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# The Manila Bulletin Online

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## BUSINESS

### 6 firms bid for **STEAG's** 34% stake in power plant

BY MYRNA M. VELASCO

Four foreign and two local companies reportedly submitted tenders for the sell-down move of German firm **STEAG AG** covering 34 percent of its equity on the 210-megawatt Mindanao coal-fired power facility in Misamis Oriental.

It was gathered that the interested parties which submitted offers include Marubeni Corporation and JGC Corporation of Japan; YTL Corporation Berhad of Malaysia and the fourth foreign firm is Contour Global, an investment firm with headquarters in New York and offices in Houston, Paris and Kiev. The local companies reported to have put up bids are First Gen Corporation and Aboitiz Power group.

"**STEAG** wants to finalize the sale of its equity shares at the soonest possible time," a source privy to the process has disclosed.

The German firm previously apprised media that the sell-down plan has always been part of its strategy, as it only intends to hold on to 51-percent equity on the project until the lapse of its 25-year power purchase agreement (PPA) with state-run National Power Corporation. The same strategy was carried out in other countries where **STEAG** established its presence, including Colombia.

The company originally planned of disposing at least 38-percent of its shareholdings in the Mindanao coal-fired facility by January 2008. But as it appears now, **STEAG** may accelerate the sale plan after issuing the tender notice to interested parties weeks back.

The sale strategy is reportedly being pursued by the German firm so that it can cash in part of the capital it poured in for the project and so that it can spread investment risks.

Amidst its plan to reduce equity shares in the Mindanao project, it was gathered that **STEAG** is still keen on pursuing other prospects in the Philippine power industry, including proposed expansion of its Mindanao facility.

**STEAG** AG has majority equity of 89-percent in the power facility; while the 11-percent is held by its local partner, State Investment Trust Inc.; a leading investment house in the Philippines.

The project sponsors invested \$ 305 million for the facility which now contributes 16-percent share in Mindanao grid supply.

The power supply deal with NPC was originally inked on June 27, 1998; but project construction was deferred for about three years because of the power sector's dilemma then of overcapacity in the system.

When project implementation finally kicked off, the Philippine government through NPC and with the involvement of its transferee-company, Power Sector Assets and Liabilities Management Corporation, clamored for modifications in the original contract terms; plausibly to take room for certain changes; such as local sourcing of part of the plant's coal supply.

A fuel supply and transportation agreement (FSTA) was correspondingly closed with PT Jorong Barutama Greston in Indonesia; with the contract stretching until 2019 for maximum 775,000 tonnes delivery per year. The coal supplier firm is majority owned and managed by Banpu, PCL of Thailand.

The revised 25-year PPA rendered effective on March 2, 2001; sets a twotiered tariff for the generated electricity, fixed predominantly on US dollars but also factored in Philippine peso elements; with adjustment clauses to be determined on specified formula, including inflationary movements. The dispatch is eyed to reach 85 percent of installed capacity.(MMV)

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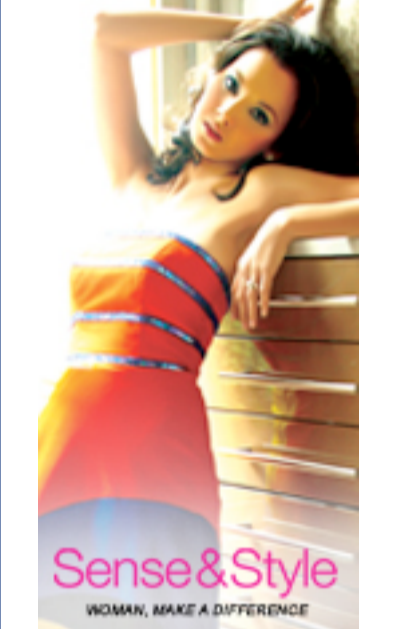
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