.
EnCana	Cavalier	Alberta	106	Gas	HSBC	Launched sale in April. Looking to exit generation business.
	Balzac	Alberta	106	Gas	HSBC	
	Kingston	Ontario	110 (25%)	Gas	HSBC	
Energy Investors Fund	Multitrade	Va.	79.5 (60%)	Biomass	None	Intention to sell.
	Crockett	Calif.	240 (24%)	Gas	None	
Entergy Asset Management	Robert Ritchie	Ark.	544	Gas/oil		Ongoing.
	Warren Power	Miss.	314	Gas		
	RS Cogen	La.	425 (49%)	CHP		

Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
	Harrison County	Texas	550 (70%)	Gas		
EPRL	Glanford	U.K.	14	Poultry Litter	Rothschild	Ongoing.
	Thetford	U.K.	39	Poultry Litter		
	Ely	U.K.	13	Poultry Litter		
	Westfield	U.K.	10	Poultry Litter		
	Elean	U.K.	38	Straw		
Ernst & Young Corporate Finance (representing secured creditors)	Bear Swamp	Mass.	599	Hydro	E&Y	Exploring sale.
HSBC-led creditor group	Attala	Miss.	526	Gas	HSBC	Ongoing.
InterGen	Larkspur Energy	Calif.	90	Gas	Citi	Ongoing.
	Indigo	Calif.	135	Gas	Citi	
	El Bajio	Mexico	600 (50%)	Gas	N/A	Ongoing.
KBC-led creditor group	Milford	Conn	542	Gas	Lazard	Ongoing.
LG&E Power	Roanoke Valley	N.C.	178 (50%)	Coal	N/A	Ongoing.
	Gregory Power	Texas	550 (50%)	Gas		
	Palm Springs	Calif.	42 (50%)	Wind		
	Tyler	Minn.	27 (50%)	Wind		
	Van Horn	Texas	41 (33%)	Wind	N/A	Sent out RFP in April.
	Tarifa	Spain	30 (46%)	Wind		
Mirant	Kendall	Mass.	270	Oil	CSFB	Ongoing.
	Shady Hills	Fla.	474	Gas	BofA	
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538	Gas		
	Wichita Falls	Texas	77	Gas		
Morrow Power	Boardman	Ore.	28	Gas	Marathon Capital	Is evaluating bids.
Nations Energy	Bayport	Texas	80	N/A		Considering liquiditing the company.
	Mungo Junction	Ohio	32			
	Southbridge	Mass.	7			
National Energy Gas & Transmission (USGen New England)	Salem Harbor	Mass.	745	Coal/Oil	Lazard	Ongoing.
	Brayton Point	Mass.	1,599	Coal		
	Manchester St.	R.I.	495	Gas		
	Connecticut River	N.H.	479	Hydro		
	Deerfield River	Mass.	89	Hydro		
Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730	Gas	CSFB	-
	Ghubratt	Oman	507	CHP		
	Wad AlJazzi	Oman	350	Gas		
Reliant Energy	Carr Street	N.Y.	95	Oil	Goldman	Ongoing.
	Astoria	N.Y.	1,276	Gas		
	Gowanus	N.Y.	549	Gas		
	Narrows	N.Y.	281	Gas		
Royal Ductch /Shell Group	La Rosita	Mexico	1,100		Citigroup	Exploring Sale
	Redbud	Okla	1,220			
	Cottonwood	Texas	1,235			
	Magnolia	Miss.	900			
	Bajio	Mexico	600			
	Termocali	Columbia	235			
	Rocksavage	U.K.	748			
	Spalding	U.K.	860			
	Coryton	U.K.	732			
	Rjinmond	Netherlands	820			
	Knapsack	Germany	790			
	Catadau	Spain	1,200			
	Meizhou	China	724			
	Island Power	Singapore	750			
	Quezon	Philippines	460			
	Callide C	Australia	920			
	Millmerran	Australia	880			
SG-led bank group (NEG developed plants)	Athens	N.Y.	1,080	Gas	Blackstone	Assessing bids.
	Covert	Mich.	1,170	Gas		
	Harquahala	Ariz.	1,092	Gas		

Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
	Millennium	Mass.	360	Gas		
STEAG	Iskenderun	Turkey	1,320	Gas	Morgan Stanley	Ongoing.
	Termopaipa IV	Philippines	185	Gas		Set to sell Guadalupe and Odessa to PSEG.
TECO Energy	Frontera Power Station	Texas	477	Gas		
	Dell Power Station	Ark.	540	Gas		
	McAdams Power Station	La.	599	Gas		
	Commonwealth Chesapeake	Va.	315	Gas	Goldman	
Tractebel North America	Chehalis	Wash.	520	Gas	N/A	Looking to sell or swap.
United Utilities	Landfill Generation Portolio	U.K.	50 MW	Landfill	RBC Capital Markets	Set to launch sale in May.

ILL. BOUTIQUE

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scope of it has been limited and players have been clandestine. **Bank One**, for instance, was looking to make investments, reportedly as a means to reduce its own taxes via PTCs (PFR, 11/10/03).

Marathon is aiming to start the fund early next year and has landed a lead investor to commit roughly 30% of the $500 million target fund. That investor is rumored to be a major utility, but Brandt declined name names, saying only that it is in advanced discussions with a number of players.

The fund primarily will target medium-sized and large developers. But would consider smaller developers if they team up with experienced developers. This is because the aim is not to take on construction or development risk.

Marathon is looking for a low double digit internal rate of return on a net basis, which is the equivalent of 15% to 20% pre-tax return to the fund investors, Brandt says. In terms of capital structure, this type of passive equity can be likened to mezzanine financing in that it would generally be subordinate to senior debt, but senior to the sponsor's equity, he adds. The company is currently reviewing projects and beginning to distribute term sheets. He declined to comment on fees. —*Christine Idzelis*

WPS FIRES

(continued from page 1)

in the same region. Calls to those entities were not returned. Private financial firms could also be interested in taking a run at the plant as an opportunistic investment.

Sunbury is seen as an attractive asset because of its location in the PJM Interconnection regional transmission organization—the world's largest wholesale electricity market. WPS bought Sunbury from **PP&L Resources** in 1999 for $106 million. Its sale agreement with Duquesne would have left it with a $3.7 million pretax loss.

From 2002-2003, WPS put $36 million into Sunbury to address operating and maintenance problems and to make emissions upgrades, according to SEC filings. Analysts had praised the Sunbury sale, saying it would eliminate a drag on earnings and cash flow.

Initiated last year, plans to unload the facility were a part of WPS' broader strategy to scale back financial risk associated with exposure to the unregulated merchant markets. Duquesne scrapped the deal because the **Pennsylvania Public Utility Commission** shot down Duquesne's plan to lock in rate caps from 2005-2010, saying the proposal would stifle competition. The commission's decision left the utility vulnerable to rate uncertainty, Duquesne stated publicly. At the time, WPS said it was entitled to a $5.5 million termination payment and was considering legal action against Duquesne. —*Christine Burma*

BABCOCK, IPP

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months but he declined to provide specifics. Babcock is acting as co-developer in a 50/50 joint venture with National Power. Calls to National Power were not immediately returned nor were calls to **Warren Murphy**, project advisory director in Babcock's Sydney office.

Forty-six turbines totaling 80.5 MW are being constructed under phase one, which is estimated to cost $150 million. **Country Energy** signed an offtake agreement for that portion of the project. In phase two, which has received government planning approval, 73 turbines will be added for a total of 119 turbines.

The first portion of the project was financed with 60% debt and the remainder in equity. Senior debt facilities totaling $95.5 million were underwritten by **BNP Paribas**, with $62 million coming from equity investors. The debt was priced at 6.74% until 2010 and 7.50% after March 2010, with the debt due to mature in 2020.

Babcock & Brown has been extremely active in the wind sector over the past 15 years, arranging financing for over 2,000 MW of wind projects in Australia, the U.S., including a planned 400MW facility in Sweetwater, Texas (PFR, 11/8) and Europe. With National Power and Western Australian-based renewable energy developer **Carbon Solutions**, Babcock is also developing the 90 MW Alinta Wind Farm currently under construction in Western Australia. National Power has been involved as a financial advisor or co-developer with over 1,000 MW of wind energy projects in Europe and the U.S. —*C. B.*

Calendar

The **Powering the Future 2004** conference will be held tomorrow and Wednesday at the Travelodge Hotel in Ottawa. The conference will cover Ontario's restructured electricity market, conservation, cogeneration, renewable opportunities and funding. Contact **Pelly Heighton** at (613) 798-9894 for more information.

Quote Of The Week

"We [had] what we call a jump ball."—**John Cullen**, *cash management specialist for* ***Central Hudson Gas & Electric****, describing the utility's method of setting an interest rate and asking potential lead arrangers to sell the notes (see story, page 6).*

One Year Ago In Power Finance & Risk

Reliant Resources was reportedly seeking a private equity partner to fund a partial acquisition of **Texas Genco**. [The independently operated power portfolio was acquired earlier this year by private equity consortium **GC Power Acquisition**, which includes **Kohlberg Kravis Roberts**, **Texas Pacific Group**, the **Blackstone Group** and **Hellman & Friedman's**.]