

power finance & risk

The exclusive source for power financing and trading news

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How RWE's Bold U.S. Ambitions Crumbled

RWE Trading Americas' recent withdrawal from the U.S. drew a line under a once bold North American expansion plan that had included acquiring **Enron's** trading book.

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GdF Lands Spanish Investment

Gaz de France has agreed to acquire a 27% stake in an **AES** power project in Spain. The deal will likely cost it some EUR30 million.

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DEBT RALLY LEAVES INT'L POWER'S DRAX BID IN JEOPARDY

International Power's attempt to take a controlling stake in the 4 GW Drax Power station in northern England is in danger of floundering as creditors look increasingly likely to shun the London-based IPP's offer to acquire up to GBP130 million (\$220 million) of Drax debt in return for a 34% equity position in Europe's largest power plant.

A straw poll of Drax's bank and institutional creditors



(continued on page 12)

EL PASO READIES FUNDING FOR \$425M PIPELINE PROJECT

El Paso Corp. is preparing a \$300-350 million non-recourse loan to fund construction of a 380-mile natural gas pipeline, a deal that will likely draw strong interest from project financiers given the relatively thin flow of new pipeline paper. The Houston-based energy player has tagged **WestLB** to lead the financing for the \$425 million project financing, which will likely launch during the first quarter, says one industry official. **Aaron Woods**, a spokesman for El Paso, declined comment on the financing, as did officials at WestLB.

(continued on page 12)

CINERGY HIRES FORMER ENRON HONCHO

Midwest utility Cinergy has hired former Enron heavy hitter **Jim Fallon** to head its power trading and origination desk in Cincinnati. Fallon fills a hole at Cinergy left by fellow Enron alum, **Joe Toussaint**, who left the company earlier this year and recently joined **Citigroup** to launch a New York power trading desk (PFR, 9/22). **Kathy Meinke**, a spokeswoman at Cinergy, says Fallon reports to **Michael Cyrus**, ceo of Cinergy's commercial business unit. Calls to Fallon and Cyrus were not returned.

(continued on page 11)

RWE SELLS HOUSTON TRADING BOOK; UBS SEEN AS LIKELY BUYER

RWE Trading Americas has sold its power, gas, coal and oil trading book and several market officials say UBS is likely the acquirer. **Bill McAndrews**, a spokesman at RWE in Essen, did not respond to questions on this point by press time. **Kris Kagel**, a spokesman at UBS in New York, declined comment. RWE announced on Oct. 16 it is exiting U.S. energy trading (see story, page 6).

UBS launched into the energy trading market in early 2002 with the acquisition of **Enron's** wholesale energy trading operation.

—Victor Kremer

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



At Press Time

Soros Retains Milbank, Tweed

Soros Private Equity Partners and Texas Pacific Group, the heavyweight private equity combo that are bidding for two U.K. merchant coal-fired power plants owned by American Electric Power, have retained U.S. law firm Milbank, Tweed, Hadley & McCloy to advise on the acquisition. Calls to all three firms were not returned.

Market watchers say the investment giants, which together manage some \$20 billion in private equity funds, are lining up a management buyout whereby AEP's senior U.K. staff, led by CEO Stuart Staley, will take a small equity stake in the Fiddler's Ferry (2 GW) and Ferrybridge (2 GW) plants and remain in place to run the business. Calls to Staley were not returned.

UBS Parts With Whalley

Greg Whalley, a consultant to UBS' energy trading operation in Stamford, Conn., has parted ways with the firm. Kris Kagel, a UBS spokesman, says Whalley has worked for the firm on a contract basis since leaving full-time employment a year ago. He declined further comment and Whalley could not be reached.

Whalley, former president and coo of Enron, joined UBS when it purchased the failed Houston energy company's wholesale trading operation in early 2002.

RBC Adds Power Banker

Royal Bank of Canada has hired an associate in its capital markets group to cover power sector corporate finance. Frank Verducci was recently brought on board to advise on bond and equity issuances, say bankers. Verducci's previous role could not be determined. RBC Managing Director Chad Weiss, who heads the energy group in Houston, announced in October that the Canadian bank was looking to beef up its power investment banking desk to round out the energy team in Houston. Weiss added at the time that the bank intended to bring on more v.p.s and associates but had no immediate intentions to add senior staff (PFR, 9/12). Calls to Weiss and Verducci were not returned.

UniSource Acquirers Carve Up LBO Financing

The debt portion of Kohlberg Kravis Roberts & Co., J.P. Morgan Partners and Wachovia Capital Partners' \$880 million purchase of UniSource Energy will be split roughly evenly between bank debt and high-yield bonds. Kevin Larson, cfo and treasurer at UniSource, says the private equity firms hope to raise \$360 million in bank loans and \$300 million in high-yield bonds to finance the leveraged buyout. J.P. Morgan, Credit Suisse First Boston and Lehman Brothers will underwrite the bond transaction.

In addition to backing the UniSource purchase, some \$260 million of the debt proceeds are earmarked for Tucson Electric Power Co., UniSource's principal subsidiary. Tucson Electric will use the money to pay off debt and cut leverage from roughly 68% to 60%.

KKR will provide 60% of the equity, J.P. Morgan Partners around 35% and Wachovia around 5%, says one official.

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**Institutional
Investor NEWS**
INTELLIGENCE FIRST

Morgan Stanley Eyes Plant Foray

Morgan Stanley's energy trading group is eyeing acquisition opportunities in the merchant generation market. "We're changing our strategy," says **Simon Greenshields**, managing director in New York, adding the slew of distressed plant investment opportunities is prompting the push.

Morgan Stanley already has placed bids on several merchant and contracted plants, but believes it may see more traction on the merchant bids as there's less competition for these riskier assets. "A lot of private equity people are focused on contracts," says Greenshields. The bulge bracket firm also is looking to buy power plants in the U.K. and may soon begin scouring continental Europe, he says.

The acquisition push is unlikely to see Morgan Stanley becoming an IPP over the long term. "There's an opportunity here to take advantage of distress. But it's not our strategy to own merchant plants ad infinitum," says Greenshields.

The bank has built merchant plants in Nevada, Alabama and Georgia, but Greenshields says there are no plans to construct any more. "There are opportunities out there to buy tolling agreements and distressed assets. That's what we're focusing on." He adds that the bank has not allocated a certain dollar amount to the acquisition push, but will tap into the investment bank's balance sheet as opportunities arise.

Not So Fast

NUI Loan Flex Restores Initial Pricing

NUI Corp. has increased pricing back to original levels on a \$405 million loan package after it revealed during syndication that state regulators are investigating its wholesale energy trading subsidiary. Lead arranger **Credit Suisse First Boston** unveiled the downward flex after healthy oversubscription when the deal was first pitched (PFR, 11/24). Bankers say the deal has now wrapped at the same terms first offered.

The financing package, in the name of NUI and its operating unit **NUI Utilities**, is split between \$305 million of term loans at the holding and operating company level, a \$50 million revolver, and a \$50 million delayed-draw term loan at the operating company. The term loans are split between a \$255 million tranche with pricing now back at LIBOR plus 600 basis points for the holding company, after being briefly shaved down to 562.5 basis points, and LIBOR plus 500 points on the operating company chunk, which was temporarily set at 475 basis points.

NUI recently announced that the **New Jersey Board of Public Utilities** had found questionable transactions at its **NUI Energy Brokers** unit and that it had received subpoenas

from the New Jersey State Attorney General's Office in connection with the transactions.

The financing package is aimed at refinancing maturing debt and improving liquidity while the Bedminster, N.J.-based company looks for an acquirer. CSFB and **Berenson & Co.** are advising on the NUI sale (PFR, 11/3).

Entergy Seen Closing In On Asset Sale

Entergy is reportedly close to selling its 50% stake in a 320 MW gas-fired plant at Crete, Ill. The deal is the first divestiture of a seven plant portfolio put up for sale by **Entergy Asset Management** last month (PFR, 10/29). Potential bidders were recently told by Entergy's advisors that the Crete sale had been sealed, but no details were given as to when it would close or the identity of the acquirer. Bankers at **Deutsche Bank**, which is handling the sale, declined to comment.

DTE Energy also owns 50% of the Crete plant, but is not seen as the likely buyer. DTE spokesman **Len Singer** says the company is pursuing a conservative approach to acquisitions and has no intention of spending a \$450 million war chest put together last year to buy power plants.

Market watchers say credit concerns are limiting DTE's acquisition firepower, adding that a financial player is a likely buyer of Crete.

GdF Inks Stake In Spanish Project

Gaz de France has agreed to acquire a 27% stake in **AES Energia Cartagena**, a 1.2 GW greenfield power project under construction in southeast Spain.

Officials close to GdF say the Paris-based state-owned utility has agreed to excise an equity option, written when it inked a tolling contract with Cartagena, to buy a stake in the gas-fired plant. The officials declined to comment on the monetary value of the stake, but it likely approaches some EUR30 million, given that AES had already agreed to inject some EUR131 million of equity capital into the EUR800 million Cartagena project.

Sabine Wacquez, a spokeswoman at GdF in Paris confirmed the move, declining further comment. Calls to **Gerrit Nicholas**, managing director at AES in Madrid, were not returned.

The move is a timely fillip for cash-starved AES and the syndicate of banks that are funding the construction of Cartagena. "We're delighted to have a top-rated utility taking a stake in the project," says one banker. Another financier notes the addition of GdF has given a shot in the arm to the syndication of a EUR659 million non-recourse debt package funding the construction of Cartagena. He adds syndication is expected to close early in December almost twice oversubscribed.

Entergy-Koch Loan Expected To Fly High

Entergy-Koch is in the market looking to renew a \$200 million, 364-day loan facility and bankers say there will likely be something of a scramble to get into the deal. "People are going in there because there'll be business in the future," says one lender, referring to the solid profile and acquisitive nature of the operation's backers. Entergy-Koch was set up in February 2001 by New Orleans-based **Entergy Corp.** and the privately-owned giant **Koch Industries** and is the holding company for **Entergy-Koch Trading**.

One market official says that aside from the relationship angle, Entergy-Koch is attractive because of its solid cash flows. Although it has a profile as an energy trader, he explains its risks are very tightly controlled and the bulk of the unit's cash flow are actually derived from its pipeline business. Its **Gulf South** operation comprises an interstate natural gas pipeline serving the transportation and storage needs of the Gulf Coast.

Pricing could not be ascertained. The renewal is being led by **Royal Bank of Scotland** and **ABN AMRO**.

Corporate Strategies

Florida Utility Taps Debt Mart As Rates Rise

Florida Power Corp., a utility arm of **Progress Energy**, brought forward a bond issue planned for the first quarter and pulled the trigger this month because of a run-up in interest rates. **Tom Sullivan**, treasurer at Progress, says the timetable was speeded up after the company saw rates heading higher. To avoid being caught out by any further bond market deterioration, the \$300 million offering of 12-year first mortgage bonds were sold Nov. 18.

The 5.10% coupon paper, issued at a 93 basis point spread to Treasuries, will be used to refinance a \$100 million note that the company recently called. Sullivan says the coupon on the called debt was north of 7% and would have matured Dec. 1. The balance of the proceeds will take down short-term debt, which resulted from a normal run up from general corporate purposes, he adds.

Joint lead managers on the offering were **J.P. Morgan** and **Citigroup**, both of whom support Progress' credit facilities. "It was their turn to do it. Both are in our core group of banks," Sullivan says.

Florida Power Corp. trades as **Progress Energy Florida** and covers 20,000 square miles in central Florida, including the metropolitan areas of St. Petersburg, Clearwater and greater Orlando.

Kansas Utility Sells Affiliate's Stock

Last week, several months sooner than expected, Topeka, Kansas-based **Westar Energy** sold \$262 million worth of **ONEOK** common stock to fund debt reduction. **Bruce Burns**, director of investor relations, says the company sold 13.7 million shares of **ONEOK** at \$19.50 a share and has now fully divested itself of **ONEOK** stock. "We said we might divest this stock in first quarter 2004, but it seemed like a good time to get it done now, so we sped up the timeline," says Burns.

Westar sold its gas distribution business to **ONEOK**, a Tulsa, Okla.-based oil and gas production company for stock in 1997 and over the last few months has been liquidating the position, selling 12.8 million shares in August at \$19.05. Under the terms of the current sale, 13.4 shares of series D non-cumulative convertible preferred stock will be converted into common stock before being sold. The utility sold the stock to **Cantor Fitzgerald**.

Westar is in the midst of a push to pay down debt, says Burns, adding the utility promised Kansas regulators that equity would account for 40% of the company by the end of 2004. "If we achieve an investment-grade status before then we may not [need to] hit that mark," says Burns. The utility is currently rated BB plus by **Standard & Poor's**.

As part of its liquidity drive Westar also is trying to sell non-power business such as **Protection One**, a home security company. Burns adds the company also anticipates issuing additional stock in late 2004.

WPS Pulls Trigger On Equity Boost

WPS Resources netted \$167 million for a new issue of common stock last week, with a view to cleaning up some outstanding debt and injecting equity capital into some of its operating units.

Brad Johnson, treasurer in Green Bay, Wis., says the offering had been in WPS' plans for much of this year and after some favorable announcements by the company it went ahead with the deal. "We've been signaling the offering for some time," he notes. Among the positive developments at WPS was the announced sale of its 545 MW Kewaunee Nuclear Power Plant to **Dominion Resources** for \$220 million.

Proceeds from the stock sale, which had an offer price of \$43, will be used to call a \$50 million issue of 7% trust preferred securities, Johnson says, adding there is no call premium so taking out the 7% debt in the current interest environment makes sense. The remainder will be used to take out a run up of short-term debt and also inject equity into some subsidiary operations for a variety of projects.

Underwriters for the common stock offering were **A. G. Edwards & Sons**, **Robert W. Baird & Co.**, **Edward D. Jones & Co.** and **The Williams Capital Group**.

Weekly Recap

The Weekly Recap is a summary of publicly reported power news stories. The information has been obtained from sources believed to be reliable, but PFR does not guarantee its completeness or accuracy.

Europe & Middle East

- The German Cartel Office has blocked E.on's EUR250 million purchase of a 49.9% stake in Germany distributor **Stadtwerke Luebeck** on competition grounds. E.on had offered concessions to gain approval, but the offer had not been sufficient, the Cartel Office said (*Reuters*, 11/24).

- Swiss authorities are blaming domestic shortcomings and a lack of clear international transmission guidelines for September's power cut that left more than 55 million Italians in the dark. The blackout was caused by a tree that hit a power transmission line in Switzerland. In a report on the blackout, the Swiss energy office recommended that Swiss owners of transmission lines establish an independent grid company, and that Switzerland puts in place a regulator for the industry.

Latin America

- The Argentine government has opened an investigation into anticompetitive behavior among all of the country's natural gas producers. **The National Commission of Defense of Competition** decided to undertake an official inquiry after a detailed analysis of commercial contracts between gas producers and their clients revealed restrictive practices (*Dow Jones*, 11/24).

U.S. & Canada

- The **Justice Department** has joined the **Nuclear Regulatory Commission** in probing issues surrounding corrosion at **FirstEnergy Corp.**'s Davis-Besse nuclear power plant. The problem at the Ohio facility, found early last year, has been linked to a poor safety culture at FirstEnergy and a company-acknowledged focus on production over safety. The Justice Department referral was made under a memorandum of understanding in which the Commission passes on all matters where there's a reasonable suspicion that a criminal violation has occurred (*Dow Jones*, 11/21).

- **Dynegy's** \$2.2 billion deal to sell its **Illinois Power** utility to **Exelon** collapsed after the Illinois General Assembly failed to pass legislation that would have locked in rates for the company after 2006. The agreement was subject to the state legislature approving a six-year deal for Exelon to buy power from Dynegy at a fixed cost after 2006. Illinois Power currently has rates locked in until 2006 (*Houston Chronicle*, 11/22).

- **CenterPoint Energy** has sold its management services division to **Entergy Solutions District Energy** for an undisclosed sum. Entergy Solutions is the retail arm of power producer **Entergy Corp.** The CenterPoint unit's business includes district cooling, facility operations and maintenance, as well as energy management (*Dow Jones*, 11/24).

- **UniSource Energy** has agreed to be acquired for \$853 million by an investor group backed by private equity firm **Kohlberg Kravis Roberts & Co.** The deal is expected to close in the second half of 2004 and UniSource, the parent of **Tucson Electric Power Co.**, said the investor group will also take on \$2.1 billion in debt and leases. The private equity arms of **J.P. Morgan Chase & Co.** and **Wachovia Corp** are also in the deal (*Reuters*, 11/24).

- A bankruptcy court has approved **NRG Energy's** plan of reorganization, according to a court document, paving the way for the U.S. power company to emerge from Chapter 11. Judge **Prudence Carter Beatty** approved the plan of reorganization that was filed by the energy trading unit of U.S. power company **Xcel Energy** with the U.S. Bankruptcy Court for the Southern District of New York (*Reuters*, 11/24).

- A bankruptcy court-appointed examiner says former **Enron** executives **Ken Lay** and **Jeffrey Skilling** failed to properly oversee subordinate officers who were using accounting tricks to report profits instead of mounting debt. Examiner **Neal Batson** also reported that law firms **Vinson & Elkins** and **Andrews & Kurth** committed legal "malpractice" and aided and abetted these financing tricks (*Houston Chronicle*, 11/24).

- State energy regulators have approved construction of an \$8.2 million transmission line that will help shore up electricity reliability in a section of northern Wisconsin that has faced power shortages in recent years (*Milwaukee Journal Sentinel*, 11/23).

- **Constellation Energy Group** has agreed to buy the 495 MW R.E. Ginna nuclear plant in Rochester, N.Y., for \$401 million, building up its presence in the New York power production market. The Baltimore-based company is acquiring the plant from **Rochester Gas & Electric**, a unit of **Energy East Corp.** It will also pay **RG&E** \$21.6 million for nuclear fuel (*Reuters*, 11/25).

RWE



Coulda Been A Contender

RWE's Big Plans For Houston Reportedly Included Buying Enron's Trading Book

trading operation, which it announced last month, appears to have drawn a line under a widely anticipated spell of sustained investment in the U.S. energy market by one of Europe's largest utilities. But it could have turned out differently, say officials familiar with the company. In the fourth quarter of 2001, RWE Trading Americas was drawing up plans to acquire or take control of 10,000 MW of U.S. generation, was in negotiations to hire A-list origination and coal trading teams from El Paso Merchant Energy and Duke Energy, respectively, and was reportedly looking to pull off the biggest coup of all: acquiring the trading book of ailing cross-town giant Enron.

The German company's management board approved a business plan to set up an asset-backed trading operation in September 2001, codenamed TINA (Trading In North America) and launched the business the following March under the leadership of Bill Coorsh, previously senior v.p. at Tractebel Energy Marketing. Coorsh declined comment. Prior to the launch, RWE's management had identified Allegheny Energy as a potential acquisition target because its dominant position in the PJM market would give the trading operation a leg up in the U.S., according to an official familiar with the plans.

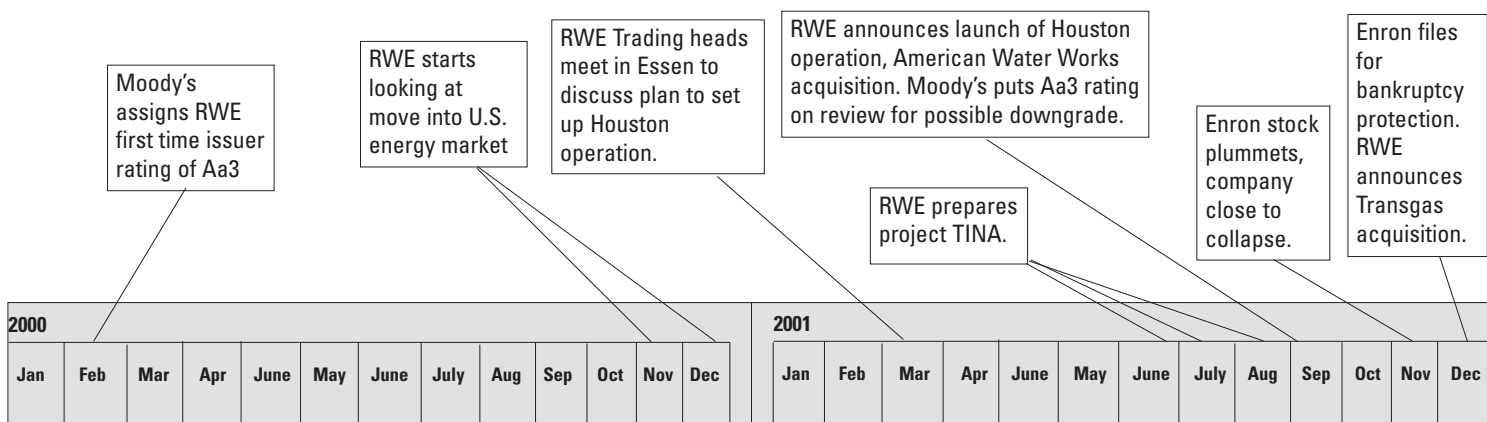
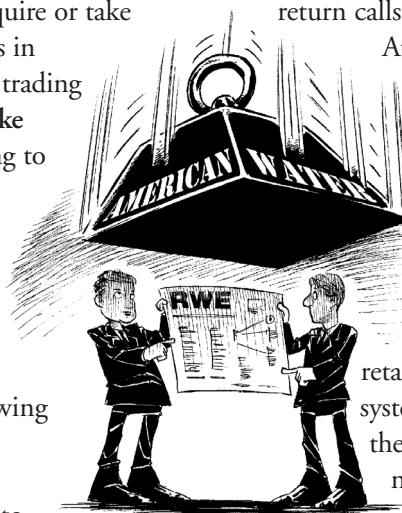
The scale of RWE's ambition became apparent in October 2001 when officials at the company in Houston entered negotiations to hire a trio of well-regarded originators, Larry Kellerman, Steve Pike and Tim Sullivan, from El Paso Merchant Energy. The following month Kellerman and Pike

gave a formal presentation to RWE management in Houston in which they proposed setting up an energy merchant banking business that would structure and originate deals in the North American power and natural gas market. According to the presentation, a copy of which was obtained by *PFR*, the group's earnings target for its fourth year would be \$140 million on \$450 million of equity invested by RWE. Kellerman did not return calls. Pike and Sullivan declined comment.

At the same time, RWE was also in talks to hire a team of coal traders, led by Charlie Rountree from Duke Energy, which was one of the most active players at that time. Rountree declined comment.

But it was the growing problems at Enron in the fourth quarter of 2001 that presented RWE with perhaps its best opportunity to jump-start the nascent Houston operation. RWE envisioned buying Enron's trading book and retaining the troubled company's trading personnel, systems and facilities in a deal designed to maintain the pre-eminence of Enron's trading operation with minimum disruption, according to an official familiar with the plans. RWE officials in Houston discussed the proposed deal—known internally as Big TINA—with Jackson Walker, a law firm with offices throughout Texas, and approached Greg Whalley, Enron's president and coo. Calls to Jackson Walker attorneys and Laurel Sheridan, a company spokeswoman in Dallas, were not returned. Whalley, who recently left UBS, did not return calls.

Although Duke Energy's Rountree did eventually move to RWE, Enron's trading business was bought by UBS in January 2002 and the plans to hire Kellerman and his team from El Paso Merchant Energy came to nothing, reportedly because RWE would not make



a firm commitment to purchasing or taking control of assets.

Despite these missed opportunities, RWE brought forward plans to set up a structuring desk in Houston and had already started looking at potential asset acquisitions in late 2001, including **Intergen's** 1,220 MW Redbud plant in Luther, Okla. The company was also busy setting up an energy trading operation that would be backed by generation assets. An official at InterGen confirmed the company held preliminary discussions with RWE about the Redbud plant.

During 2002 RWE set up an intra-company task force, dubbed the U.S. Generation Project, which ran the rule over U.S. generation assets with a view to acquiring up to 10,000 MW or taking control of a similar amount via tolling agreements.

Former staffers attribute RWE's failure to act on any of the opportunities identified by the U.S. Generation Project to a fundamental disagreement on strategy at the executive committee in Essen. In particular, they say, **Klaus Sturany**, cfo, was worried about the impact of power plant acquisitions on the company's credit rating. These concerns were compounded by RWE's \$7.6 billion acquisition of **American Water Works**, which was announced in September 2001. RWE's increasing preoccupation with securing regulatory approval for this marquee transaction during 2002 overshadowed the energy M&A effort in Houston, the former staffers say. In an e-mail to *PFR*, Sturany confirmed RWE cooled to the idea of buying power plants in the U.S. because of credit concerns resulting from three acquisitions in 2001/02: American Water, the Czech gas utility **Transgas** and **Innogy** in the U.K.

Meanwhile, daily VaR limits at the Houston trading operation were drastically cut after the unit reportedly lost some \$2 million at the end of June 2002.

As the American Water deal was being digested, the focus of the Houston unit's M&A efforts was shifted to structured transactions that would not entail a large upfront expenditure. In one such proposed deal, dubbed Buckeye, **Michael Polsky's Invenenergy** would have purchased an approximately 2,500 MW portfolio of coal-fired plants in Ohio from **FirstEnergy** and sold the output back to the Akron, Ohio-based utility holding company. The deal would have

given RWE Trading Americas the option to market any excess capacity from the portfolio and it would also have been long a call option to purchase the plants from Polsky after seven or 12 years, according to officials familiar with the deal. Polsky declined comment on the transaction and **William Byrd**, a FirstEnergy official involved in the proposed deal, did not return calls.

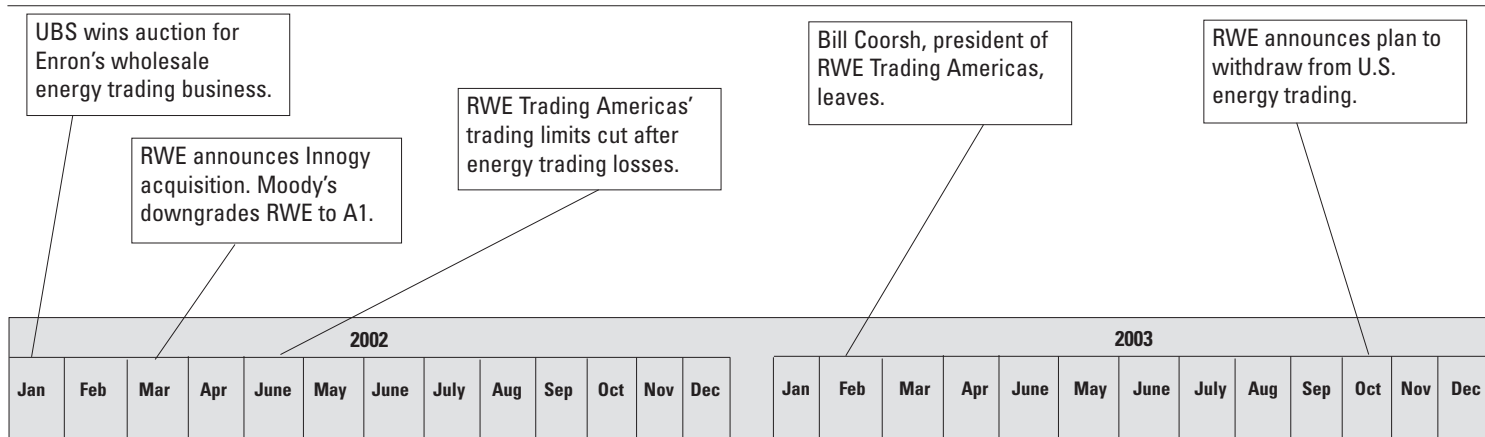
"These guys were very big on extracting synergy," says one former RWE staffer, noting that the Buckeye deal would have provided captive business for RWE's various subsidiaries, such as handing Innogy 2,500 MW of generation to manage in the U.S. and coal contracts for **SSM Coal**. The Buckeye deal, proposed in the second quarter of this year, failed to win internal approval.

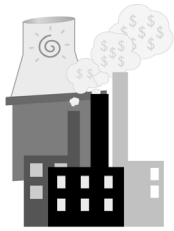
The decision not to pursue opportunities to take control of generation in the U.S. was taken early in the summer, according to **Stefan Judisch**, a managing director at **RWE Trading** in Essen, the unit responsible for RWE's wholesale trading operations. He attributes this to a decision by the rating agencies to treat long-term tolling agreements as debt, which would have negatively impacted the company's balance sheet. He denies, however, that the American Water deal had any bearing on the fate of the Houston operation. The North American market had changed beyond recognition as a result of the capital markets turmoil that followed the terrorist attacks on Sept. 11, 2001 and the unravelling of Enron, he explains. Indeed, he notes that while RWE shied away from purchases in North America, it followed up the American Water deal by acquiring Innogy and Transgas.

Yet several former staffers and rivals point to the rapid headcount growth at RWE Trading Americas as evidence of a 'push me/pull me' policy, as the company simultaneously bulked up its Houston operation whilst backing away from the asset-backed business plan upon which it was founded.

In a statement outlining its intention to close the Houston operation, RWE said: "...the future focus will be in the European markets where the company has both a competitive advantage and an asset portfolio." **Bill McAndrews**, a spokesman at RWE in Essen, declined comment.

—*Victor Kremer*





Generation Auction & Sale Calendar

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

Seller	Plants	Location	MW	Plant Type	Advisor	Status
AEP	Fiddler's Ferry	U.K.	2,000	Coal	Citi	Intention to sell.
	Ferry Bridge	U.K.	2,000	Coal	Citi	
	El Bajio	Mexico	600 (50%)	Gas	WestLB	Seeking non-binding bids by end of October.
	Mulberry	Fla.	120 (45%)	Gas	CSFB	
	Orange	Fla.	103 (50%)	Gas		
	Brush II	Colo.	68 (50%)	Gas		
	Thermo Cogen	Colo.	272 (50%)	Gas		
American Electric Power	Barney M. Davis	Texas	697	Gas/oil	CSFB	Launched sale process in June as part of deregulation of Texas market.
	E.S. Joslin	Texas	254	Gas/oil		
	J.L. Bates	Texas	182	Gas/oil		
	Laredo	Texas	178	Gas/oil		
	Lon C. Hill	Texas	559	Gas/oil		
	Victoria	Texas	491	Gas/oil		
	La Palma	Texas	255	Gas/oil		
	Nueces Bay	Texas	559	Gas/oil		
	Coleto Creek	Texas	632	Coal		
	Oklaunion	Texas	54 (7.8%)	Coal		
	Eagle Pass	Texas	6	Hydro		
	South Texas	Texas	630 (25%)	Nuclear		
AES Fifoots Point	Fifoots Point	U.K.	363	Coal	KPMG (Administrator)	Looking to sell plant.
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	
BP	Great Yarmouth	U.K.	400	Gas	J.P. Morgan	Intention to sell.
Black Hills Energy	Pepperell	Mass.	40	Gas	-	Intention to sell.
CenterPointEnergy	Texas Genco portfolio (12 plants)	Texas	14,175	Variety	-	Reliant Resources has option to purchase portfolio in early 2004
CMS Energy	Ensenada	Argentina	128	Gas-fired	Not chosen	Announced intention to sell.
	CT Mendoza	Argentina	520	Gas-fired	J.P. Morgan	
	El Chocon	Argentina	1,320	Hydroelectric	J.P. Morgan	
Citi-led bank group (NEG developed plants)	Lake Road	Conn.	840	Gas	Lehman Bros.	Seperate auction for each plant.
	La Paloma	Calif.	1,121	Gas	Lehman Bros.	
Covanta Energy	Heber	Calif.	52	Geothermal	None	Caithness/ArcLight have bid \$170m for the three plants
	SIGC	Calif.	48	Geothermal	None	
	Mammoth	Calif.	40	Geothermal	None	
Dynergy	Oyster Creek	Texas	424 (50%)	Gas	N/A	Ongoing
	Hartwell	Ga.	300 (50%)	Gas		
	Michigan Power	Mich.	123 (50%)	Gas		
	Commonwealth	Va.	340 (50%)	Gas		
Duke Energy North America	Lee Energy	Ill.	640	Gas	J.P. Morgan	
	Bridgeport Energy	Conn.	480 (67%)	Gas		
	Grays Harbor (in construction)	Wash.	650	Gas		
	Deming Energy (in construction)	N.M.	570	Gas		
	Moapa Energy	Nev.	1,200	Gas		
	Griffith Energy (50%)	Ariz.	600	Gas		
	Maine Independence	Maine	520	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 (Merchant assets)	Barstrop	Texas	543 (50%)	Gas	Citigroup	Final bids due.
	Bayonne	N.J.	171	Gas		
	Camden	N.J.	150	Gas		
	CDECCA	Conn.	58	Gas		

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
El Paso North America (Merchant assets)	Fulton	N.Y.	45	Gas	Citigroup	Final bids due.
	Newark Bay	N.J.	123	Gas		
	Pawtucket	R.I.	67	Gas		
	Rensselaer	N.Y.	79	Gas		
	San Joaquin	Calif	48	Gas		
El Paso North America (Contracted assets)	Ace	Calif.	100 (48%)	Coal	Banc of America	Launched sale in June.
	Mt Poso	Calif.	50 (16%)	Coal		
	NCA 1	Nev.	86 (50%)	Gas		
	Front Range	Colo.	480 (50%)	Gas		
	Badger Creek*	Calif.	46 (26%)	Gas		
	Bear Mt*	Calif.	45 (51%)	Gas		
	Chalk Cliff*	Calif.	45 (51%)	Gas		
	Corona*	Calif.	50 (20%)	Gas		
	Crockett*	Calif.	240 (5%)	Gas		
	Double C*	Calif.	46 (26%)	Gas		
	High Sierra*	Calif.	46 (26%)	Gas		
	Kern Front*	Calif.	46 (26%)	Gas		
	Live Oak*	Calif.	45 (51%)	Gas		
	McKittrick*	Calif.	45 (51%)	Gas		
	Cambria	Penn.	85	Coal		
	Colver	Penn.	100 (28%)	Coal		
	Gilberton	Penn.	80 (10%)	Coal		
	Panther Creek	Penn.	82 (50%)	Coal		
	Dartmouth	Mass	68	Gas		
	MassPower	Mass	252 (50%)	Gas		
	Midland Cogen	Miss.	1,500 (44%)	Gas		
	Prime	N.J.	66 (50%)	Gas		
	Mid-Georgia	Ga.	300 (50%)	Gas		
	Mulberry	Fla.	115 (46%)	Gas		
	Orange	Fla.	96 (50%)	Gas		
	Orlando	Fla.	114 (50%)	Gas		
	Vandola	Fla.	680 (50%)	Gas		
Endesa	Conatillor	Chile	172	Hydro	N/A	Ongoing.
Energy East	Ginna	N.Y.	470	Nuclear	J.P. Morgan	Looking to sell by year-end.
Entergy Asset Management	Crete	Ill.	320	Gas	Deutsche Bank	Launched sale in September.
	Robert Ritchie	Ark.	544	Gas/oil		
	Warren Power	Miss.	314	Gas		
	Top of Iowa	Iowa	80	Wind		
	RS Cogen	La.	425 (49%)	CHP		
	Roy S. Nelson	La.	550 (20%)	Coal		
	Harrison County	Texas	550 (70%)	Gas		
	Independence	Ark.	842 (15%)	Coal		
Exelon	Mystic 8	Mass.	800	Gas	Lehman Bros.	Has shortlisted bidders. Looking to execute a quick sale.
	Mystic 9	Mass.	800	Gas		
	Fore River	Mass.	800	Gas		
Fife Power	Fife	U.K.	115	Coal	KPMG (Administrator)	El Paso placed plant in administration.
InterGen	El Bajio	Mexico	600 (50%)	Gas	No Advisor	Ongoing
LG&E Power	Roanoke Valley	N.C.	178 (50%)	Coal	N/A	Sent out RFP in April.
	Gregory Power	Texas	550 (50%)	Gas		
	Palm Springs	Calif.	42 (50%)	Wind		
	Tyler	Minn.	27 (50%)	Wind		
	Van Horn	Texas	41 (33%)	Wind		
	Tarifa	Spain	30 (46%)	Wind		
Mirant	Kendall	Mass.	270	Oil	CSFB BofA	Ongoing.
	Shady Hills	Fla.	474	Gas		Ongoing.
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538	Gas		Looking for advisor to assist with sale.
	Wichita Falls	Texas	77	Gas		Looking for advisor to assist with sale.

Generation Auction & Sale Calendar (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status			
National Energy Gas & Transmission	Cedar Bay	Fla.	258 (64%)	Coal	Lazard	Set to launch auction shortly.			
	Panther Creek	Penn.	80 (55%)	Coal	Lazard				
	Logan	N.J.	226 (50%)	Coal	Lazard				
	Northampton	Penn.	110 (50%)	Coal	Lazard				
	Indiantown	Fla.	330 (51%)	Coal	Lazard				
	Carneys Point	N.J.	245 (51%)	Coal	Lazard				
	Selkirk	N.Y.	345 (42%)	Gas	Lazard				
	Altresco Pittsfield	Mass.	173 (89%)	Gas	Lazard				
	Masspower	Mass.	267 (13%)	Gas	Lazard				
	Scrubgrass	Penn.	87 (51%)	Coal	Lazard				
	Colstrip Energy	Mont.	40 (17%)	Coal	Lazard				
Hermiston	Ore.	474 (25%)	Gas	Lazard					
NRG (Asia)	Gladstone Power	Australia	1,500 (37.5% stake)	Coal	ABN AMRO	Awaiting bids.			
	Flinders	Australia	760	Coal					
	Hsinchu	Taiwan	400 (60% stake)	Gasfired					
	Lanco Kondapalli	India	340 (30% stake)	Gas/Oil					
	Collinsville	Australia	192 (50% stake)	Coal					
NRG (Latin America)	TermoRio	Brazil	1040 (50% sake)	Gas	Deutsche Bank	Awaiting bids.			
	COBEE	Boliva	220 (98% stake)	Hydro/Gas					
	Itiquira Energetica	Brazil	160 (98% stake)	Hydro					
	Cementos Pacasmayo	Peru	66	Hydro/Oil					
	Bulo Bulo	Bolivia	90 (60% stake)	Gas-fired					
	Cahua	Peru	45	Hydro					
NRG (Europe)	CEEP	Poland	10 (10% stake)	-	Goldman Sachs	Ongoing.			
	Enfield	U.K.	380 (25%)	Gas-fired					
	MIBRAG	Germany	238 (50% stake)	Coal					
NRG (U.S.)	Big Cajun II	La.	2,400 (90%)	Coal	-	Ongoing.			
	Pike	Miss.	1,192	Gas					
	Batesville	Miss.	1,129	Gas					
	Brazos Valley	Texas	633	Gas					
	Kaufman	Texas	545	Gas					
	Big Cajun	La.	458	Gas					
	Bayou Cove	La.	320	Gas					
	Sabine River	Texas	420 (50%)	Gas					
	Sterlington	La.	202	Gas					
	Mustang	Texas	485 (25%)	Gas					
	Pryor Cogen	Okla.	88 (20%)	Gas					
	Timber	Fla.	13.8	Biomass					
	Power Smith	Okla.	80 (9.6%)	Gas					
	Oman (Ministry of Housing, Electricity & Water)	Rusail	Oman	730			Gas	CSFB	-
		Ghubratt	Oman	507			CHP		
Wad AlJazzi		Oman	350	Gas					
Ontario Power Generation	Lennox	Ontario	2,140	Oil, gas	Merrill Lynch & Scotia Capital	Ongoing.			
	Lakeview	Ontario	1,140	Coal					
	Atikokan	Ontario	215	Coal					
	Thunder Bay	Ontario	310	Coal					
PG&E National Energy Group	Bear Swamp	Mass.	599	Hydro	Lazard Frères	Ongoing.			
	Masspower	Mass.	267	Gas					
	Salem Harbor	Mass.	745	Coal & Oil					
	Pittsfield	Mass.	173	Gas					
	Brayton Point Station	Mass.	1,599	Coal					
	Manchester Street Station	R.I.	495	Gas					
Reliant Resources	Argener	Argentina	160	CHP	-	-			
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					
	Millennium	Mass.	360	Gas					
Tractebel North America	Ripon Cogeneration	Calif.	49	Gas	Navigant	Launched sale in May.			
	San Gabriel	Calif.	41	Gas					

* Looking to sell the California-located Jupiter portfolio as a single block

CINERGY HIRES

(continued from page 1)

Fallon joined Cinergy Nov. 17 from **Louis Dreyfus Energy Trading** (LDET), where he was senior v.p. of North American energy trading. Prior to that he worked at Enron, ratcheting his way up from a power trader to president and ceo of **Enron Broadband Services**. After the Houston company filed for bankruptcy protection in December, 2001, Fallon was one of a handful of key executives who was kept on board to work through its troubles. The compensation package awarded these key traders is now the subject of an Enron creditor lawsuit.

Jack Farley, an originator at **Reliant Resources**, has also recently joined Cinergy as an originator, reporting to Fallon. Farley did not return calls.

Fallon's departure from LDET signals a further step back from its plans to trade power. The privately held company has been bulking up its natural gas trading activities since the summer (PFR, 6/8).

Paul Addis, ceo of LDET, confirms that the firm is focusing on gas trading presently, but says it will make a push into electricity once it has found suitable assets to back the business.

With the departure of Fallon, LDET's power team consists of a few originators looking to make strategic purchases. "An asset here or there isn't adequate," says Addis. "We're evaluating the marketplace for suitable purchases and just haven't found any as yet." Addis adds LDET will not trade either financially settled or physical power contracts until it finds the right assets.

—*Nina Sovich*

Financing Record (NOVEMBER 20 - NOVEMBER 27)

Bonds

Issue Date	Maturity	Issuer	Country	Amount (\$ mil)	Price	Type of Security	Coupon (%)	Spread to Benchmark	Moody's	S&P	Bookrunner(s)
11/20/03	12/01/10	Columbus Southern Power	U.S.	150	99.79	Senior Notes	4.4	82	A3	BBB	Merrill Lynch
11/20/03	11/26/10	KOGAS	South Korea	250	99.635	Notes	4.75	120	A3	A-	CSFB/Deutsche Bank
11/21/03	12/10/10	Edison	Italy	715.6	99.576	MTNs	5.125	-	Baa3	BBB	BNP Paribas/Caboto/Citigroup/Banca d'Inter Mobiliare IMI/MCC
11/22/03	11/17/09	ElectraNet	Australia	108.5	100	Fxd/Straight Bd	6.5	-	Aaa	AAA	Commonwealth Bank of Australia/Westpac
11/22/03	11/17/09	ElectraNet	Australia	36.2	100	Float Rate Nts	Floats	43	Aaa	AAA	Commonwealth Bank of Australia/Westpac
11/24/03	12/15/15	PSEG Power	U.S.	300	99.791	Notes	5.5	129	Baa1	BBB	CSFB/Wachovia Securities Inc
11/24/03	12/09/10	Union Fenosa Finance	Netherlands	588.7	99.481	MTNs	5	-	Baa2	BB+	Deutsche Bank/HSBC/Royal Bank of Scotland/Santander Central Hispano
11/25/03	03/04/09	NGC	New Zealand	107.7	100	Fxd/Straight Bd	6.81	-	NR	A-	Westpac Banking

M&A

Announced	Date Effective	Target Name	Target Advisors	Target Country	Acquiror	Acquiror Advisors	Acquiror Country	Deal Value (\$mil)
11/20/03	11/20/03	CMS Marysville Gas Liquids	-	U.S.	Marysville Hydrocarbons	-	U.S.	-
11/20/03	-	Guangxi Wuzhou Power	-	China	Guangxi Wuzhou Zhongheng	-	China	24.044
11/20/03	11/20/03	Hafslund ASA-Power Planst(3)	-	U.S.	Great Lakes Hydro Income Fund	-	Canada	23.063
11/21/03	-	Energy Delivery Services	-	U.S.	Shaw Group	-	U.S.	22.5
11/21/03	-	Gibson Energy	-	Canada	Hunting Close Brothers	Hoare Govett	U.K.	77.03
11/21/03	-	Heater Utilities	UBS	U.S.	Philadelphia Suburban	-	U.S.	76
11/21/03	-	Pennichuck	-	U.S.	Nashua New Hampshire	-	U.S.	121
11/21/03	-	Phoenix Natural Gas	Rothschild	U.K.	East Surrey Energy Hawkpoint	Collins Stewart	U.K.	303.007
11/21/03	-	SembCorp Cogen	-	Singapore	SembCorp Utilities	-	Singapore	-
11/21/03	-	SembCorp Gas	-	Singapore	SembCorp Utilities	-	Singapore	-
11/21/03	-	UniSource Energy	Morgan Stanley	New Harbor	U.S. Saguaro Utility	CSFB/JP Morgan/Lehman Brothers	U.S.	2,967.80
11/22/03	-	Guohua Power	-	China	Beijing Jingneng Thermal Power	-	China	39.918
11/23/03	-	Covanta Energy	-	U.S.	Ormat Industries	-	Israel	214
11/24/03	-	Cie Francaise du Methane	-	France	Gaz de France	-	France	-
11/24/03	-	Cie Francaise-Trading Business	-	France	Total	-	France	-
11/24/03	-	Gaz du Sud-Ouest	-	France	Total	-	France	-
11/24/03	-	Gulf Power	-	Thailand	Gulf Electric	-	Thailand	-

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

DEBT RALLY

(continued from page 1)

made by *PFR* last week suggests very few, if any, are likely to tender their debt to IP come the Dec. 8 deadline for votes to be registered. Creditors' reluctance to cash out their debt positions reflects a sharp rise in the market value of Drax's senior non-recourse bank paper and bonds in recent weeks as the specter of capacity constraints this winter in the U.K. power market has escalated.

The debt rally has left IP's tender offer deeply out of the money relative to the market value of Drax's soon-to-be-restructured debt. IP is offering creditors 0.71% of face value for a new GBP460 million A2 tranche, 0.1% of face value for a new GBP94.5 million A2 tranche and 55 pence in the pound for a GBP338.4 million B tranche. IP is not making an offer for the GBP400 million A1 tranche.

Early last week Drax debt—which trades as a combined four-tranche package—was being quoted at 86/87, up from the low 70s last month. The new price implies the A2 tranche will trade around par when the tranches are allowed to trade



Drax

freely after the restructuring, says one hedge fund investor. "You'd have to be crazy to accept the IP offer given where you can sell in the secondary market," he adds.

Drax bondholders and their advisors **Close Brothers** and **Milbank, Tweed, Hadley & McCloy** met in New York last Tuesday to discuss their options and the mood at the meeting suggests that most are unlikely to accept IP's tender offer, says one attendee. "The bondholders are well aware of the gap that exists between the market price of Drax debt and International Power's offer," notes one Close Bros. banker, declining further comment on how the bondholders would vote. Lawyers at Milbank declined to comment.

Drax Power will fund the first GBP15-30 million of notes tendered from its own coffers. A further GBP10 million of notes need to be tendered to IP for it to land a seat on the Drax Power board, says the Close Bros. banker. Under the terms of the proposed restructuring, IP will receive a GBP2 million fee from Drax Power if an insufficient number of creditors tender their notes and force IP to walk away from Drax.

—Will Ainger

EL PASO READIES

(continued from page 1)

Cheyenne Plains pipeline will run from Cheyenne, Wyo., to Greensburg, Kan., and is targeted to be in service early 2005. Woods says El Paso is awaiting final approval from the **Federal Energy Regulatory Commission** as it has filed an expanded version of the project which increases the pipeline's capacity. The company is expecting approval early next year, he adds.

Lenders say only one or two new pipeline deals surface in the non-recourse debt market each year and they normally garner solid support from power project finance shops. The pipelines are regulated by FERC and generate solid cash flows from gas producers via locked-in contracted capacity payments, one banker explains. Officials point to the widely sought \$875 million Kern River pipeline expansion loan from last year (*PFR*, 7/1/02) as an example of a hot pipeline financing. Cheyenne will probably not match that deal's interest level, but it should be strong, says one financier.

The main potential wrinkle in the Cheyenne deal is the poor credit quality of Houston-based El Paso, say lenders. One official says WestLB and El Paso will be mitigating that concern through structural changes, such as making equity infusions payable upfront, and also through the employment

of creditworthy sub-contractors who have been signed up to construct the pipeline.

Exact terms for the loan have yet to be decided, but the deal will likely be a five-year mini-perm and the debt/equity ratio will be around 70/30. Pricing has not been set.

—Peter Thompson

Quote Of The Week

"There's an opportunity here to take advantage of distress." —**Simon Greenshields**, managing director of energy trading at **Morgan Stanley** in New York, outlining the bank's desire to acquire generation assets (see story, page 3).

One Year Ago In Power Finance & Risk

Goldman Sachs was in talks with New Orleans-based **Entergy** about acquiring its 800 MW Damhead Creek plant in Kent, southern England. [Financiers say the deal floundered over the investment bank's unwillingness to fully cover a roughly GBP500 million non-recourse loan tied to the plant. Entergy handed over ownership of the plant to its bank creditors at year-end. These creditors have yet to find a buyer for the facility.]