

PROJECT ABSTRACT

Project number	ME-0220
Project name	Hermosillo power plant
Country	Mexico
Sponsors	<i>Fuerza y Energía de Hermosillo, S.A. de C.V.</i>
Total project cost	US\$195.1 million
IDB participation	IDB A-Loan: US\$41.6 million IDB B-Loan: US\$86.8 million
Department	Private Sector Department
Status	Approved by the Committee of the Whole
Date	June 30, 1999

I. PROJECT OVERVIEW

The project entails the construction and operation of a 250 MW natural gas-fired, combined cycle power plant and related facilities, including a 26 km gas pipeline, under the IPP scheme in a site located 18 km northwest from the city of Hermosillo, State of Sonora, Mexico. *Fuerza y Energía de Hermosillo, S.A. de C.V.* (AFEH≡ or AProject Company≡), a special purpose company, has entered on November 12, 1998 into a 25-year Power Purchase Agreement (APPA≡) with CFE for the sale of the contracted capacity. FEH was granted a external power producer permit (*permiso de productor externo de energía*) by *Comisión Reguladora the Energía*, the electricity sector regulatory authority, on November 30, 1998. CFE will pay the tariff offered at the tender, as of the date of commercial operation.

The PPA was awarded on October 13, 1998 to *Unión Fenosa Desarrollo y Acción Exterior, S.A.*, a Spanish group with large international presence and experience in the engineering and operation of power generation and distribution companies.

The project is structured as a build, own, operate (ABOO≡) operation, where the Project Company will build, own, finance, operate, and maintain the facility. FEH will be responsible for providing the net capacity guaranteed in its bid (the AGuaranteed Net Capacity≡) and selling the corresponding net power output to CFE. FEH will also be responsible for arranging the fuel supply for the power plant.

II. PROJECT SPONSOR

Union Fenosa is an international group investing in a wide variety of businesses, from electricity and water to software development and international consulting. The group is a leading developer and qualified operator of power generation, transmission and distribution systems. In Latin America, Union Fenosa has investments in power assets in, among other countries, Bolivia, Guatemala and Panama.

III. PROJECT COST

Total project cost, including the gas pipeline and related investments, is preliminary estimated at US\$275 million.