NRG ENERGY INC
Form SC TO-T/A
April 04, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE TO

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934
(Amendment No. 4)

NRG ENERGY, INC.

(Name Of Subject Company (Issuer))

XCEL ENERGY INC.
AND
NRG ACQUISITION COMPANY, LLC

(Names Of Filing Persons (Offerors))

COMMON STOCK, PAR VALUE $0.01 PER SHARE, OF NRG ENERGY, INC.

(Title Of Class Of Securities)
629377-10-2
(Cusip Number Of Class Of Securities)

XCEL ENERGY INC.
800 NICOLLET MALL
MINNEAPOLIS, MINNESOTA 55402
(612) 330-5500
(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications on Behalf of Filing Persons)

Copies to:
ROBERT A. YOLLES, ESQ.
PETER D. CLARKE, ESQ.
Jones, Day, Reavis & Pogue
77 West Wacker
Chicago, Illinois 60601
(312) 782-3939

Check the appropriate boxes below to designate any transactions to which the statement relates:

third-party tender offer subject to Rule 14d-1.

issuer tender offer subject to Rule 13e-4.

going-private transaction subject to Rule 13e-3.

amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

This Amendment No. 4 (this Amendment) amends and supplements the Tender Offer Statement on Schedule TO, as initially filed on March 13, 2002 and as amended on March 18, March 27, and April 3, 2002 (as previously amended and amended hereby, the Schedule TO) by Xcel Energy Inc., a Minnesota corporation (Xcel Energy), and NRG Acquisition Company, LLC, a Delaware limited liability company and an indirect, wholly owned subsidiary of Xcel Energy (the Purchaser), relating to the offer by Xcel Energy, on behalf of and as agent for the Purchaser, to exchange 0.5000 of a share of Xcel Energy common stock, par value $2.50 per share, including the associated share purchase rights, for each outstanding share of common stock, par value $0.01 per share, of NRG Energy, Inc., a Delaware corporation, on the terms and subject to the conditions set forth in Xcel Energy s prospectus, dated April 3, 2002, as amended and supplemented by Xcel Energy s prospectus supplement, dated April 4, 2002, and in the related letter of transmittal (as they may be amended or supplemented), copies of each of which have been filed as an Exhibit to the Schedule TO.

ITEMS 1 to 11

Items 1 to 11 of the Schedule TO are hereby amended and restated as set forth below:

The information set forth in the prospectus, dated April 3, 2002, as amended and supplemented by Xcel Energy s prospectus supplement, dated April 4, 2002, and the related letter of transmittal, is incorporated herein by reference with respect to Items 1 to 11 of this Schedule TO.

ITEM 12. EXHIBITS.

The reference to Exhibit (a)(1) to the Schedule TO is amended and restated as set forth below:

(a)(1) Prospectus dated April 3, 2002 and the Prospectus Supplement thereto dated April 4, 2002 (each of which is incorporated by reference from Xcel Energy s Amendment No. 2 to its Registration Statement on Form S-4 (No. 333-84264) filed with the Securities and Exchange Commission on April 4, 2002).

Item 12 is hereby amended and supplemented by adding the following exhibit:

(a)(10) Press release of Xcel Energy announcing increase in exchange ratio and extension of the offer deadline, dated April 4, 2002 (incorporated by reference to Exhibit 99.40 to Xcel Energy s Amendment No. 2 to the Registration Statement on Form S-4 (Registration No. 333-84264) filed with the SEC on April 4, 2002).

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

XCEL ENERGY INC.

By: /S/ EDWARD J. MCINTYRE

Edward J. McIntyre
Vice President and Chief Financial Officer

NRG ACQUISITION COMPANY, LLC

By: /S/ PAUL E. PENDER

Paul E. Pender
Treasurer

Dated the 4th day of April, 2002

EXHIBIT INDEX

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width="25%" valign="top" bgcolor="#CCEEFF" style="background:#CCEEFF;padding:0in 0in 0in 0in;width:25.46%;">

9	SBC	211.0	4.1
10	Qwest	202.1	3.9
	Top 10 subtotal	4,445.0	85.9

Other	730.2	14.1
Total	5,175.3	100.0

Source: IDC, 2003

All the top carriers in Table 1 are there largely as a result of their contracts with America Online (AOL), which is by far the largest consumer ISP in the United States. By virtue of these contracts, AOL creates the leaders in the wholesale IP segment.

Of note is that Genuity is listed separately from Level 3. The purchase of Genuity by Level 3 occurred in February 2003 and, thus, is listed separately for the 2002 market shares.

The market shares for wholesale dial (also known as managed modem services) mirror the market shares for total wholesale IP, again largely thanks to AOL and its huge base of subscribers. Table 2 has the rankings.

TABLE 2

U.S. Wholesale Dial IP Revenue by ISP, 2002

Rank	ISP	Revenue ($M)	Share (%)
1	MCI (WorldCom)	1,180.9	45.6
2	Level 3	431.8	16.7
3	Sprint	262.3	10.1
4	Genuity	259.6	10.0
5	ICG	184.6	7.1
6	Qwest	80.8	3.1
7	AT&T	75.9	2.9
8	StarNet	31.0	1.2
9	Verizon	28.5	1.1
10	Allegiance	24.8	1.0
	Top 10 subtotal	2,560.4	98.9
	Other	29.7	1.1
	Total	2,590.0	100.0

Source: IDC, 2003

Table 3 shows the market shares for upstream transit IP services, or connecting another ISP s POPs or headend location to the provider s Internet backbone. There is considerable variation from the previous two market share tables.

TABLE 3

U.S. Wholesale Upstream Transit IP Revenue by ISP, 2002

Rank	ISP	Revenue ($M)	Share (%)
1	Sprint	251.8	15.7
2	Genuity	188.8	11.7
3	MCI (WorldCom)	180.6	11.2
4	BellSouth	123.9	7.7
5	Verizon	114.1	7.1
6	AT&T	101.3	6.3
7	Level 3	96.0	6.0
8	SBC	95.0	5.9
9	Covad	65.3	4.1
10	Cable & Wireless	64.0	4.0
	Top 10 sub total	1,280.7	79.7
	Other	326.6	20.3
	Total	1,607.3	100.0

Source: IDC, 2003

Table 4 has the final wholesale breakout, for other wholesale IP services. Again, other services are any IP services resold by another provider, mostly composed of DSL, as well as private-label IP VPNs and Web hosting. As can be seen in Table 4, all the major DSL providers are listed. Covad resells DSL to other providers, and most of the RBOCs sell a large number of DSL lines on a wholesale basis to ISPs such as EarthLink or MegaPath.

TABLE 4

U.S. Wholesale Other IP Revenue by ISP, 2002

Rank	ISP	Revenue ($M)	Share (%)
1	Covad	261.4	26.7
2	Verizon	142.6	14.6
3	SBC	116.1	11.9
4	BellSouth	99.1	10.1
5	AT&T	75.9	7.8
6	Qwest	64.7	6.6
7	MCI (WorldCom)	27.8	2.8
8	Genuity	23.6	2.4
9	New Edge Networks	20.7	2.1
10	Metromedia Fiber Network	20.3	2.1
	Top 10 subtotal	852.1	87.1
	Other	125.8	12.9
	Total	977.9	100.0

Source: IDC, 2003

FUTURE OUTLOOK

Forecast and Assumptions

IDC s forecast for wholesale services in 2001 was largely correct, despite the accounting gyrations in the market since then. However, several wholesale providers have gone out of business or declared bankruptcy. Many have slashed prices to gain business in an attempt to avert failure, but they have dragged the pricing of the overall market down with them. OC-level upstream transit pricing is declining rapidly.

AOL renegotiated its contracts with the major wholesale carriers in the United States and continues to receive large price reductions. As the largest consumer ISP, this effect has been enough to have a noticeable impact on the wholesale segment. In addition, AOL set the stage for other consumer ISPs to renegotiate their own contracts, and the result has had a sizeable effect for wholesale dial providers. Assumptions used to produce the 2002 wholesale IP forecast can be found in Table 5.

TABLE 5

Key Forecast Assumptions for the U.S. Wholesale IP Market, 2003 2007

Market Force	IDC Assumption	Impact	Accelerator/ Inhibitor/ Neutral	Certainty of Assumption
Macroeconomics				
GDP growth	U.S. economic growth will continue to recover slowly. IDC anticipates U.S. GDP growth of 2% in 2003. IDC anticipates 2004 U.S. GDP growth of 3.3%.	**High.** The telecom services market benefits directly from economic growth. As companies add additional sites, they spend more on telecom.	Increase	high
Constrained capital budgets	In the near term, because of the economic downturn, U.S. companies will have constrained capital expenditure (capex) budgets, which might prevent them from moving to alternative technologies.	**Moderate.** Companies with limited capex budgets are unlikely to pursue a major overhaul of their networking strategy because of the costs of new hardware and training.	Increase	moderate
Technology/service developments				
Price pressure	Price declines will continue for IP connectivity and services.	**High.** Declining prices will directly affect IP market sizing.	Decrease	very high
Growth from existing customers	IP connectivity will be nearly ubiquitous, and growth will come primarily from greater bandwidth purchases, which continue at a slower rate.	**Moderate.** The greater the demand is for more bandwidth, the greater the market for IP services will be, so a slowing in bandwidth demand affects the market size.	Decrease	high
Market characteristics				
Installed base	IP connectivity will be nearly ubiquitous and the potential market will grow at a slower rate as saturation begins.	**Moderate.** New IP services, such as IP VPNs, will continue to prop up IP connectivity and other IP services and drive greater bandwidth.	Increase	high
Evolutionary or revolutionary	Growth of IP will remain evolutionary.	**Moderate.** IP VPNs will	Increase	high

		continue to drive IP connectivity growth.		
DSL deployments	DSL will continue to grow as an IP connectivity method.	**Moderate.** T1 and slower speeds will continue to be negatively affected by greater DSL penetration, with the result being lower prices, which will negatively affect the IP market in terms of revenue. This negative impact is tempered by potential greater market opportunities.	Decrease	high

Renewed carrier instability	The rapid return of many previously bankrupt carriers to the market and the resulting intense competition will continue to drive price declines and will ultimately lead to unsustainable market conditions. In the latter years of the forecast, a renewed shakeout of IP carriers will occur.	**High.** Bankruptcies will likely result in the eventual exit of some carriers after a second bankruptcy filing. Customers will scramble for stability, and the market might recover to sustainable pricing over time.	Decrease	low
Market ecosystem				
Price declines	IP pricing will continue to decline at roughly 10% per year.	**High.** Price declines directly affect market size.	Decrease	very high
Consumption				
Primary buyers	All companies of all sizes will have a need for IP connectivity and Internet access.	**Moderate.** The market is largely saturated, except for greater bandwidth requirements.	No Variation	moderate
Wholesale dial/managed modem	Dial users will continue to decline, though remote business users will increase slightly.	**High.** Price declines in conjunction with a net decrease in the number of dial users will negatively affect the market for wholesale dial/managed modem services.	Decrease	very high
Upstream transit	Demand for greater bandwidth at the edge with broadband connections and high-speed dedicated lines will increase traffic, yet price declines will more than offset this effect.	**Moderate.** Price declines will offset much, but not all, of this growth in demand.	Decrease	high
Other wholesale	Demand for other IP services sold by carriers on a private - label basis will increase, especially for services such as IP VPNs. Other includes all IP services resold by another carrier under their own name.	**Moderate.** Price declines will not offset the greater demand for private-label IP services and the increasing use of wholesale channels by many carriers.	Increase	high

Source: IDC, 2003

Table 6 shows the wholesale IP forecast through 2007. The market in 2002 was $5.2 billion and will decline to $4.4 billion in 2007 for a CAGR of -3.0%.

The wholesale subsegments show a wide range of growth rates. Wholesale dial/managed modem services will suffer the most, as seen in Table 6. Price declines, led by AOL contract discounts, very active competition among wholesale carriers, and a decrease in total consumer dial users will all conspire to reduce the size of the wholesale dial market. Wholesale dial services will decline from $2.6 billion in 2002 to $1.8 billion in 2007 for a CAGR of -7.2%.

TABLE 6

U.S. Wholesale IP Revenue by Segment, 2002 2007 ($M)

	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2002 2007 CAGR (%)**
Dial	2,590	2,486	2,362	2,173	1,978	1,780	-7.2
Growth (%)	NA	-4.0	-5.0	-8.0	-9.0	-10.0	
Upstream transit	1,607	1,575	1,544	1,497	1,445	1,373	-3.1
Growth (%)	NA	-2.0	-2.0	-3.0	-3.5	-5.0	
Other	978	1,027	1,109	1,187	1,246	1,283	5.6
Growth (%)	NA	5.0	8.0	7.0	5.0	3.0	
Total	5,175	5,088	5,015	4,857	4,668	4,436	-3.0
Growth (%)	NA	-1.7	-1.4	-3.1	-3.9	-5.0	

Note: See Table 5 for key forecast assumptions.

Source: IDC, 2003

Upstream transit will decline, but at a slower pace. Upstream transit will benefit from increased traffic, especially from broadband POPs and aggregation points, though price declines will reduce the total market size. Upstream transit revenue will decrease from $1.6 billion in 2002 to $1.4 billion in 2007 for a CAGR of -3.1%.

Other wholesale IP services will benefit from increased broadband usage and traffic, as well as the business-user demand for IP VPNs and other IP services. The other market will be the sole growth subsegment within wholesale services, growing from $978 million in 2002 to $1.3 billion in 2007 for a CAGR of 5.6%.

Wholesale IP will decline due to price competition, not lack of demand. By the end of the forecast period, IDC expects that price declines will have proceeded to a point at which several carriers will have financial difficulties and will expect a renewed shakeout in the IP carrier segment. Wholesale will suffer the most from this development, and the wholesale IP forecast reflects this accelerating decline.

ESSENTIAL GUIDANCE

Service providers face difficult challenges in the wholesale IP space over the next few years. Market demand continues to grow as businesses and consumers buy additional IP connectivity and services. However, price declines will hamper revenue growth. Price declines are a function of continued excessive competition in the market.

Most bankrupt carriers are returning to the market with balance sheets clear of debt, and all carriers are focused on IP as a growth segment and, therefore, are pushing hard in this market. In addition, the necessity of pleasing Wall Street is causing carriers to focus on revenue growth, even if steep discounts are needed to woo customers from other carriers. The wholesale IP connectivity segment is and will remain very competitive, and those carriers focused on wholesale are likely to do better than those with both retail and wholesale channels.

ISPs and other carriers that buy capacity and services from wholesale carriers can expect price declines that will offset their increased bandwidth needs. Users of wholesale IP services are well advised to sign short-term contracts with carriers since pricing will decline and maximum leverage can be used to wrestle additional price cuts from the current IP carrier at the end of the contract period. However, a significant risk of additional bankruptcies and service disruption is likely by the end of the forecast period, and ISPs using wholesale services should prepare for this eventuality by instituting business continuity plans.

LEARN MORE

Related Research

ý *U.S. Business IP Connectivity Forecast and Analysis, 2003 2007* (IDC #30449, November 2003)

ý *U.S. Internet Service Provider Forecast, 2003 2007* (IDC #30408, November 2003)

ý *AT&T s MPLS Common Data Network* (IDC #30163, September 2003)

ý *MPLS Guide for Network Executives* (IDC #29649, June 2003)

ý *U.S. Business Internet Access Forecast and Analysis, 2002 2007* (IDC #29378, May 2003)

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Published Under Services: ISP Markets

APPENDIX 4

Top 13 Internet Providers by Autonomous System Rank, 1999-2004

Number of AS Connections

Provider	2004	Rank	1999	% Share	2000	% Share	2001	% Share	2002	% Share	2003	% Share	2004	% Share	2004% Share (Among Top 13)	Change 2002-2003	Change 2003-2004
MCI		1	1528	25	2242	22	3129	20	3212	18	3276	15	3034	13	22	2%	-7%
AT&T		2	362	6	694	7	1197	8	1423	8	2052	10	1986	8	14	44%	-4%
Provider A		3	649	10	1036	10	1417	9	1603	9	2333	11	1842	8	13	46%	-21%
Provider B		4	332	5	658	7	1048	7	1009	6	1388	6	1167	5	8	37%	-16%
Provider C		5	88	1	418	4	644	4	973	6	1007	5	1074	5	8	4%	7%
Provider D		7	133	2	210	2	296	2	270	2	275	1	664	3	5	2%	141%
Provider E		6	45	1	211	2	362	2	437	2	554	3	668	3	5	27%	21%
Provider F		8	277	4	379	4	445	3	475	3	553	3	636	3	5	17%	15%
Provider G		9	90	1	217	2	432	3	351	3	601	3	616	3	4	9%	3%
Provider H		10	75	1	207	2	547	4	569	3	488	2	590	3	4	-14%	21%
Provider I		11	60	1	105	1	202	1	196	1	323	1	544	2	4	65%	68%
Provider J		12	12	0	45	0	520	3	411	2	457	2	530	2	4	11%	16%
SBC		13	57	1	90	1	155	1	243	1	337	2	514	2	4	38%	53%
Others 14 - 50	14 - 50		2483	40	3503	35	5212	33	6237	35	7944	37	9497	41		27%	20%
Total ASCs/HHI			6190	1,059	10015	919	15605	750	17608	665	21589	602	23341	452			
Change in HHI with AT&T-SBC			11		12		15		22		30		37				

HHI with only 13 firms (shares of each of top 13 are adjusted such that total share adds to 100%)	1,139
Change in HHI with AT&T-SBC	105

Source: Number of AS Connections from TeleGeography; Share and HHI Calculations Added

Notes: Connections is equal to the total number of autonomous systems (ASs) directly connected to a provider as of June of year listed. Where a provider operates multiple ASs, the totals for each AS are aggregated while eliminating duplicated connections between the provider s ASs. Historical numbers represent that companies current operated ASs, excluding the recent purchase of Cable and Wireless s U.S. AS by Savvis (represented only in the 2004 numbers)

Publication: Global Internet Geography 2005

Source: TeleGeography research and University of Oregon Route Views Project http://www.telegeography.com