

# power finance & risk

The exclusive source for power financing and trading news

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## Enron Debacle Leads To Sellside Caution

Having been caught off guard once before, sellside power sector stock analysts have become ever more cautious in their analysis and investment calls since the collapse of Enron.

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## GOLDMAN SET TO ENTER U.K. POWER MARKET THROUGH ENTERGY SALE

Goldman Sachs is on the verge of becoming a power plant owner in the beat up U.K. generation market. A City official says the Wall Street firm is holding exclusive negotiations with New Orleans-based Entergy about acquiring its 800 MW Damhead Creek plant in Kent, southern England. **Rebecca Nelson**, a spokeswoman at Goldman, confirmed that the bulge bracket outfit has looked at investment opportunities in the U.K. electric industry, but declined further comment. **Gareth Brett**, head of Entergy's



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## DTE SEEN LOOKING TO LAND FIRSTENERGY OHIO PLANTS

DTE Energy is reportedly involved in exclusive talks with FirstEnergy about acquiring its 2.5 GW Ohio portfolio of coal-fired generation assets. A banker familiar with the matter says FirstEnergy had been negotiating with several suitors, but recently whittled down the shortlist to just one bidder. He expects a sale to be completed by year-end. **Amy Allor**, a spokeswoman at DTE, did not return calls by press time and **Ellen Raines**, a FirstEnergy spokeswoman, declined comment.

FirstEnergy struck a deal to offload the portfolio—which include the Bay Shore (648 MW), Lake Shore (249 MW), Eastlake (1,262 MW) and Ashtabula (376 MW) plants—to NRG Energy for \$1.5 billion, but pulled out of the agreement this summer over fears that the embattled IPP would be unable to follow through. The NRG deal was

(continued on page 7)

## NRG TO UNLOAD U.S. PORTFOLIO, TAPS CIBC AS ADVISOR

NRG Energy is looking to liquidate its North American asset portfolio, including 14,438 MW of generation in the south central and northeastern regions of the U.S. and has retained CIBC World Markets to advise it, says a New York banker. **Lisa Bader**, an NRG spokeswoman at the Minneapolis-based energy concern, was unable to provide comment by press time. Calls to **Ron Ormond**, head of power and energy at CIBC in Houston, were not returned.

Market watchers see the move as NRG's death rattle before descending into bankruptcy, rather than a genuine attempt to stave off collapse. NRG began sliding toward failure after its debt was downgraded. This kicked in a number of refinancing triggers. **Edward Metz**, an analyst at SNL Securities in Charlottesville, Va., notes that once the company files for

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## 12-Months Later

### Enron Fiasco Dents Egos

Wall Street analysts' embarrassingly long infatuation with Enron, even as its stock was hurtling to Earth last fall, continues to leave emotional scars on the sell side community exactly a year after the energy trader filed for bankruptcy.

"The Enron debacle pricked a number of egos that have yet to be reflatd," says one commentator. **Bill Meze**, a one-time Enron watcher who still covers energy stocks at **Banc of America Securities** in New York, agrees, noting analysts have generally become more "circumspect and guarded."

The widespread accusation that Enron's top brass was able to hoodwink analysts through a combination of bullying and questionable accounting has also left a sellside community fearful of being duped again. "There's a lot less trust on Wall Street than in the past," argues Meze. He notes that everyone now focuses on the hard evidence of cashflow and revenue.

This subdued sentiment also is revealed in analysts' investment calls. While most recommendations were buys two years back, power sector buy ratings have since become a rarity.

**Joseph Cooper**, an analyst at **Thompson Financial/First Call** in Boston, says the number of sell recommendations accounted for 1% of calls before Enron's collapse, but has risen tenfold since then. The bulk of the calls are now holds.

For example, **Duke Energy** and **AEP** shares only warrant one buy note a piece from Wall Street analysts, notes Cooper. In contrast, there are 18 and 11 hold recommendations, respectively, and one sell on Duke and three on AEP.

Despite the Enron debacle, the select roster of former Enron disciples remains largely untouched by swathe of redundancies hitting the rest of Wall Street. "I can't think of one leading Enron bull who's been let go," notes Meze.

### CIBC Releases LBO Banker

CIBC World Markets has released **John Drake**, a director in its New York utility leveraged-buyout group. **Paul Kovich**, managing director and head of the group, says Drake's departure was part of a company-wide bloodletting that saw 250 staff let go in order to cut costs at the investment bank. "It was very unfortunate and didn't reflect either his talent or our growth expectations in the utility LBO market," he notes.

Drake joined CIBC 18 months back from **Barclays Capital**, where he was a director covering power sector project finance (PFR, 6/17/01).

### AES To Divest Two Brazil Assets

AES is trying to sell two Brazilian businesses, **AES Sul Distribuidora Gaucha de Energia**, a distribution company in southern Brazil, and **Uruguaiana**, a 600 MW gas-fired facility. **Sonny Lulla**, group manager of **AES Brasil Energia**, says the company retained **Banc of America Securities** a few months ago to advise on the sale and is involved in ongoing discussions with prospective buyers. He declined to divulge details of the sale process, nor would he put a price tag on the assets.

According to Lulla, AES has pledged the proceeds of AES Sul and Uruguaiana to **Banco Nacional de Desenvolvimento Econômico e Social (BNDES)** to help pay down AES-owned **Eletropaulo Metropolitana Electricidade's** approximately \$1.5 billion debt. He says that \$85 million of Eletropaulo's debt came due in October, but it is in the process of negotiating an extension, as AES was unable to repay it.

Lulla would not discuss whether AES will look to sell more assets in Brazil, nor would he comment on its future plans in the region.

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## Standard Bank Makes Trading Push Into South Africa

Standard Bank is looking to develop a power trading and risk management operation in South Africa, and has hired a local trader to spearhead the effort out of Johannesburg. An official close to the London-based energy trading franchise, says the firm has hired **Lehlo Mabula** to search out opportunities in the slowly liberalizing South African market. Standard Bank is likely the first international bank to look to make a push into the South African power market.

Separately, Standard Bank has hired **Adrian Costello**, previously a power trader at **Aquila** in London before the firm closed down its trading operation this fall, to trade the U.K. market. Costello joins Standard Bank at the beginning of next year.

## Scotia's Matheson Exits

**Bruce Matheson**, the ex-head of project finance at **Bank of Nova Scotia** in New York, has left the firm, according to industry officials. One official credits Matheson with being instrumental in the effort that took Scotia from being a bit-part player in the mid-1990s to being a genuine lead bank in the sector. "He was the glue in the leadership that allowed them to become a lead," he says, citing its 2000 co-lead role on **Calpine's** \$2.5 billion CCF II as underlining that rise. Matheson, who had switched to another area of the firm early this year, could not be reached so his most recent role and the reason for his departure could not be determined.

Separately, **Brian Portis**, a senior member of the project finance team, has also left the firm. However, industry officials do not discern any strategic shift behind the two departures, noting that Scotia still has a strong team in place. Calls to Scotia officials in New York were not returned and a spokesman was unable to provide comment by press time.

## Funds Pile Into Power Paper

The B loan market for power sector paper has bloomed more than fourfold this year as embattled utilities and independent power producers have been forced to go cap in hand to institutional fund managers. Power companies have drawn some \$4 billion of B loans so far this year, against \$885 million for the whole of 2001, according to analysis by **Standard & Poor's LCD Group**, a leveraged loan data provider.

The majority of this year's 10 B loans were drawn by beleaguered power companies that, hit by credit rating downgrades and liquidity concerns, had been both locked out of the bond market and also rebuffed by traditional bank lenders already awash with their paper. "They had little option but to turn to the institutional investor leveraged loan market and pay up for the privilege," notes one Wall

Street financier. "It is expensive, but it's open," concurs **Steve Miller**, head of the S&P research group in New York.

Pricing also spiked this year, as the outlook for the power sector became ever grimmer. The average spread rose from 283 basis points over LIBOR last year to a fat 573 basis point margin this year, according to S&P. As LIBOR fell, so funds demanded ever greater spreads to meet their required returns, explains the banker.

**CenterPoint Energy** issued the largest B loan of the year, with a \$1.3 billion deal led by **Credit Suisse First Boston** last month. **Warren Buffett's Berkshire Hathaway** acquired a large slug of the deal. Even by the rich standards of the B loan market, the 995 basis point spread set a new benchmark for the price of such deals (PFR, 11/18).



## Middle East & North Africa Int'l Power Takes Abu Dhabi Poll Position

An **International Power**-led consortium has emerged as the frontrunner to land the acquisition and expansion rights to the Um Al Nar power plant in Abu Dhabi, after one of the three shortlisted bidders, **Tractebel**, failed to table a bid at the auction last week.

**David Barlow**, Middle Eastern business development manager at International Power in Abu Dhabi, refused to speculate on the London-based IPP's prospects or reveal the size of its bid. "It's still early days," he notes. **Rupert Frank**, regional manager at Tractebel, did not return calls.

Financiers close to the auction process say International Power has inched ahead of a rival consortium led by **TotalFinaElf**, after tabling a bid with a richer plant acquisition price. "While the headline acquisition price is not the only factor, it's the most important variable," notes one market watcher. The build-own-operate mandate involves the acquisition of a 200 MW plant and its expansion into a 1.7 GW power and water desalination plant backed by offtake agreements with the **Abu Dhabi Water & Electricity Authority**. Officials at ADWEA did not return calls.

Officials close to Tractebel declined to comment on why it did not place a bid, but market watchers say the decision of **Enel Power** to pull out of the Tractebel consortium in October (PFR, 10/7) likely played a big part. Enel had joined the consortia as its EPC outfitter.

Tractebel had been widely tipped to win the BOO mandate given the strength of the bank roster it had put together to provide non-recourse bank financing for the project (PFR, 8/19). The team included **Barclays Capital**, **BNP Paribas**, **Credit Lyonnais** and **Credit Agricole Indosuez**.

## Bahrain Smelter Selects Lenders

**Aluminium Bahrain** (Alba) is set to hire a consortium of nine banks, led by **Gulf International Bank**, **HSBC** and **Mizuho Financial** to arrange a \$500-700 million loan in part to fund the construction of a new power plant. The aluminum smelter will announce the lead bank roster once it has also selected banks to underwrite a local currency bond offering and an Islamic loan, says a banker involved in the negotiations.

The 12-year commercially syndicated corporate loan is part of

a \$1.5 billion debt package that Alba is arranging to increase its production capacity by 33% (PFR, 7/1). This will include the construction of a 625 MW inside-the-fence combined-cycle gas-turbine plant. Alba already owns some 1.5 GW of generation capacity in Bahrain and sells some 250 MW of capacity into the Bahrain power grid during the peaking summer months.

The bank consortium is made up of **Bank of Bahrain & Kuwait**, **Bank of Tokyo-Mitsubishi**, **GIB**, **Mizuho**, **National Bank of Abu Dhabi**, **National Bank of Bahrain**, **Qatar National Bank** and **Sumitomo Bank**.

## Corporate Strategies

### Midwest Generator To Refinance Debt

**Indiana Michigan Power** (IMP), a subsidiary of **American Electric Power**, recently issued \$100 million of 10-year senior notes in order to refinance maturing debt at lower interest rates. **Denise Furey**, an analyst at **Fitch Ratings** in New York, says its strategy is to pay down some of its more expensive debt right now because interest rates are low. **Melissa McHenry**, an AEP spokeswoman, did not return phone calls by press time.

According to Furey, IMP plans to use the proceeds from the offering to refinance \$40 million of 10-year, 7.7% first-mortgage bonds that mature on Dec. 15, 2002. It will also use the funds to pay down \$30 million of 10-year first mortgage bonds that have a 6.1% coupon and mature on Nov. 1 next year.

A recent report from Fitch explains that it gave the offering a triple-B rating partly because IMP's cashflow and leverage have improved over the past 18 months. The report says the service return of IMP's Cook I and II nuclear plants in Benton Harbor, Mich., after an outage of more than two years, explains the stronger balance sheet. Nevertheless, leverage is expected to remain high due to some lease obligations surrounding another plant and total debt to capitalization will remain around an aggressive 57% level, continues the report.

**UBS Warburg** and **BNP Paribas** were the joint bookrunners on the deal and **Credit Lyonnais** took a co-manager slot. The terms of the bond offering were unavailable as the deal was closing as *PFR* went to press.

IMP serves approximately 567,000 customers in northern and eastern Indiana and southwestern Michigan. It has 4,416 MW of electric generation split evenly between coal-fired plant and nuclear capacity. IMP represents approximately 11% of AEP's total generating capacity.

### Entergy Sub Seeks Third Refinancing Effort

**Entergy Mississippi** is looking to tap the bond mart by year-end or the beginning of next year to make further inroads into its interest-rate bill. **Carey McCoy**, jurisdictional finance director at the Entergy subsidiary, says the utility plans to make a \$100 million offering to help refinance at cheaper levels some \$275 million of debt that is either coming due or will be callable next year. "The debt markets right now are really attractive, so we want to lock in rates while they are low instead of risking the chance that they might not be as good next year," he says. The bonds it will be refinancing have coupons ranging from 6.25-8.25%. McCoy was unable to provide details on the pending deal, which will be its third bond deal since October, as deliberations are still at a preliminary stage.

Last month Entergy Mississippi issued \$75 million of first-mortgage bonds at 6% and, most recently, on Nov. 22, it issued \$100 million of 30-year first-mortgage bonds at 7.25%. "After we've retired all of this debt and the dust settles we will have reduced our total debt load from \$655 million to \$650 million and we'll have brought our overall interest rates down," he says.

According to McCoy, the most recent \$100 million offering will mature on Dec. 1, 2032 and will be callable after five years. The Baa2/BBB+ rated deal has a spread to comparable Treasuries of 234 basis points and was offered at a discount. Joint bookrunners were **Salomon Smith Barney** and **Wachovia** and co-managers were **Bank One Capital Markets**, **Deutsche Bank**, **Lehman Brothers**, **McDonald Investments**, **Morgan Keegan** and **RBC Capital Markets**.

Entergy Mississippi, a subsidiary of Entergy, is an integrated electric utility serving approximately 403,621 customers.





## Latin America

### Alliant Makes Brazil Sale U-Turn

**Alliant Energy International** reportedly has nixed plans to divest its portfolio of Brazilian assets. A banker close to the company says that while Alliant is resigned to retaining the utility and hydroelectric plant portfolio, it's determined not to inject any more cash into the \$450 million portfolio. He adds that Alliant has been quietly talking to suitors, but having received a cool reception from potential buyers, has decided to stop shopping the assets, he explains.

**Chris Schoenherr**, a company spokesman in Madison, Wis., declined comment on whether Alliant has been shopping its Brazil business, but says if its financial performance does not improve next year, then Alliant will re-evaluate its strategy in the region.

Commenting on the company's overall strategy, Schoenherr says, "We are narrowing our strategic focus on our domestic regulated and non-regulated businesses. This change in pace is driven on maintaining a strong credit rating and strengthening our balance sheet."

Alliant entered the Brazil power market enticed by the lure of high growth rates of 6%-8% and the prospect of enforceable PPAs, says Schoenherr. But, hit by a water shortage at its hydro plants and government imposed electricity rationing, Alliant has seen revenues dwindle by 20% over the past couple of years, he laments.

All of Alliant's Latin American holdings are located in Brazil. They include five Brazilian utilities that serve more than 1.7 million electricity customers in the states of Minas Gerais, Rio de Janeiro, Sergipe and Paraiba. Alliant also owns 15 small hydroelectric facilities.

## Latin American Power Financing Calendar

*Following is a directory of upcoming projects and related financing in the Latin American power sector. To report new deals or provide updates, please call **Amanda Levin**, Reporter, at (212) 224-3292 or email: [alevin@iinews.com](mailto:alevin@iinews.com)*

Sponsor	Project	Project Type	Size (MW)	Cost (\$mil)	Country	Advisor/ Financier	Status	PFR Issue
Alcoa	Santa Isabel	Hydro	1,087	700	Brazil	Citi	Financing delayed till 2003	7/22/02
Ceran	-	Hydroelectric	360	111	Brazil	BNDES	Will launch the loan shortly	10/8/01
Corporacion Venezolana de Guyana	Tocoma Dam	Hydroelectric	-	2,100	Venezuela	-	Expects to bring project on line by 2006	6/25/01
Duke Energy International	Pederneiras	Gas-fired	500	270	Brazil	-	Will finance with equity capital.	3/11/02
EdF, Mitsubishi	Altamira	Gas-fired	495	300	Mexico	Citi/Fuji	Has wrapped up syndication.	10/7/02
Electricite de France	Rio Bravo III	Gas-fired	500	290	Mexico	SocGen	Arranging a \$217M project loan	8/26/02
El Paso	-	Gas-fired	200	200	Mexico	-	Expects to bring project on line by 2003	4/16/01
El Paso	Araucaria	Gas-fired	469	340	Brazil	Dresdner	Financing delayed until Q4	7/4/02
El Paso	Macaé	Gas-fired	400	700-800	Brazil	SocGen	Financing due shortly	7/9/02
Elina Suereste	Manuel Moneno Sores	Transmission	-	269	Mexico	BNP	Has closed financing	10/21/02
Iberdrola	Vera Cruz	Gas-fired	800	700	Mexico	-	Will finance with equity	8/26/02
Iberdrola/Petrobras	Termoacu	Gas-fired	340	-	Brazil	IDB	IDB is evaluating the project	7/16/02
InterGen	Carioba	Gas-fired	945	670	Brazil	-	Project delayed until Q1 of 2003	2/25/02
PSEG Global	SAESA	Distribution company	N/A	450	Chile	J.P. Morgan	Considering taking out a \$300M loan to fund the acquisition	9/24/01
PSEG Global	Electroandes	Hydroelectric	183	227	Peru	BBVA Banco Continental/ Banco de Credito	Is planning \$100m in loan and bond financing	7/27/01
Sempra Energy Resources	Mexicali	Gas-fired	600	350	Mexico	SocGen	In the process of arranging a corporate loan	3/11/02
Tractebel/Alcoa	Estreito	Hydro	1,087	700	Brazil	Citi	Waiting for environmental permits	7/22/02
Union Fenosa	La Laguna II		450	-	Mexico	-	-	7/2/01
Union Fenosa	Naco Nogales	Gas-fired	300	-	Mexico	Citi	Seeking equity partner	10/21/02
Union Fenosa	Tuxpan III & IV	Gas-fired	938	600	Mexico	Deutsche Bank/BOTM	Banks have provided bridge loan	10/21/02

## 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

- German utilities **E.ON** and **RWE** are considering participating in a recapitalisation of Italian utility holding company **Italenergia**. The plan also calls for Italenergia to merge with its power unit **Edison**, Italy's second-largest power group, in a share swap and then recapitalise the combined group through a EUR1 billion loan from Italenergia's shareholders, a EUR2 billion bond offering and a EUR1 billion equity issue (*Il Sole 24 ore*, 11/23).
- The U.K. government has recruited former minister **Geoffrey Robinson**, to advise on the future of the country's nuclear industry and unravel the financial crisis at **British Energy** (*The Sunday Times*, 11/24).
- **European Union** energy ministers agreed to open the EU's power and gas markets to competition by July 2007. The EU has been negotiating for 10 years to reach a deal on opening the energy market (*Associated Press*, 11/25).
- U.K. power demand almost outstripped supply on the night of Nov. 21, an event that could have led to brownouts or even blackouts. The episode was a timely reminder of why the U.K. government cannot let **British Energy**, which provides 20% of the country's generation output, go bankrupt (*Wall Street Journal Europe*, 11/25).
- Investors who lent **TXU Europe** more than GBP500 million in the sterling bond markets are preparing to write off more than 80% of their holdings. TXU Europe is in administration, **AES DRAX** may endure a similar fate and **British Energy** looks precarious. Between them the three companies borrowed GBP1.37 billion in sterling bonds, which are worth now just GBP390 million at current market prices (*Financial Times*, 11/25).
- The Independent System Operator New England and the New York ISO have dropped plans to merge after coming under pressure from the Massachusetts attorney general, among others (*The Boston Globe*, 11/23).
- **Erroll Davis** and six other top executives at **Alliant Energy** will forgo their bonuses for the next two years as part of the company's cost-cutting moves (*The Wisconsin State Journal*, 11/23).
- **Westar Energy** has named **James Haines Jr.** as chief executive, replacing **David Wittig**, who resigned from the Tokeka, Kan.-based utility under a legal cloud (*Reuters*, 11/25).
- **Fred Fowler** has been named president and coo of **Duke Energy** (*Reuters*, 11/25).
- **Allegheny Energy** has delayed the release of its third quarter report after miscalculations were identified in a second quarter filing. The company has initiated a review of prior financial statements and has identified additional errors (*The State Journal*, 11/25).
- **Enron** will hold its third post-bankruptcy auction this week. Among items on the block are a fleet of 18 luxury cars and six "crooked E" logo signs, including a rotating, multi-colored sign that used to grace Enron's lobby that some have dubbed the "disco E" (*Reuters*, 11/25).
- **Ballard Power Systems** has won a \$1.88 million order from a new automotive customer for its fuel cell engine and support services (*Reuters*, 11/25).

### U.S. & Canada

- San Francisco announced the first project in a \$100 million program to harness solar energy. The city will spend \$7.4 million to install solar panels on the roof of the *Moscone Convention Center*, a move expected to cut its energy bill by \$639,000 (*Associated Press*, 11/21).
- A group of **NRG Energy** bondholders has demanded that the Minneapolis-based IPP immediately repays \$750 million of bonds that are in default (*Saint Paul Pioneer Press*, 11/21).

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## DTE SEEN

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announced Nov. 29, 2001, just three days before Enron filed for bankruptcy.

The proposed deal fits into DTE's previously announced acquisition strategy. Earlier this month John Austerberry, a DTE spokesman, told *PFR* the company was on the lookout for coal-fired power plants and had set aside \$450 million to

fund the effort (PFR, 11/25). It presently owns 7 GW of coal-fired generating capacity in Michigan. Austerberry was on vacation last week and could not be reached.

Edward Metz, an analyst at SNL Securities in Charlottesville, Va., says DTE's move to purchase FirstEnergy's Ohio assets makes sense because they are in close proximity to many of its own assets and they are both part of the ECAR (East Central Area Reliability Council) power market.

—Amanda Levin

## Financing Record (NOVEMBER 21 - NOVEMBER 27)

### Bonds

Issue Date	Maturity	Issuer	Amount (\$mil)	Offer Price	Type of Security	Coupon (%)	Spread to Bench-Mark	Moody's	S&P	Bookrunner(s)
11/21/02	12/31/32	Public Service Co of Oklahoma	200.0	100	Senior Notes	6	98	Aaa	AAA	Merrill/Salomon/UBS Warburg
11/25/02	01/08/10	Tractebel Power (AES)	49.8	101.5	Fxd/Straight Bd	5	-	NR	NR	ING

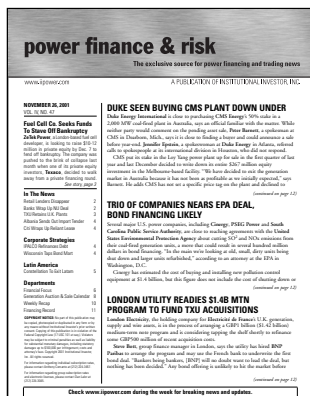
### M&A

Date Announced	Target	Target Country	Acquiror	Acquiror Country	Deal Value (\$mil)
11/21/02	Domegas	Venezuela	Inversiones en Gas	Venezuela	2.7
11/22/02	Stadtwerke Velbert	Germany	RWE	Germany	-
11/22/02	Vivendi Environnement	France	EdF	France	-
11/25/02	Vivendi Environnement	France	Investor Group	France	1853.304
11/26/02	Italgas(Ente Nazionale)	Italy	ENI	Italy	2528.558

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

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## NRG TO

(continued from page 1)

Chapter 11 bankruptcy protection, any sale becomes more complicated because of the involvement of creditors, he explains.

Metz was unable to put a price tag on the assets because if they are sold it will likely be at bargain basement prices. Commenting on the tone of the secondary market, Metz says, "It's a buyer's market right now because there is a huge number of assets for sale and few buyers," he comments. "While power companies were buying all of these assets a year or so ago they were worth a great deal, but now many of them are at fire-sale prices."

In the most recent blow in NRG's battle for survival, five former executives from NRG, a wholly owned subsidiary of **Xcel Energy**, last Friday filed for a Chapter 11 petition against the company. NRG said the filing of the involuntary petition does not put the company into bankruptcy, nor is the company subject to restrictions imposed on debtors under the U.S. Bankruptcy Code.

The company announced back in April that it had retained **Goldman Sachs** to market its mainland European and U.K. portfolios, **Deutsche Bank** to divest its Latin American businesses and **ABN AMRO** to auction its Asia-Pacific portfolio (PFR, 4/15).

—A.L.

## GOLDMAN SET

(continued from page 1)

European operations, did not return calls.

Analysts note that if Goldman lands the plant it would be the first investment bank to own and operate generation in Western Europe. However, Goldman is far from a novice at investing in power. Over the past four years it has built itself a reputation in the U.S. as a canny investor in the independent generation sector through its investment in **Orion Energy**. The company was sold at a hefty profit to **Reliant Resources** last year.

Like fellow U.S. power players, **NRG Energy**, **El Paso** and **TXU**, Entergy is looking to offload its investments in the U.K. While many of the potential asset sales have stalled over banks' unwillingness to take a haircut on the project loans underpinning the plants, Damhead is likely to be sold imminently because Entergy is playing hardball with its lenders.

An official at a rival bidder for Damhead says Entergy executives—infuriated at the apparent foot-dragging tactics of

its bank syndicate—threatened to walk away from the plant by Christmas if the banks hadn't facilitated a sale by then.

The Damhead syndicate has formed a steering committee comprising financiers from **Bank of Ireland**, **Royal Bank of Scotland**, **Sumitomo Bank** and **Société Générale** to negotiate with Entergy. The steering committee is being advised by **Ian Whitlock** at **Ernst & Young**. Officials on the committee confirmed that Entergy is looking to execute a quick sale, but declined comment on the prospective bidders. One financier noted that Entergy was unlikely to achieve a sale before year-end.

The Goldman bid reportedly is being led by **Dick Bronks**, a partnership managing director, who transferred to London last year. Calls to Bronks were not returned.

Damhead, a combined-cycle gas turbine plant, came online at the beginning of last year. Despite being one of the most efficient plants in the U.K., swooning wholesale power prices have left the merchant operator struggling to cover its debt and make a profit.

—Will Ainger

## Calendar

**MEED Conferences** will hold *MEED Congress: Privatisation, Liberalisation & Deregulation* on March 25-26 in Dubai, UAE. For further information call 44 20 7505-8564 or Fax: 44 20 7505 8566

## Quote Of The Week

"It is expensive, but it's open." —**Steve Miller**, head of **Standard & Poor's LCD Group**, commenting on the high interest rates power companies are having to pay to tap the institutional investor B loan market, following the near closure of the high-yield bond market (see story, page 3).

## One Year Ago In Power Finance & Risk

**Enron** was on the brink of collapse after **Dynegy** pulled out of its planned acquisition of the once high-flying Houston energy trader. Enron shares traded at \$0.33, down from a 2001 high of \$84. [Enron filed for Chapter 11 bankruptcy on Sunday Dec. 2, weighed down by its debt overhang and a loss of investor confidence. Enron dismantled or sold off the bulk of its energy trading businesses in the first quarter and this September embarked upon the auction of its remaining domestic hard assets and retail franchises, notably **Portland General Electric**, **Transwestern Pipeline Co.** and its 50% stake in **Florida Gas Transmission Co.**]