

**NOVATRANS ENERGIA S.A. TRANSMISSION PROJECT**  
(BR-0398)

**PROJECT ABSTRACT**

The project financed by the Bank comprises the development, construction, commissioning, operation and maintenance of a 1,200-Megawatt, 1,278-Kilometer, 500-Kilovolt energy transmission line from the state of *Maranhão* to *Brasília*, crossing Brazil's central area (the "Project"). By doubling the capacity of the existing North-South transmission line, the private sector project will increase the overall energy flow and improve system reliability, reduce energy shortages and interruptions, and generate fuel cost savings.

The project will follow right-of-way of the existing North-South interconnection line, sharing access for inspection, maintenance, and operation, thereby reducing environmental impact. It will connect the Imperatriz substation in the state of *Maranhão* to the Samambaia substation in the Federal District.

The IDB financing consists of an A-loan of up to \$30 million from the IDB's ordinary capital and B-loan of up to \$36 million with funds provided by commercial banks or other financial institutions.

BNDES, the Brazilian national development bank, will provide a separate loan equivalent to approximately \$142 million and ABN-AMRO, a private bank, will provide onlending loan equivalent to approximately \$39 million. The total project cost is \$361.4 million.

An important benefit of the project will be the increase of power flows between the southern and northern electrical regions, which have different climates and complementary seasonal hydropower capacity.

*Terna S.p.A.* is developing the Project through a Brazilian special purpose company named *Novatrans Energia S.A.*, which is the concessionaire of the transmission line. Terna, a wholly owned subsidiary of *Enel S.p.A.* ("Enel") owns approximately 94 percent of Italy's national electricity grid.

The Engineering, Construction and Procurement contract is being performed by a consortium formed by *Enelpower S.p.A.* and *Enelpower do Brasil Ltda.*, affiliate companies of Enel. The Project is under construction, with the *Serra da Mesa-Samambaia* portion of the transmission line already in commercial operation. Completion of works in the last tranche of the line is envisioned to occur in February 2004.

Project's revenues are pre-determined and denominated in *Reais* based on the annual permitted revenues set forth in the concession contract at R\$140,950,000.00, based on August 2000 figures, and adjustable annually by the *Índice Geral dos Preços de Mercado*. Such revenues are invoiced monthly to grid users and guaranteed by funds derived from users' account receivables or bank guarantees.