

PROJECT ABSTRACT

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| Project number | CO-0185 |
| Project name | Termovalle Project |
| Country/Location | Colombia/Cali |
| Sponsors | Termovalle S.C.A. E.S.P |
| Total project cost | US\$147.2 million |
| IDB participation | IDB A-Loan: US\$35 million IDB B-Loan: US\$67.3 million |
| Department | Private Sector Department |
| Status | Approved by the Board of Executive Directors |
| Date | October 30, 1996 |

I. DESCRIPTION OF THE PROJECT

Recognizing the insufficient power generation and low capacity of the existing transmission lines in the Cauca Valley of southern Colombia, the Government of Colombia ("GOC") has developed an energy expansion plan to facilitate adequate electricity generation, transmission, and distribution from 1995 to 2004. This plan calls for the installation of a substantial amount of thermal power in the southern portion of the country to be implemented by the private sector. As part of this energy plan, Empresa de Energia del Pacifico ("EPSA"), an autonomous entity of GOC that provides utility services in the Cauca Valley region, solicited bids for a willing party to enter into a 21-year power purchase agreement for up to 160 MW of generating capacity. The winning consortium, consisting of KMR Power Corporation and Marubeni Corporation (the "Consortium") will develop, construct, operate and own a 200 combined cycle gas-fired facility. Excess capacity will be sold to third parties under long-term contracts and to the newly created spot market.

II. COMPANY SPONSORS

The Consortium has created Termovalle S.C.A. E.S.P., a special purpose Colombian company, to develop, own, and operate the Project. KMR is a well known, experienced developer, and manager of private power projects in the developing world. Marubeni is one of the leading Japanese general trading companies with a broad range of trading and investment activities, including a large energy division with extensive experience in the development of thermal power. Marubeni's experience with turnkey construction contracts and their financial strength assure solid backing for this project. Equity participants include FPL Group and the Scudder Latin America Power Fund as well.

III. FINANCING PLAN

The Bank has committed a US\$35.0 million A loan from its own resources and has syndicated US\$67.3 million from commercial banks. Chase Securities acted as co- arranger for this transaction as well as lender under the syndicated Bank loan through The Chase Manhattan Bank. ABN AMRO, Marubeni Leasing (Cayman), Sakura Bank, Bank of Tokyo-Mitsubishi and Fuji Bank are also providing financing through the syndicated loan facility. The remainder of the financing is being provided through a US\$15 million senior loan from Financiera Energética Nacional, the Colombian government agency in charge of promoting and financing investments in the Colombian power sector. Total cash equity is US\$37 million.

IV. PROCUREMENT

The machinery and equipment required under the EPC contract were competitively bid by the Project Company. Bids were received from five major international equipment manufacturers out of which Westinghouse was selected. The power island, including the combustion and steam turbines, the generators, and the boiler, are being provided under a single package by Westinghouse. This equipment was selected on the basis of cost, efficiency, and availability over the other alternatives.

V. ENVIRONMENTAL FACTORS

The project, designed to comply with local and international environmental standards, has been approved by the Ministry of the Environment in Colombia. All federal and local environmental licenses and permits have been obtained by Termovalle S.C.A. E.S.P. VIII. THE BANK'S ROLE Termovalle is a ground breaking project as it is the Bank's largest limited recourse project financing to date in Colombia. It is also the first power project financing to be accomplished without a government guarantee of the performance obligations of the off-taker. The Bank's involvement will set the stage for more privately funded energy projects in Colombia with less government involvement required. The Bank's participation will also attract private sector financiers, including commercial banks and first time investors in infrastructure in the region. The project will help to reduce Colombia's high dependency upon hydroelectricity and increase the reliability of the national interconnected electricity system. The realization of this project will help to attract industry to the region and facilitate economic growth by ensuring the supply of an additional efficient, reliable, low cost source of electricity for the region. In addition, as the spot market for electricity is relatively new in Colombia, Termovalle will test the market and facilitate a route for others to undertake in executing similar projects in the future.