

Project Finance Modeling

Quezon Power Plant

Case Study



Quezon 440 MW Coal Fired Power Plant



Project Description



Capacity:
440 MW

PPP Type:
BOO

PPA Life:
25 Years

Total Project Cost:
\$809mn

Leverage:
75% Debt

Construction Date:
December 1996

Operations Date:
January 2000

Philippines Power Sector Development



1971 – 1987

NPC is monopoly in power generation and transmission



1987 - 1992

government opens up power sector to private entities



1991 - 1997

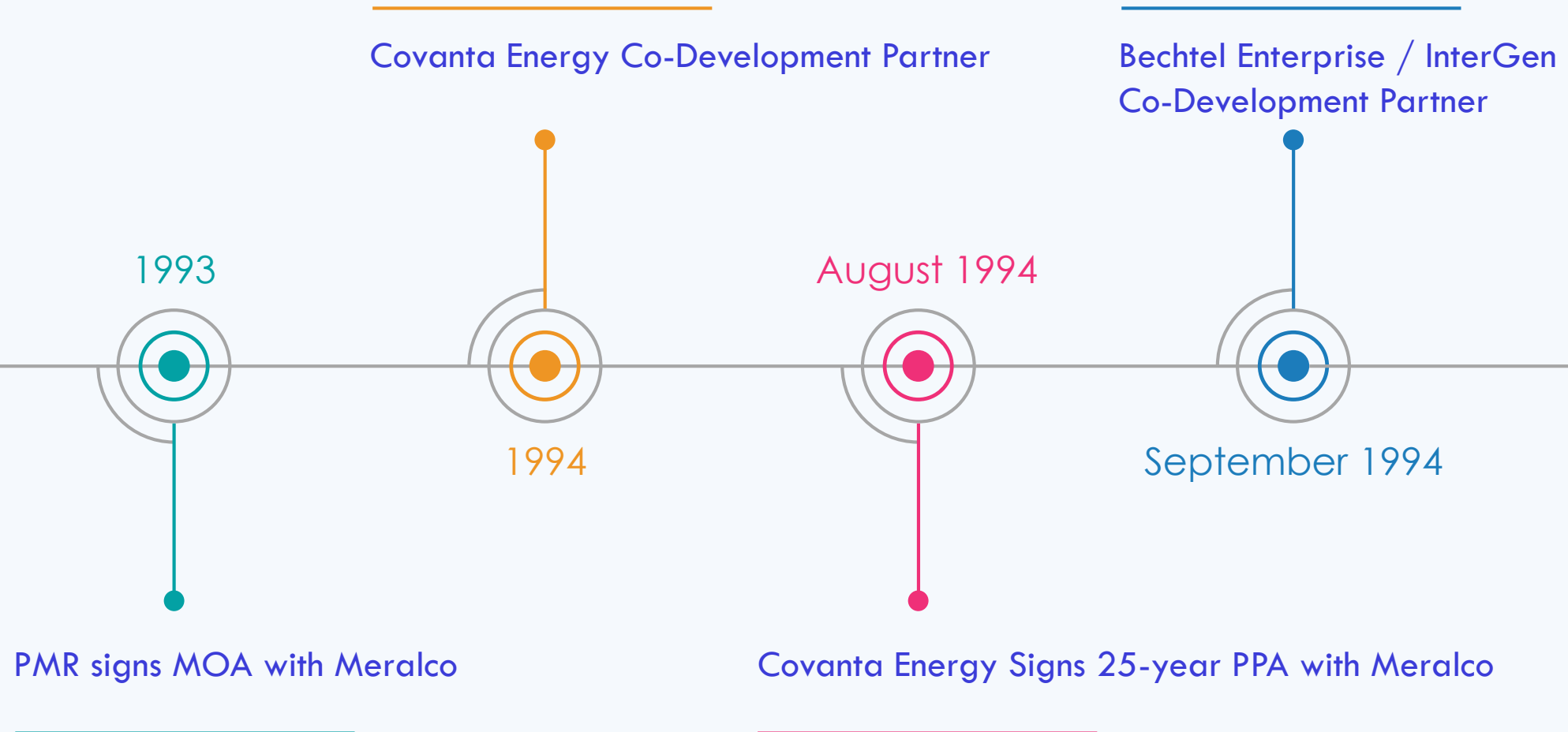
30 IPP projects with combined capacity of 5,000 MW is completed



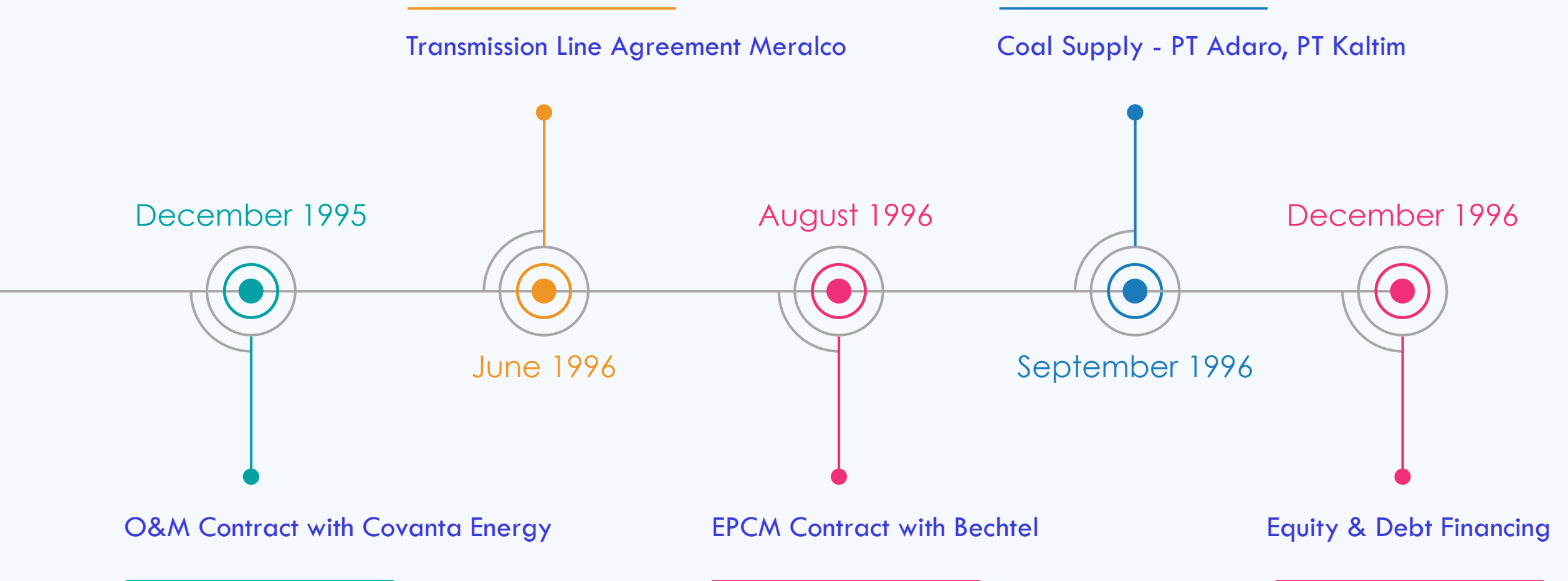
1998 - 2001

Asian financial crisis, IPP contracts review

Project Origins



Project Progress



PPA

Offtaker:	Meralco
Structure:	Take or Pay
Payment Structure:	Capacity, O&M, Energy Fees
Payment Indexation:	US Dollar
Annual Revenue 1 st Year:	US\$ 237 mn

EPCM Contract

EPCM Contractor:

Bechtel

Contract Structure:

Turn-Key, Fixed Price

Guarantees:

Completion Date &
Performance

O&M Contract

O&M Contractor:

Covanta Energy

Plant Technology:

Commercially Proven

Guarantees:

Bonuses and Penalties

Coal Supply

Coal Suppliers:

PT Adaro
PT Kaltim

Structure:

Put or Pay

Guarantees:

Financial Guarantees

Exchange Rate and Country Risks

Exchange Rate:

PPA denominated in
US\$

Country Risk:

EXIM Bank Insurance

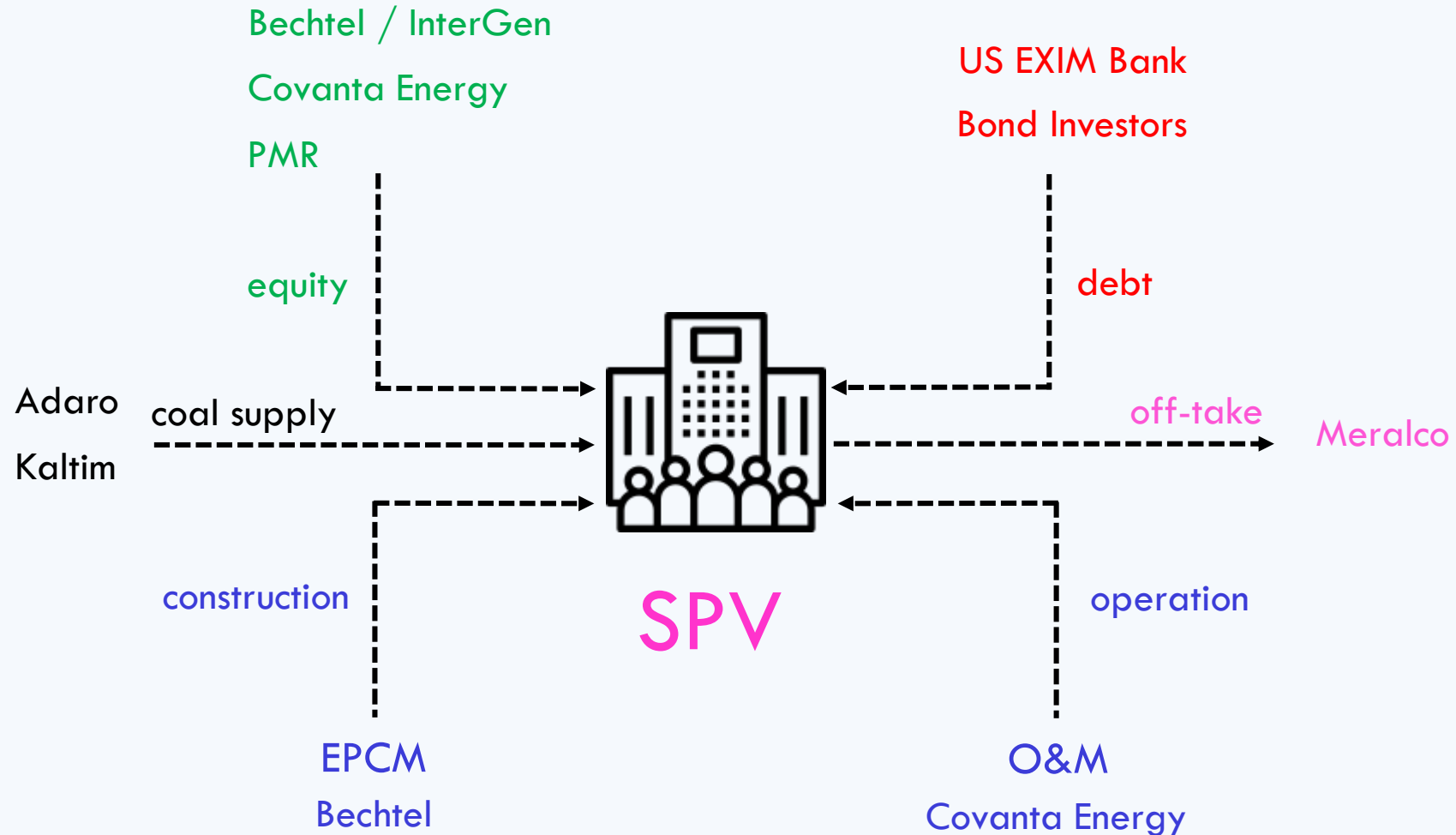
Political & Economic
Landscape:

Improving

Financing

Equity Financing	\$ mn	Ownership %
Bechtel / InterGen	144.2	72
Covanta Energy	54.7	26
PMR	0	2
Total Equity	198.9	
Debt Financing	\$ mn	
US EXIM Bank	392.0	
Bond Investors	215.0	
Total Debt	607.0	

Roles & Responsibilities



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Risk Allocation

	development / financing risk	construction risk	revenue risk	operation risk	coal supply risk	exchange rate risk	political risk
equity investors	✓						
lenders							
off-taker			✓			✓	
EPCM contractor		✓					
coal supplier					✓		
O&M contractor				✓			
US EXIM Bank							✓

Project Economics

Total Revenue:	US\$ 8.4 bn
Net Profit:	US\$ 4 bn
Debt Service:	US\$ 933 mn
Dividends:	US\$ 2.1 bn
Projected Equity IRR	20%
Payback:	4 years

Quezon Power Project – Acquisition by EGCO

14 May 2012 (Reuters) - Thailand's second-largest private power producer, Electricity Generating Public Company Limited (EGCO), said on Monday it would spend \$375 million to buy an additional 45.9% stake in Quezon power plant in the Philippines, raising EGCO's holding in Quezon Power to 98%

Implied Equity Valuation	US\$ 817 mn
Initial Equity Investment	US\$ 200 mn
Dividends 2000-2011	US\$ 600 mn
Exit IRR	24%

Quezon Power – Key Takeaways

Strong Power Demand

Well Structured Risk Allocation

Robust Project Economics