

PROJECT ABSTRACT

Project number	ME-0130
Project name	Yucatan Gas Pipeline
Country	Mexico
Sponsors	TransCanada Pipelines Ltd., International Generating Company and Gutsa Construcciones
Total project cost:	US\$275 million
IDB participation	IDB A-Loan: US\$68 million IDB B-Loan: US\$137 million
Department	Private Sector Department
Status	Approved by the Board of Executive Directors
Date	September 24, 1997

I. THE PROJECT

In May 1995, the private sector was authorized to participate in the transportation, storage and distribution of gas, opening up to private investment a sector previously reserved for the State. In October 1995, an independent regulatory agency was given new responsibilities, consistent with the new private sector-oriented framework, and new gas regulations were issued in November 1995. In May 1996, based on the new regulatory framework, *Comisión Federal de Electricidad* (CFE), the public electricity utility, called a public invitation to bid a Gas Transportation Services Agreement (TSA) to transport natural gas from Ciudad Pemex, Tabasco, to 8 delivery points in the Yucatán peninsula. The Yucatán gas pipeline will be the first Build-Own-Operate (BOO) project in the Mexican gas transportation sector.

The project consists of the construction, operation and maintenance of a 686km natural gas pipeline from Ciudad Pemex, Tabasco, to Valladolid, Yucatán, mostly following existing rights-of-way. Diameter of the pipes will range from a minimum of 16 inches to a maximum of 24 inches. The project will have a capacity of 367 million cubic feet per day ("mmcf"), expected to be reached by year 2010, however, the initial capacity will be limited to meet contracted demand of 260 mmcf.

As owners of the pipeline, and subject to the procedures established by the regulatory framework, the Project Company will be able to enter into gas transportation services with customers other than CFE. In that respect, the SPC will be actively looking to develop additional business opportunities such as gas distribution to residential areas as well as transporting gas for potential industrial consumers.

The main customer of the pipeline will be CFE, which signed a 26-year TSA with the Transporter on April 09, 1997. CFE will enter into a fuel supply contract with Pemex Gas y Petroquímica Básica (PGPB), which will deliver gas at the reception point in Ciudad Pemex.

The off-takers of the gas will consist of 8 power plants located in the states of Yucatán and Campeche, totaling a generating capacity of 1,627MW (3 of these plants, including the 515MW Mérida III, are still to be built while the existing 5 facilities will be converted from fuel oil to natural gas), as follows:

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Power facility	MW	Initial delivery date
Lerma	150	2010
Campeche (to be constructed)	225	mid 2000
Merida II	168	Nov. 1999/2000
Merida III (tbc)	515	2000
Nachicocom	49	2011
Valladolid	220	Dec. 1999
Valladolid V	75	2000
Future Valladolid (tbc)	225	2005
Total	1,627	

The cost of gas transport to CFE under the TSA is based on the economic offer presented at the tender.

III. PARTICIPANTS

The sponsors of the project are TransCanada Pipelines Limited (TCPL), International Generating Company (InterGen) and Gutsa Construcciones, S.A. de C.V. (Gutsa). Their respective shares in the Special Purpose Company (SPC, Project Company or Transporter) to be created will be 62.5%, 32.5% and 5%, respectively.

TCPL, a publicly-traded Canadian company, is one of North America's leading transporters and marketers of natural gas. It owns and operates approximately 14,000 km of natural gas pipelines in Canada and the US. TCPL is an equity participant and operator of the 800 km OCENSA oil pipeline and the 344 km TransGas de Occidente natural gas pipeline in Colombia. TCPL had assets in excess of C\$12.6 billion and net earnings of C\$385 million in 1996.

InterGen (US), an affiliate of Bechtel Enterprises, Inc., will participate in the SPC through Merida Pipeline Company, Ltd., a wholly-owned special purpose company. InterGen is an international power and fuel asset company founded in 1995, and currently has projects under construction or under contract totaling 6,420MW, including the 700MW Samalayuca II power plant in Mexico.

Gutsa, founded in 1944, is currently one of Mexico's leading construction companies.

IV. FINANCIAL PLAN

The Project cost is estimated at US\$275 million. The Bank's proposed participation is an IDB A Loan of US\$68 million and a syndicated B Loan of US\$137.