

NOVOS HYDROELECTRIC POWER PROJECT (BR-0370)

A-Loan

(BR-0370)

PROJECT ABSTRACT

Project	Campos Novos Hydroelectric Power Project
Number:	BR-0370
Country:	Brazil
Sponsors:	CPFL Geração S.A. Companhia Brasileira de Alumínio S.A. Companhia Níquel Tocantins S.A. Companhia Estadual de Energia Elétrica S.A. Centrais Elétricas de Santa Catarina S.A.
Total Project Costs:	Approximately US\$523.9 million
IDB Participation:	A-Loan: US\$75 million
Department:	Private Sector Department ("PRI")

The *Campos Novos* Hydroelectric Power Project consists in the development of a 880-MW hydroelectric power plant to be constructed in the *Canoas* River, in the State of *Santa Catarina*. The project is part of the indicative generation plan for the interconnected system for the period 2001-2010. The Plant comprises: (i) three 293-MW turbines; (ii) a 202-meter rock filled dam with a crest length of approximately 592-meters; and (iii) a transmission line with approximately 11-kilometers in length, to be connected to the existing 230-Kilovolts Campos Novos substation.

The shareholders of the Project are *CPFL Geração de Energia S.A.*; *Companhia Brasileira de Alumínio S.A.*; *Companhia Níquel Tocantins S.A.*; *Companhia Estadual de Energia Elétrica S.A.* and *Centrais Elétricas de Santa Catarina S.A.*.

Construction will be carried out under a turnkey, fixed-price, date certain, Engineering Procurement Construction Contract (the "EPC Contract") by a consortium of experienced contractors, with *Construções e Comércio Camargo Corrêa S.A.* providing a joint and several guarantee for the work under the EPC contract. The EPC has been executed between the consortium and Campos Novos Energia S.A. ("Enercan", the "Project Company" or the "Borrower"). The value of the EPC is approximately US\$351.9 million equivalent.

Under the terms of the 35-year concession contract, the Project will be allowed to produce and sell up to 3,310,404-MWh of energy per year ("Assured Energy") corresponding to the equivalent assured capacity of 377.8-MW ("Assured Capacity" measured in MW average per year). Enercan's shareholders and their subsidiaries will purchase the Project's entire Assured Energy output under Power Purchase Agreements ("PPAs").

The Project also includes US\$1million for a Social Fund for Development of Local Communities (the “Social Fund”) supporting local community activities in the Project’s affected areas.

Project costs are estimated at US\$523.9 million, including interest during construction (“IDC”), a 6-month Debt Service Reserve Account (“DSRA”) and finance costs. Expenditures will be funded with US\$181.5 million of equity and US\$342.5 million of debt (*i.e.* a 65/35 debt/equity ratio). A 75/25 debt to equity ratio was originally contemplated; however, given the current difficulty in attracting B-lenders, the Shareholders have contributed additional equity in substitution of B-loans.

With respect to the IDB Loan, the Project has been structured with: (i) a Project Completion Guarantee (the “Completion Guarantee”) from *CPFL Geração*, backstopped by its parent company *CPFL Energia S.A.* (“CPFL Energia”) and from *Hejoassu Administração S.A.* (“Hejoassu”, an affiliate of the Votorantim Group) on a several basis during the construction period; (ii) a Project Support Agreement (the “PSA”) as a joint and several obligation by all shareholders covering contingent equity funding as well as early termination of the PPAs and the Concession, in addition to backstopping the Completion Guarantee, and (iii) an Offtaker Support Agreement (the “OSA”) supporting payment obligations by the three financially stronger Offtaker Guarantors.