

PRIORITY

UNCLASSIFIED

DEPT TREASURY COMCEN  
PH 622-2222 RM 1121/MT

*Brazel  
Parker  
Cannon  
Shell: Es*

PAGE 01 MID=199829602143 069660 23/1746Z  
CAVEAT (S) =  
HANDLE VIA  
ACTION = (TRS)BDI (1) + GI (1) + ICM (1) + IDC (1) + IMB (1) + INL (1) + JTF (1)  
ITL (1) + OIMF (1) + OC (1) + SEM (1) + XAA (1) + XLI (1)  
CRC = 509D

MID=199829602143 069660 23/1746Z

WITH DIESEL. THE SWITCH TO GAS FIRING IS SCHEDULED TO OCCUR UPON THE CAPACITY INCREASE TO 300 MW AND COMPLETION OF THE PROJECT PIPELINE. MOBILIZATION FOR CONSTRUCTION FOR THE POWER PLANT COMMENCED IN DECEMBER 1997. ENTRY INTO COMMERCIAL OPERATION OF THE FIRST 150 MW IS EXPECTED IN LATE 1998. OVERALL PROJECT CONSTRUCTION IS EXPECTED TO BE COMPLETED BY MARCH 2000.

PP RUEATRS  
DE RUEHC #7013 2961537  
ZNR UUUU ZZH  
P 231535Z OCT 98  
FM SECSTATE WASHDC  
TO AMEMBASSY LA PAZ PRIORITY 6118  
BT  
UNCLAS STATE 197013

E.O. 12958: N/A  
TAGS: EINW, BI  
SUBJECT: REQUEST FOR EMBASSY COMMENTS ON THE CUIABA POWER PROJECT OR THE "PROJECT"

5. THE PROJECT PIPELINE CONNECTS WITH THE BOLIVIA-BRAZIL PIPELINE "BBP" AND CROSSES BOLIVIA AND BRAZIL TO SUPPLY GAS TO THE POWER PLANT. AN AGREEMENT FOR THE PURCHASE OF GAS HAS BEEN SUBSTANTIALLY NEGOTIATED WITH

[(b)(4)]

BEFORE ENTERING THE PROJECT PIPELINE.

6. THE PROJECT SPONSORS ARE SUBSIDIARIES OF ENRON CORPORATION, SHELL OIL AND SUBSIDIARIES, AND TRANSREDOS COLLECTIVELY, THE "SPONSORS"

PLEASE TREAT THE FOLLOWING INFORMATION AS PROPRIETARY BUSINESS INFORMATION:

1. THIS IS AN ACTION CABLE. ACTION IS REQUESTED IN PARAGRAPH 8.
2. OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) REQUESTS EMBASSY COMMENTS AND RECOMMENDATIONS REGARDING THE POSSIBILITY OF OPIC PROVIDING AN INVESTMENT GUARANTEE OF APPROXIMATELY USD 200 MILLION.
3. THE PROJECT COMPRISES A 480 MEGAWATT GAS-FIRED COMBINED CYCLE POWER PLANT -THE "POWER PLANT"-, THREE SHORT TRANSMISSION LINES -THE "TRANSMISSION LINES"-AND TWO CONNECTED PIPELINES SEGMENTS TOTALING 626 KILOMETERS - THE "PROJECT PIPELINES"- THAT SUPPLY GAS TO THE POWER PLANT. THE POWER PLANT IS THE FIRST LARGE GENERATING PLANT TO BE CONSTRUCTED IN MATO GROSSO, ONE OF BRAZIL'S FASTEST GROWING STATES IN GROSS DOMESTIC PRODUCTS TERMS. THE POWER PLANT IS SITUATED AT THE STATE'S LOAD CENTER IN CUIABA AND WILL SELL 100 PERCENT OF ITS OUTPUT TO ELETRONORTE, AN ELECTRICITY GENERATING COMPANY, FOR ON-SALE TO CEMAT, THE LOCAL ELECTRICITY DISTRIBUTION COMPANY, PURSUANT TO AN APPROXIMATELY 21-YEAR POWER PURCHASE AGREEMENT "PPA". ELECTROBRAS IS ACTING AS GUARANTOR OF ELETRONORTE'S OBLIGATIONS UNDER THE PPA.
4. THE POWER PLANT WILL BE BUILT IN THREE CONSECUTIVE PHASES: PROVIDING 150 MW AT THE END OF PHASE 1 OF CONSTRUCTION, 300 MW AT THE END OF PHASE 2, AND A FULL 480 MW OF CAPACITY AT THE END OF PHASE 3. IN ITS INITIAL OPERATING PHASE OF 150 MW, THE POWER PLANT WILL BE FIRED

7. OPIC HAS BEGUN ITS DUE DILIGENCE ON THE PROJECT AND EXPECTS TO SEEK APPROVAL FROM OPIC'S CREDIT AND INVESTMENT COMMITTEES BY MID-NOVEMBER 1998 AND THE OPIC BOARD OF DIRECTORS BY MID-DECEMBER 1998 TO MAKE A FINANCING COMMITMENT TO THE PROJECT. ANY OPIC FINANCING COMMITMENT, HOWEVER, WOULD BE SUBJECT TO COMPLETION OF ALL DUE DILIGENCE - INCLUDING SITE VISITS AND LOCAL LEGAL DUE DILIGENCE IN BOTH BRAZIL AND BOLIVIA - TO OPIC'S SATISFACTION.

8. OPIC WOULD APPRECIATE EMBASSY'S COMMENTS AT THE EARLIEST POSSIBLE CONVENIENCE AS TO: (1) POST'S OPINION WHETHER OPIC SUPPORT OF THE PROJECT WOULD BE CONSIDERED FAVORABLE; (2) INFORMATION REGARDING THE REPUTATION OF THE PROJECT SPONSORS AND AFFILIATES, AND ANY OTHERS ASSOCIATED WITH THE PROJECT; THAT MIGHT BE MATERIAL TO OPIC'S SUPPORT OF THIS PROJECT; AND (3) THE STATUS OF THE LEGISLATION REQUIRED TO PERMIT CONSTRUCTION OF THE BOLIVIAN PORTION OF THE PROJECT PIPELINE; AND (4) ANY OTHER MATTERS GERMANE TO OPIC'S ANALYSIS.

9. OPIC THANKS EMBASSY IN ADVANCE FOR ASSISTANCE.  
TALBOTT  
BT  
#7013  
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NNNN

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