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A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

DECEMBER 19, 2005

VOL. VIII, NO. 50

Wolf Hollow B-Loan Wraps Up

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Mirant Debt Ticks Up

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Deluge On The Way

GENERATION SALES SET TO TOP 100 GW

More than 100 GW of generating assets are expected to change hands over the course of the next 12-18 months in the U.S. According to a research study by **Cambridge Energy Research Associates**, mergers—such as the one rumored between **FPL Group** and **Constellation Energy**—and expected auctions from private equity and hedge funds will spark much of the activity. “If you look at what’s held currently by banks and financials...you get a sense of what’s coming,” says **Patricia Diorio**, director at the Boston-based research firm, noting that banks and other institutions who have acquired plants in recent years did so with short-term hold horizons.

Private equity shops already have earmarked nearly \$20 billion in funds for more

(continued on page 12)

FIRMS CIRCLE CALPINE TO LEAD \$2B+ POTENTIAL DIP DEAL



GE Commercial Energy Financial Services, **JPMorgan Chase** and **Credit Suisse First Boston** are jockeying to prep a debtor-in-possession financing for Calpine. Market watchers say \$2-2.5 billion in DIP financing with various structures are being offered to the San Jose, Calif., IPP as it teeters on the verge of Chapter 11. Calpine is weighing all its options as it tries to work out its financial woes and bankers say it wants to be prepared if there is a filing, as many market participants predict. A call to a Calpine spokesman was not returned and officials at the banks either declined comment or did not return calls.

Any DIP funding must ultimately be green-lighted by a bankruptcy judge and could be

(continued on page 11)

DRAX POWER DEBT SURGES ON RUN-UP TO LISTING

Drax Power bank debt soared more than 27 points to 427 on the eve of its listing on the **London Stock Exchange**. The U.K. power company's A2/A3 debt converted into equity Thursday last week. Drax shares closed at GBP4.90 (\$8.64) a share, valuing the company at a little over GBP2 billion, according to *PFR* sister publication *Credit Investment News*.

Investors scrambled to buy into the debt in the run-up to the listing and the conversion of debt into equity has helped boost its value. “Those power companies that have an equity component do well. If there is only debt, investors’ returns are capped at par. In the case of Drax, investors were always going to get equity,” says one trader.

Only 7-8 months ago, Drax's debt was trading at around 230. Its value has been bolstered

(continued on page 11)

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



At Press Time February Launch Expected for Orion Asset Financing

Bankers are expecting a February launch of the Orion asset acquisition financing, for **Madison Dearborn** and **US Power Generating**. The deal, which includes the 1.2 GW Astoria power complex, is being led by **Morgan Stanley** but exact terms of the deal could not be determined. The project was originally reported to be a term loan B in the range of \$600-800 million (PFR, 11/07). Officials at Morgan Stanley did not return a call for comment.

Madison Dearborn and US Power Generating acquired the assets for \$975 million from **Reliant Resources** earlier this year. Calls to **Jacob Worenklein**, president and ceo at US Power Generating were not returned. A call to **David Mosher**, managing director of Madison Dearborn in Chicago, was not returned by press time.

Bids For East Coast Power, DENA Due This Week

Bidding for a pair of highly anticipated generation auctions for holding entity **East Coast Power** and **Duke Energy's Duke Energy North America** are due this week. Initial bids for the planned sale of **Goldman Sachs-owned East Coast Power**— a 940 MW cogeneration facility in Linden, N.J., are set for Wednesday with an eye toward completing the sale sometime in the first quarter, say trackers. The deal was kicked off three weeks ago (PFR, 12/5). Officials at Goldman, which is handling the sale internally, did not return a call.

East Coast Power was purchased for \$456 million in cash and the assumption of about \$600 million in non-recourse debt. The Linden facility has a power-purchase agreement with **Consolidated Edison Co. of New York** for 645 MW, which expires in 2017.

Meanwhile, second round bidding for Duke Energy's sale of DENA is slated for today. **Credit Suisse First Boston**, along with Goldman, is handling the sales effort. According to observers Duke is hoping to unload its portfolio of merchant generation facilities for around \$2 billion. CSFB officials declined to comment on the sale. A Duke official did not return a call for comment.

Carlyle/Riverstone, Sempra Eye Sale Of Coletto Creek

Carlyle/Riverstone Holdings plans on selling or refinancing its share of the 632 MW coal-fired Coletto Creek Power Station along with its 50-50 partner **Sempra Energy**. San Diego-based Sempra unit **Sempra Generation**, announced its plans to sell or refinance all of its assets in Texas last week, which may have given Carlyle/Riverstone reason to shop its stake as well. **Goldman Sachs** has been hired to lead the marketing process for Coletto Creek and for Sempra's wholly-owned coal-fired 305 MW Twin Oaks Power plant.

Coletto Creek is owned in generation holding entity **Topaz Power Group**, which Carlyle and Sempra established last year when it acquired a spate of power plants from **American Electric Power**. The pair are also selling the remainder of the assets in Topaz in a separate sale being handled by **Greenhill & Co.** (PFR, 12/10).

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**Institutional
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INTELLIGENCE FIRST

Lehman Sees Modest Growth For Energy Biz

Lehman Brothers is taking a moderate approach to growth at its nascent commodities trading unit. **David Goldfarb**, chief administrative officer at the Manhattan-based white shoe firm, says the power and energy trading operation is being forged largely to cater to institutional clientele. "The strategy is really about structured solutions for clients," he said, responding to an analyst inquiry during an earnings call last week. "I wouldn't expect significant increases. [Commodities trading] is not one of our largest asset classes in fixed income," he notes.

The firm, which shifted **Frank Napolitano** from co-power head to be sole head of the group (PFR, 9/5), wants to leverage from its existing activities in energy and power. "We see [the trading business] as a way to help clients mitigate risk and correlating the business with energy banking," he said. The desk has made a handful of hires over the past months as it builds out the team.

Mirant Debt Sees Uptick

Mirant debt has been trading up since the Atlanta IPP received approval of its reorganization and launched a \$2.3 billion exit financing package. Traders say in the past week or so, Mirant's '03 revolving credit, for example, has ticked up by about five to six points and is now being seen in the context of 114 from 107-108. Mirant launched its exit package in early December (PFR, 12/12). Spokesman **Dave Thompson**, declined to comment on the financing but says the power producer is confident about its health once it completes its Chapter 11 emergence, which is expected by yearend.

The IPP's reorganization will cut its debt by half, from \$4.3 billion. Under the reorganization plan, **Mirant Americas Generation's** (MAG) debt will be repaid in full, while MAG's \$1.7 billion of long-term debt will be reinstated. The company will repay MAG's \$1.5 billion of short-term debt and other obligations with common stock in the reorganized parent company for 10% of the amount owed. Shareholders will receive 3.75% of new common shares in the reorganized company, with warrants to buy a further 10% of the common stock.

Mirant plans to raise \$1.35 billion in capital to repay the debtholders when it exits Chapter 11. But it also reserves the right to issue new notes directly to the creditors for this portion of their claims. About \$6.5 billion of unsecured debt and obligations at Mirant's parent company will be exchanged for 96% of the remaining common stock. Mirant's subordinated

trust preferred securities will receive 3.5% of the common stock with rights to buy 5% of the new common stock issued under its plan of reorganization.

Wolf Hollow B-Loan Set To Close

Goldman Sachs and **WestLB** are looking to wrap up syndication of the 730 MW Wolf Hollow acquisition loan being arranged on behalf of **Stark Investments** and **Sequent Power Partners**. The deal, which funds the planned purchase (PFR, 10/31) of the Hood County, Texas, plant, was expected to close last Thursday, as *PFR* was going to press. Officials at Goldman did not return calls and WestLB officials declined comment. Executives at Stark and Sequent did not return phone calls.

Pricing on the six-and-a-half year \$130 million term loan B first lien was 225 basis points over LIBOR and pricing on the seven-year \$110 million second lien was 450 basis points over LIBOR, the five-year \$50 million revolver also was set at 225 basis points.

About 95% of the combined-cycle, natural-gas fired plant is contracted by Goldman subsidiary **J. Aron & Co.**, which has about half of the capacity for five years. **Exelon** is two years into a 20-year PPA. **KBC Bank** helped originate the construction loan for the gas-fired combined cycle facility for AES, which handed the keys back to lender when the plant was completed last year (PFR, 12/26/2004).

CIT Preps Miss. Gas Storage Construction Funds

CIT Group, on behalf of sponsor **SGR Holdings**, is leading a non-recourse construction loan in the neighborhood of \$100 million for a natural gas storage facility in Green County, Miss. The storage terminal, the Southern Pines Energy Center, is being built by **SG Resources Mississippi**, a subsidiary of Houston-based SGR. Bankers looking at the deal would not comment on pricing or structure, as the deal was only sent out to a handful of banks. **Mark Cook**, principal of SGR in Houston, says financing is close to being finalized and referred further inquiries to **Tony Clark**, principal, who did not return messages.

Construction on the first phase is set for late December. Officials at CIT declined to comment.

The natural gas terminal, once completed, will store up to 16 billion cubic feet of natural gas. Construction beginning in December, will be on the first phase, of 8 billion cubic feet, with the company hoping to bring the operation into service by late fall 2007. Phase II is expected to come into service a year later.

Federal Energy Regulatory Commission approved construction in October 2002.

Strategies

Entergy Gulf Shops Floaters For Debt Pay Down

Entergy Gulf States, a Beaumont, Texas-based subsidiary of **Entergy Corp.**, has sold \$350 million of first-mortgage, floating-rate bonds to pay down maturing debt. **Justin Bowersock**, an analyst with **Fitch Ratings** in Chicago, says proceeds will be used to repay \$200 million of first-mortgage bonds due Oct. 2, 2006 and \$174 million borrowed from the Entergy System pool as of Nov. 23, 2005. **Frank Williford**, assistant treasurer for the parent, speaking from Houston, referred calls to spokeswoman **Yolanda Pollard** in New Orleans, who did not return calls for comment.

Bowersock says the floating-rate debt will give the company some flexibility while it considers its options for paying the recovery costs incurred because of Hurricanes Katrina and Rita. He adds the parent will inject money into the subsidiary to help cover costs, but the company and state regulators are also waiting to hear word from Congress on how much will be allocated and funneled their way. **Citigroup** and **LaSalle Bank** served as underwriters.

According to Fitch, this new issuance brings Entergy Gulf's total debt to about \$2.4 billion, which raises the total debt to total capitalization ratio to 55:45.

Northeast Utilities Boosts Offering By 20%

Northeast Utilities, based in Berlin, Conn., recently sold 20 million shares, netting \$369 million to cover capital expenditures and help pay off energy contracts it's trying to terminate. **Jeff Kotkin**, v.p. of investor relations, says the plan was only to sell 16.5 million shares, but during the five-day roadshow, officials realized demand was strong enough that they could boost the offering without taking a hit on the price. "We knew it was likely that we'd have to raise more capital in the coming year," Kotkin says. "And we said, 'Well, if the price is good let's do it.'"

Both deals are part of the company's shift out of non-regulated businesses. Northeast is trying to sell energy contracts that are locked in at below-market prices. The company has to pay buyers to take them and has spent \$145 million on this this year, Kotkin says. It plans to use proceeds from the offering to spend \$97 million on contracts in the fourth quarter. The rest of the proceeds will be used to invest in transmission and distribution systems, required by state regulators.

Northeast is also in the process of selling 1,440 MW of

generation, which includes a coal plant and 1,295 MW of hydropower. Kotkin says the company has hired an investment bank as an advisor on the sale, but declined to name it.

The shares were priced at \$19.09, at no discount to the previous day's close. The underwriters took \$0.62 per share. **Lehman Brothers** and **JPMorgan Securities** were the joint book-running managers. Kotkin says part of the reason the duo was picked was because of their experience in selling other utility deals.

Southern Cleans Up Utility Unit Indentures

Southern Co. is coordinating refinancing efforts for utility arms including **Mississippi Power** and **Gulf Power** in order to phase out indentures that had debt and dividend restrictions at the subsidiaries, says **Earl Long**, assistant treasurer of the Atlanta-based energy holding entity. Mississippi Power refinanced \$30 million of 6.875% 30-year first-mortgage bonds. Another subsidiary, **Georgia Power**, has one more indentured tranche which matures November 2006, and the last indentured debt at **Savannah Power** matures May 2006.

The refinancings are part of a broad effort to expunge indentured debt, which often bear onerous stipulations for borrowers, says Long. He did not provide a timetable for refinancing at Georgia and Savannah.

Mississippi Power issued \$30 million of 5.4%, 30-year senior unsecured notes June 24 through **Bank of America Securities**, while Gulf Power sold \$60 million of 5.65% 30-year senior unsecured notes Aug. 11 through **Barclays Capital** also to recast about \$30 million in debt. The remainder will help Gulf fund capital expenditures. Long says the entities decided to issue the debt over the summer because 30-year rates were attractive at the time.

"We suffered though a little negative arbitrage but we think it was worth it," says Long, referring to the difference between the long-term rates Southern paid and the short-term interest it earned while the funds were in escrow. BofA and Barclays were chosen based on longstanding relationships with the Southern organization. Both issuances include 10-year call provisions. Southern has put call provisions on most of its notes this year even though rates are at historical lows. Long says call premiums are currently priced lower than the value Southern put on them in its own analysis (PFR, 11/18).

Long says Southern has no more financings planned for 2005, but expects the company to return to the debt markets at least twice in the first quarter of 2006 to refinance maturing debt.

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Strategies (cont'd)

Moody's Investors Service rates Gulf Power's senior unsecured debt A2, and Mississippi Power's senior unsecured debt A1.

Progress Tackles Inter-Co., Short-Term

Progress Energy Florida, a utility subsidiary of Progress Energy, has sold \$450 million of three-year floating-rate notes that are non-callable for six months in order to pay off short-term borrowings and inter-company loans from its parent. Tom Sullivan, treasurer at Progress Energy, says much of the debt is tied to costs incurred as a result of hurricane damage and escalating natural gas prices.

Progress chose a relatively short tenor in obtaining the debt because the St. Petersburg, Fla.-based utility subsidiary wanted to issue callable notes without doling out a hefty premium. The

floating-rate debt is pegged to three-month LIBOR plus 40 basis points and is re-adjusted on a quarterly basis.

Barclays Capital and Lehman Brothers were joint book-runners on the note offering, which was syndicated through Calyon Securities, SunTrust Robinson Humphrey, UBS, Deutsche Bank Securities and Melon Financial Markets. All of the institutions provide revolving credit to Progress. Standard & Poor's rates the notes BBB- and Moody's Investors Service rates it A3.

Plans for recovery of the fuel costs next year have already been approved, and recovery of the storm costs has begun, says Sullivan. Pricing on the commercial paper outstanding averaged 4.48%, and the inter-company notes were priced at 4.43%. Based on the most recent securities filings, Progress Energy Florida has approximately \$2.6 billion in total debt and a debt-to-cap ratio of approximately 50:50.

Financing Record (DECEMBER 7-DECEMBER 13)

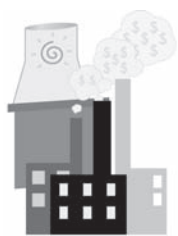
Debt

Rule 144A	Issue Date	Issuer	Business Description	Amount (\$M)	Coupon (%)	Type of Security	Maturity	Offer Price	YTM(%)	Spread	S&P	Moody's	Fitch
	12/7/05	Indiana Michigan Power	Electric utility holding co	125	5.65	Senior Notes	12/1/15	99.859	5.669	115	BBB	Baa2	BBB
	12/7/05	Progress Energy Inc	Electric utility	450	Floats	Sr Unsecurd Nts	11/14/08	100	Floats		BBB-	A3	NR
	12/8/05	CMS Energy Corp	Electric,gas utility	125	6.875	Senior Notes	12/15/15	100	6.875	240	B+	B1	NR

M&A

Date Announced	Date Effective	Target Name	Target Industry Sector	Target Nation	Acquiror Name	Acquiror Advisors	Acquiror Industry Sector	Acquiror Nation	Value (\$M)
12/7/05	12/7/05	Amsterdam Power Exchange	Electric, Gas, and Water Distribution	Netherlands	Nederlandse Gasunie NV		Electric, Gas, and Water Distribution	Netherlands	8.794
12/8/05	12/8/05	Hameenkyron Lampo Oy	Electric, Gas, and Water Distribution	Finland	Leppakosken Sähkö		Electric, Gas, and Water Distribution	Finland	31.664
12/8/05		Allgemeine Leasing-Merinda	Electric, Gas, and Water Distribution	Germany	Viridis Clean Energy Group		Investment & Commodity Firms,Dealers,Exchanges	United Kingdom	14.011
12/9/05		Grupo Nuon Espana SLU	Electric, Gas, and Water Distribution	Spain	Novas Energias do Occidente	Santander Central Hispano Inv. ABN-AMRO Holding NV	Electric, Gas, and Water Distribution	Portugal	
12/9/05		Norsk Kontantservice AS	Electric, Gas, and Water Distribution	Norway	Hafslund Sikkerhet AS		Business Services	Norway	2.601
12/9/05		Sun Electric Co	Electric, Gas, and Water Distribution	China	GOME Electrical Appl Hldg Ltd		Computer and Office Equipment	Hong Kong	
12/12/05	12/12/05	Gossen-Metrawatt GmbH	Electric, Gas, and Water Distribution	Germany	Capiton AG		Investment & Commodity Firms,Dealers,Exchanges	Germany	
12/12/05		Proactive Energy Dvlp Ltd	Electric, Gas, and Water Distribution	Australia	Digital & Voice Media Ltd		Advertising Services	Australia	0.567
12/12/05		Proactive Energy Dvlp Ltd	Electric, Gas, and Water Distribution	Australia	Digital & Voice Media Ltd		Advertising Services	Australia	1.7
12/13/05	12/13/05	Rio Rico Utilities Inc	Electric, Gas, and Water Distribution	United States	Algonquin Water Resources		Electric, Gas, and Water Distribution	United States	8.868

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



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. New items are in bold. 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@iineews.com.

Seller	Plants	Location	MW	Plant Type	Advisor	Status
Atlantic City Electric Company	B.L.England	New Jersey	447	Coal	Concentric Advisors	In Second Rounds.
	Key Stone	Pa.	-	Coal		
	Conenough	Pa.	-	Coal		
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.
BNP -led bank group (Exelon developed plants)	Mystic River 7	Mass.	560	Oil/Gas	Lazard	Ongoing.
	Mystic River 8	Mass.	832	Gas		
	Mystic River 9	Mass.	832	Gas		
	Fore River	Mass.	832	Gas		
Carlyle Riverstone/ Sempra	Topaz Power Group	ERCOT	2.9 GW	Gas&Oil	Greenhil & Co.	Preliminary marketing materials have been submitted
Citi & SocGen-led creditor group (TECO Energy developed plants)	Union	Ark.	2,200	Gas	Goldman	Ongoing.
	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	
	Palisades	Mich.	798	Nuke	Concentric Advisors	Announced Intention To Sell.
Citi-led bank group (NEG developed plants)	Lake Road	Conn.	840	Gas	Lehman Bros.	Cargill Bought Debt Portion (PFR, 12/27).
	Lowell Power	Mass.	82	Gas	None	Actively Pursuing A Sale.
Delta Power						
Duke Energy North America	Bridgeport Energy Project	Bridgeport, Conn.	490 MW	Gas	CSFB	In Play Save For The Midwest Facilities.
	Maine Independence Station	Penobscot County, Maine	520 MW	Gas	Goldman Sachs	
	Bayside Power Project	St. John, New Brunswick	260 MW	Gas		
	Fort Frances Cogeneration Project	Fort Frances, Ontario	110 MW	Gas		
	Lee Energy Facility	Lee County, Ill.	640 MW	Gas		
	Vermillion Energy Facility	Vermillion County, Ind.	640 MW			
	St. Francis Energy Facility	Glennonville, Mo.	500 MW	Gas		
	Washington Energy Facility	Washington County, Ohio	620 MW	Gas		
	Fayette Energy Facility	Fayette County, Pa.	620 MW	Gas		
	Hanging Rock Energy Facility	Lawrence County, Ohio	1,240 MW	Gas		
	Oakland Power Plant	Oakland, Calif.	165 MW	Gas		
	Moss Landing Power Plant	Monterey County, Calif.	2,538 MW	Gas		
	Morro Bay Power Plant	Morro Bay, Calif.	1,002 MW	Gas		
	South Bay Power Plant	Chula Vista, Calif.	700 MW	Gas		
	Griffith Energy Facility	Mohave County, Ariz.	600 MW	Gas		
	Arlington Valley Energy Facility	Maricopa County, Ariz.	570 MW	Gas		
	McMahon Cogeneration Plant	Taylor, British Columbia	117 MW	Gas		
El Paso Europe	EMA Power	Hungary	70	Coal		



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Generation Auction & Sale Auction (cont'd)

Seller	Plants	Location	MW	Plant Type	Advisor	Status
El Paso North America (Merchant assets)	Berkshire	Mass.	261 (56.41%)	Gas		Final Bids Due.
	CDECCA	Conn.	62	Gas		Negotiations Are Taking Place With
	EnCana	Cavalier	Alberta	106	Gas	HSBC Launched Sale In April.
	Balzac	Alberta	106	Gas	HSBC	
	Kingston	Ontario	110 (25%)	Gas	HSBC	
Energy Investors Fund	Multitrade	Va.	79.5 (60%)	Biomass	None	Stake Sold To GE
	Crockett	Calif.	240 (24%)	Gas		
Entergy Asset Management	Robert Ritchie	Ark.	544	Gas/oil	None	Ongoing.
	Warren Power	Miss.	314	Gas		
	RS Cogen	La.	425 (49%)	CHP		
	Harrison County	Texas	550 (70%)	Gas		
Exelon/PSEG	Eddystone Generating Station	Delaware County, Pa.	1,510 MW	Coal and Gas		Interviewing Banks To Advise On Sales.
	Linden Generating Station	Linden, N.J.	775 MW	Gas		
Gama Construction Ireland Limited	Tynagh	Republic of Ireland	400 MW	Gas	Fieldstone Private Capital Group	Ongoing
KBC-led creditor group	Milford	Conn	542	Gas	Lazard	Ongoing.
Mirant	Shady Hills	Fla.	474	Gas	BofA	Ongoing.
	West Georgia	Ga.	640	Gas		
	Bosque County	Texas	538	Gas		
	Wichita Falls	Texas	77	Gas		
Morrow Power	Boardman	Ore.	28	Gas	Marathon Capital	Evaluating Bids.
Nations Energy	Bayport	Texas	80	N/A		Considering Liquidation.
	Mungo Junction	Ohio	32			
	Southbridge	Mass.	7			
National Energy Gas & Transmission (USGen New England)	Salem Harbor	Mass.	745	Coal/Oil	Lazard	Dominion Has It Under Contract.
	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	Madison Dearborn And US Power Gen. Have Won A Bid To Acquire The Assets.
	Astoria	N.Y.	1,276	Gas		
	Gowanus	N.Y.	549	Gas		
	Narrows	N.Y.	281	Gas		
InterGen	Redbud	Okla	1,220		Citigroup	Harbert Venture Acquired The Assets.
	Cottonwood	Texas	1,235			
	Magnolia	Miss.	900			
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		
STEAG	Iskenderun	Turkey	1,320	Gas	Morgan Stanley	Ongoing.
Teco Energy	Dell Power Station	Ark.	540	Gas		Reviewing Options.
	McAdams Power Station	La.	599	Gas		
Tractebel North America	Chehalis	Wash.	520	Gas	N/A	Looking To Sell Or Swap.
WPS Resources	Sunbury Generating Station	Shamokin Dam, Pa.	450 MW	Coal	Lazard	Buyers Are Stalling Over Fuel Contracts.

Weekly Recap

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

The Americas

- A shareholder in the **New York Mercantile Exchange**, the world's largest energy market, has sued the exchange over its refusal to release documents related to a proposed equity sale to buyout firm **General Atlantic** (*New York Post*, 12/9).
- Fall River, a city in Massachusetts, has asked the state to end its consideration of **Hess LNG's** plan to build a liquefied natural gas facility in the city and reject the project, which would prevent the company from moving forward, says Mayor **Edward Lambert** (*Herald News*, 12/10).
- **Peabody Energy** is getting closer to breaking ground on a \$2 billion power plant, which is said to be the largest private capital project ever proposed for southern Illinois (*St. Louis Business Journal*, 12/12).
- **Calpine** named **Robert May**, former chairman of **HealthSouth**, as chief executive of the troubled energy company. May replaced Calpine founder **Peter Cartwright**, who was ousted about two weeks ago amid the company's deepening crisis (*Wall Street Journal*, 12/13).
- The boards of directors of energy holding company **Southern Co.**, and subsidiaries **Savannah Electric** and **Georgia Power** have given their stamps of approval to merge Savannah Electric into Georgia Power (*Bizjournals.com*, 12/13).
- Nevada regulators have cleared the path for construction of a 514MW natural gas-fired power plant east of Reno — a proposed \$420 million project that underscores **Sierra Pacific Resources'** recovery from the financial chaos it faced after the 2001 Western energy crisis (*Associated Press*, 12/13).
- Brazil will seek to attract \$4.42 billion of investments in new power plants through 2010 in a sale of long-term electricity contracts this week, a government official said (*Bloomberg News*, 12/13).
- About 40 former **Enron** traders have been ordered by a Texas bankruptcy judge to return \$20 million of bonuses they received just before the company went bankrupt (*Associated Press*, 12/13).
- **FPL Group** is in advanced talks to acquire the **Constellation Energy Group** for more than \$11 billion, according to people briefed on the negotiations. A deal would create a utility behemoth with operations all along the East Coast, from Maine to Florida (*New York Times*, 12/14).
- Former **Enron** chairman **Kenneth Lay** blasted the star witness against him in his upcoming fraud trial as "despicable and criminal" and denounced the tactics of prosecutors who want to

send him to prison in a speech yesterday to a Houston business group (*Washington Post*, 12/14).

- **FPL Group** unit **Florida Power & Light** wants to sell bonds to recover much of the cost of responding to the hurricanes of the last two years and to rebuild a reserve for future hurricanes (*Associated Press*, 12/14).
- The Mexican Senate has approved changes in the country's energy laws that will allow state oil monopoly **Petroleos Mexicanos**, or Pemex, to produce and sell electricity (*Dow Jones Newswires*, 12/14).
- Florida must stop relying so heavily on costly natural gas for generating its electricity, Gov. **Jeb Bush** said Wednesday at a meeting to discuss the state's energy future (*Associated Press*, 12/14).
- **Scana** and **Santee Cooper**, the electric utilities that serve the bulk of South Carolina, are rushing to get federal approval to build a nuclear power plant just north of Columbia (*Post and Courier*, 12/14).
- **Sempra Energy** hired investment bank **Goldman Sachs** as it considers selling or refinancing its interests in all of its generation assets in Texas, including coal-burning Coletto Creek, citing historically high market prices (*Associated Press*, 12/14).

Europe

- A race to snap up a majority stake in **Union Fenosa** is clouding the future of Spain's third-largest utility, the last big entry point to the lucrative Iberian energy market (*Dow Jones Newswires*, 12/9).
- Russia's **Gazprom** said **Gerhard Schroeder**, ex-chancellor of Germany, will head a shareholders' committee for the North European Gas Pipeline, a project for a gas pipeline to be built under the Baltic Sea from Russia to Germany (*AFX*, 12/12).
- **Boralex**, a renewable energy developer, has closed its acquisition of the shares of **Eoliennes de la Citadelle**, which holds the building and operating rights to a 12 MW wind farm in Saint-Agreve and Desaignes in Ardeche, France (*Dow Jones Newswires*, 12/14).

Asia/Australia

- **Spark Infrastructure Fund**, an Australian power distributor, raised A\$1.6 billion (\$1.2 billion) selling shares to the public at the bottom of its target range amid concern that interest rate rises may trim investor returns (*Bloomberg News*, 12/14).

DRAX POWER

(continued from page 1)

by surging U.K. power prices, which have more than doubled in the past three months. Its fortunes have taken an abrupt turnaround compared with three years ago when it collapsed after power prices fell and **TXU Europe**, its largest customer, went bankrupt. Since its restructuring, the value of its debt has soared on the back of increasing power prices.

Recently, Drax's debt was bumped up further by bids submitted by several investment groups seeking to buy the company. Since September, several investment firms, including **Constellation Energy**, **Apollo Management** and **Texas Pacific Group Europe**, showed interest in buying the company. The board however rejected the bids, claiming they undervalued the company.

Standard & Poor's assigned a BBB- corporate credit rating to the Drax Power group. It assigned a BBB rating to Drax's new GBP500 million of bank debt, as well as its GBP100 million revolver and GBP200 million letter of credit facility. **Magdalena Richardson**, an associate at S&P, says the agency is satisfied that Drax would be able to repay its debt should power prices drop. "Even if its EBITDA fell from GBP440 million to GBP200 million, it could still service its debt," said Richardson.

—Kim Moore

FIRMS CIRCLE

(continued from page 1)

rearranged but bankers say identifying a lender and working out a structure might serve to quicken the pace of the bankruptcy process.

GE, JPMorgan and CSFB have all been lenders to Calpine in some capacity. GE Commercial is perhaps the most familiar with Calpine, having provided both debt and equity on its deals in the past, including partnering on the construction of Inland Empire Energy Center in Riverside County, Calif.

JP Morgan has handled DIP financing for **Mirant**, taking a lead role in its \$500 million package. CSFB has been charged by Calpine to help it work out options for monetizing its geothermal assets, the IPP's crown jewels from a revenue standpoint (PFR, 10/31).

The IPP's most recent financing deal was a \$400 million preferred stock offering led by **Morgan Stanley**.

The company has a Byzantine capital structure with some \$17 billion in debt set to mature at the holding company over the next few years. Its debt-load includes \$5.6 billion of senior unsecured bonds and some \$12 billion that holds priority, in bankruptcy, over its senior unsecured bonds, including \$642 million of first lien notes and \$3.7 billion of second lien notes.

Last week, the company named **Robert May** ceo, replacing interim chief **Kenneth Derr**.

—Mark DeCambre

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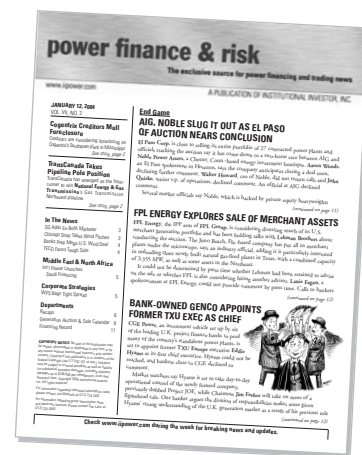
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GENERATION SALES

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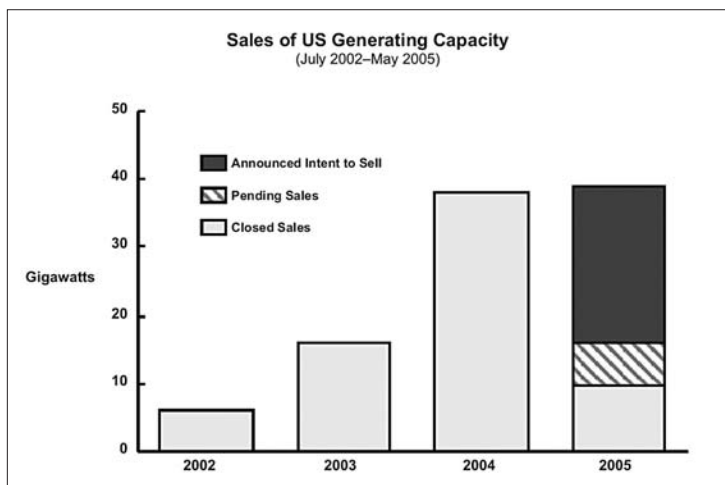
generation investments, CERA notes. Those include shops such as **Energy Investors Fund**, which has a \$750 million *United States Power Fund II*, (PFR, 11/26) and **Carlyle/Riverstone Holdings**, which is plotting a \$2.5 billion investment vehicle (PFR, 9/26) and **LS Power Development** which fired up a \$1.2 billion fund.

The predicted sales onslaught would nearly double the roughly 120 GW in generation sales that have occurred since July 2002, Diorio notes. She says asset sales, including dispositions of natural gas, and coal-fired plants began to kick off in earnest last year when approximately 40 GW in merchant or nearly merchant plants were shopped.

Improved market dynamics in areas such as the Northeast, where demand is beginning to make many of the otherwise idle or un-contracted power plants more desirable. "We've got more de-regulated markets that are starting to see tightening," Diorio

notes. Although still trading at a discount to replacement costs, CERA's research indicates that prices for assets have ceased a three-year decline, bottoming out at an average price during 2004 of \$270 per kW.

—Mark DeCambre



Source: Cambridge Energy

Calendar

- **Euromoney** is holding its USA Power and Utility Finance Conference in Las Vegas on February 16-17 at the MGM Grand Hotel. For additional information please call toll free at 1-800-437-9997 or 1-212-224-3570, for New York, or 44-0-20-7779-8999 for London.
- The **Edison Electric Institute** will host its International Utility Conference in London on February 20-23 at the London Hilton on Park Lane. For additional information please contact **Debra Henry**, via email at dhenry@eei.org or via phone at (202) 508-5496 or **Mari Smallwood**, via email at msmallwood@eei.org or via phone at (202) 508-5501.

Quote Of The Week

"We have traded several hundred million in *Calpine*." —
Stephen Moyer, analyst at **Imperial Capital**, talking about arbitrage plays being made in *Calpine's* debt (see story, page 1).

One Year Ago In Power Finance & Risk

Sea West Wind Power was looking to arrange about \$100 million in funding for Buffalo Gap, a 120 MW wind farm in central Texas. [Dexia Cr dit Local syndicated \$116 million in construction financing back in June for the wind farm. The loan priced at 1 3/8% over LIBOR and was divided evenly between the lead, HypoVereinsbank and Bayerische Landesbank. The project, underpinned by a 15-year PPA for 100% of the output

with Houston, Texas-based **Direct Energy**, is scheduled for completion by year end. The company then plans to take out the debt with equity from a consortium including affiliates of JPMorgan Chase (PFR, 06/17).]

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