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THE WORLD BANK  
Washington, D.C.

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Washington DC 20433  
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1710925

A1995-070 Other #: 59 Box #169831B  
Huinco Power Project - Peru - Loan 0260 - P007940 - Administration -  
Volume 5

RETURN TO  
CENTRAL FILES

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WBG Archives



THIS FILE IS CLOSED AS OF  
DECEMBER 1968.  
FOR FURTHER CORRESPONDENCE SEE:  
1969 - 1971.

RECORDS MANAGEMENT SECTION  
February 1969

FORM No. 152-G  
(7-68)

*Pe-260*

GENERAL FILES AND COMMUNICATIONS

RECORD OF DOCUMENT

Date Received: August 13, 1968

DOCUMENT NUMBER: Peru 260 Doc. No. 17 n.

DATED: Annual Report (Memoria Del Directorio) 1967

TITLE OF DOCUMENT: Annual Report 1967

✓ Pe-240  
x 365  
x 464  
x 511

August 13, 1968

Lima Light and Power Company  
Veracruz 261  
Lima, Peru

Re: Loans 260/365/464/511-PE

Gentlemen: *filed Pe 260*

We acknowledge with thanks receipt of your letter dated August 9, 1968 with which you enclosed a numbered copy of your Annual Report for 1967.

We are studying the report and if there are any questions or comments on the information presented, we will write to you again.

Very truly yours,



Charles H. White  
Chief, Power Section I  
Projects Department - Public Utilities

N.B.  
Original letter given to  
2 gentlemen - Lima light -  
visiting the Bank today  
ER

af  
IHRD

LIMA  
LIGHT  
AND  
POWER  
COMPANY

EMPRESAS ELECTRICAS ASOCIADAS

Pe-268

GERENCIA GENERAL VERACRUZ 261 LIMA - PERU  
TELEFONO 78 200  
CASILLA 1384  
CABLES: ASOCIADAS  
TELEX: LIGHT 3540057

Lima, 9th of August 1968

International Bank for  
Reconstruction and Development  
Projects Department  
1818 H Street, N.W.  
Washington, D.C. 20433

Attention: Mr. Carel deBeaufort

*ack Aug 13*

Gentlemen,

Following the dispatch of our annual report for 1967 to the Bank, we have now pleasure in enclosing a numbered copy thereof, which includes detailed statements of the different items of the balance as well as profit and loss account.

We kindly ask you to treat this document as confidential and remain,

*acknowledged  
8/13/68.*

very truly yours,

EMPRESAS ELECTRICAS ASOCIADAS  
(Lima Light & Power Co.)

*Carlos Mariotti* *Manuel Usarteche*

CARLOS MARIOTTI  
GERENTE GENERAL

MANUEL USARTECHE  
GERENTE GENERAL ADJUNTO

Enclosure:

Annual Report 1967 (No.4)

SCHRODER TRUST COMPANY

57 Broadway  
New York, N.Y. 10015

*Joe* *BoGA*  
*Sen. files*

August 5, 1968

International Bank for Reconstruction  
and Development  
1818 H Street, N.W.  
Washington, D.C. 20433

Attention: Mr. Victor C. Chang  
Assistant Chief, Finance Division  
Treasurer's Department

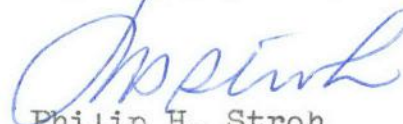
Dear Sirs:

Re: Loan No. 260 PE

We thank you for forwarding us the copy of your letter of July 30, 1968 to Lima Light and Power Company (Empresas Electricas Asociadas), together with the summary statement with respect to the payment of the principal and interest due September 15, 1968 on the above mentioned loan.

We understand that when payment has been made you will arrange to forward the Lima Light and Power Company Series D Debentures maturing September 15, 1968 to us for cancellation and retirement from our records as Trustee. At such time will you also confirm that the interest due September 15, 1968 on the Series D Debentures has been paid.

Very truly yours,



Philip H. Stroh  
Assistant Vice President

1968 AUG -7 PM 3:27  
RECORDED



INCOMING CABLE

DATE AND TIME

OF CABLE: MARCH 25, 1968

LOG NO.: ITT TELEX/25

TO: INTBAFRD

FROM: LIMA

ROUTING

ACTION COPY: MR. SWILLINGS

INFORMATION  
COPY: MR. ALTER

DECODED BY:

TEXT:

ATENCION: MR. HANS WYSS:

CON REFERENCIA CONCERSACION TELEFONICA DE LA MANANA DE HOY DEBO  
MANIFESTARLE QUE SERVICIOS DE PRESTAMOR NOS: 114 PE Y 373 PE SERAN  
ATENDIDOS TRANSCURSO PRESENTE SEMANA. DEMORAS DE ORDEN ADMINISTRATIVO  
HAN RETRASADO LOS PAGOS. CONREFERENCIA PRESTANO 260 PE EMPRESAS

ELECTRICAS, RAZONES DE DEMORAS YA HAN SIDO EXPLICASAS POR COMPANIA  
ESTIMAMOS QUE PAGOS TAMHIEN SE HARAN EFECTIVOS TRANSCURSO PRESENTE SEMANA  
SALUDOS

GAMARRA

DIRCREDPCO MINHACIENDA

Form No. 75  
(2-60)

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE  
CORPORATION

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

ROUTING SLIP

Date

September 9, 1966

NAME

ROOM NO.

1. Mr de Beaufort

300

2. Op. Files

236

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

From

V.G. Masoni

September 8, 1966

Dear Mr. Rodriguez:

I am acknowledging receipt of your letter of August 22, 1966 addressed to the President of the International Bank for Reconstruction and Development, concerning the release of the property of Hidrandina S.A. from the mortgage of Banco Industrial del Peru.

We have noted the content of your letter and thank you for the information.

Sincerely yours,

*V. Masoni*

Vittorio Masoni  
Western Hemisphere Department

Mr. Alberto Rodriguez Carpi  
General Director of Finance  
Ministry of Finance and Commerce  
Lima, Peru

Cleared with and cc: Mr. Lecuona  
cc: Mr. Wishart  
Mr. Alter  
Mr. Knox

VMasoni:jd

Supreme Decree No. 278-H

ROUTING SLIP

Date  
Sept. 1, 1966

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Knapp	
<del>Mr. Alter</del>	
<del>Knapp</del>	
<i>RM</i>	
<i>What is this about</i>	<i>ADH</i>

To Handle	Note and File
Appropriate Disposition	Note and Return
Approval	Prepare Reply
Comment	Per Our Conversation
Full Report	Recommendation
Information	Signature
Initial	Send On

Remarks

For information and any necessary action.

M. Lee

From

Alberto Rodriguez  
CARPI

Mrs. Lee  
Room 1220

PE-260

MINISTRY OF FINANCE AND COMMERCE  
REPUBLIC OF PERU

REF: Official Letter No. 355-66-CP

BIB

Lima,  
22 August 1966

The President,  
IBRD.

Dear Sir,

The following is the text of Supreme Decree No. 278-H and is referred to you for your information and for any other purposes that you may deem fit:

\* "APPROVAL OF THE OFFICE OF THE COMPTROLLER GENERAL OF THE REPUBLIC (NO. 1454).

WHEREAS by Supreme Resolution No. 99 of 2 December 1960 approval was given to the Contract, subsequently executed as a public deed on 23 January 1961, whereby Empresas Eléctricas Asociadas (Associated Electrical Undertakings) and Energía Hidroeléctrica Andina S.A. - HIDRANDINA (Andean Hydroelectric Power Company), under the terms of Act No. 11636, granted to the State through the agency of the Banco Industrial del Perú (Industrial Bank of Peru) an adjustable guarantee forming a second charge on all their present and future possessions and properties, constituting their assets, as collateral for the bond in the sum of US\$24 million furnished by the Republic of Peru to guarantee the loan that the World Bank granted to the first-named of these two companies to meet part of the cost of financing its five year expansion program;

WHEREAS this adjustable second charge on the part of Energía Hidroeléctrica Andina S.A. arises out of the obligations entered into by it in favor of Empresas Eléctricas Asociadas to pay off to it the advances that it has made to it and, in its turn, to grant it long term advances, obligations with which it has complied, including amortization payments of up to the sum of S/75,900,000 up to 31 December 1965;

\*T.N.: The text of this decree is somewhat confused and difficult to interpret out of context.

TRANSLATION SECTION 1593/66  
Translated From: Spanish: 9.1.66 By: JHH:jn

WHEREAS Empresas Eléctricas Asociadas has agreed that this lien should be removed from Energía Andina S.A. and should remain solely its own liability;

WHEREAS the assets less depreciation of Empresas Eléctricas Asociadas are sufficient to guarantee the bond furnished by the Republic of Perú;

WHEREAS the Banco Industrial del Perú, and the Public Credit Department and Legal Department of the Ministry of Finance and Commerce have reported favorably on the release from the adjustable second lien guarantee in question.

WHEREAS the Office of the Comptroller General of the Republic has given its approval.

IT IS HEREBY DECREED by the President of the Republic, in accordance with Act No. 11636 and with the approval of the Council of Ministers that:

1 - Authorization shall be given for the release of the adjustable second lien guarantee on all the present and future possessions and properties constituting its assets that Energía Hidroeléctrica Andina S.A. furnished in favor of the State through the agency of the Banco Industrial del Perú as a guarantee for the collateral furnished by the Government in respect of the loan that Empresas Eléctricas Asociadas obtained from the World Bank in the sum of US\$ 24 million, there remaining in existence only the guarantee on the total assets of Empresas Eléctricas Asociadas.

2 - The Banco Industrial del Perú is hereby authorized to agree with Empresas Eléctricas Asociadas and Energía Hidroeléctrica Andina S.A. on the amendment of the contract of 23 January 1961, in accordance with the provisions of the proceeding article.

Given in the Casa de Gobierno at Lima on 19 August 1966.

Fernando Belaúdo Terry  
Sandro Mariátegui Ch. "

I remain,

Yours very truly,

ALBERTO RODRIGUEZ R. CARPI  
Director General of Finance

(Seal of the Ministry of Finance and Commerce)



REPUBLICA DEL PERU

"AÑO DE LOS VENCEDORES DEL 2 DE MAYO"

FE-260  
AUG 29 REC'D

Kalpa - Alberto Rodriguez CARPI

MINISTERIO DE HACIENDA Y COMERCIO

PERU

REGISTERED 56718

Lima, 22 de Agosto de 1966

Of. N° 355-66-CP MAIL NUMBER

TRANSLATED

Señor Presidente del Banco Internacional  
de Reconstrucción y Fomento.-

SEP 1 1966

I.B.R.D.

Se ha expedido el Decreto Supremo N° 278-H, que sigue:

"VISACION DE LA CONTRALORIA GENERAL DE LA REPUBLICA N° 1454.-- EL PRESIDENTE DE LA REPUBLICA.-- CONSIDERANDO:-- Que por Resolución Suprema N° 99 de 2 de Diciembre de 1960 se aprobó el contrato, posteriormente elevado a escritura pública el 23 de Enero de 1961, por el que Empresas Eléctricas Asociadas y Energía Hidroeléctrica Andina S.A. de acuerdo con la Ley N° 11636 otorgara a favor del Estado por intermedio del Banco Industrial del Perú la garantía de afectación flotante de segundo rango sobre la integridad de sus bienes y propiedades presentes y futuras, constitutivos de sus correspondientes activos, en garantía de la fianza que por US\$ 24'000,000 otorgó la República del Perú para garantizar el préstamo que el Banco Mundial concedió a la primera de las empresas nombradas a fin de cubrir parte de la financiación de su programa de expansión quinquenal;-- Que esa afectación flotante de segundo grado de parte de Hidrandina deriva de las obligaciones que ésta contrajo a favor de Empresas Eléctricas Asociadas de amortizarle los anticipos que le haya hecho y de otorgarle a su vez anticipos a largo plazo que ha cumplido; incluidas las amortizaciones, hasta por \$ 75'900,000 al 31 de Diciembre de 1965;-- Que Empresas Eléctricas Asociadas ha convenido en que sea levantado ese gravamen en cuanto afecta a Hidrandina y que subsista sólo a su cargo;-- Que el activo menos depreciaciones de Empresas Eléctricas es suficiente para garantizar la fianza otorgada por la República del Perú;-- Que sobre la liberación de la garantía de afectación flotante referida han informado en sentido favorable el Banco Industrial del Perú y las Direcciones Generales de Crédito Público y de Asesoría Legal del Ministerio de Hacienda y Comercio;-- Que la Contraloría General de la República ha dado su conformidad;-- De acuerdo con la Ley N° 11636; y-- Con el voto aprobatorio del Consejo de Ministros;-- D E C R E T A:-- 1º.- AUTORIZASE la liberación de la garantía de afectación flotante de segundo rango sobre la integridad de los bienes y propiedades presentes y futuras constitutivos de la integridad de su activo, que Energía Hidroeléctrica Andina S.A. (HIDRANDINA) constituyó a favor del Estado por intermedio del Banco Industrial del Perú como garantía por el aval que otorgó el Supremo Gobierno al préstamo que Empresas Eléctricas Asociadas obtuvo del Banco Mundial por un monto de US\$ 24'000,000 quedando subsistente esa garantía sólo sobre los activos totales de Empresas Eléctricas Asociadas.-- 2º.- Facúltase al Banco Industrial del Perú para convenir con Empresas Eléctricas Asociadas y Energía

//.





REPUBLICA DEL PERU

# MINISTERIO DE HACIENDA Y COMERCIO

- 2 -

//. Hidroeléctrica Andina (HIDRANDINA) S.A., en la modificación del contrato de 23 de Enero de 1961, conforme a lo dispuesto en el artículo anterior.-- Dado en la Casa de Gobierno, en Lima, a los diecinueve días del mes de Agosto de mil novecientos sesentiseis.-- Fernando Belaúnde Terry.-- Sandro Mariátegui Ch."

Que trascribo a Ud. para su conocimiento y demás fines, reiterándole los sentimientos de mi especial consideración.



Dios guarde a Ud.

ALBERTO RODRIGUEZ R. CAPI  
Director General de Hacienda

and.

1966 AUG 28 PM 15:32

COMMUNICATIONS  
RECORD UNIT  
RECEIVED

MINISTERIO DE HACIENDA Y COMERCIO



REPUBLICA DEL PERU

- 2 -

\\ Hidroeléctrica Andina (HIDRANDINA) S.A., en la modificación del contrato de 25 de Enero de 1961, conforme a lo dispuesto en el artículo anterior.-- Dado en la Casa de Gobierno, en Lima, a los diecinueve días del mes de Agosto de mil novecientos sesenta y cinco.-- Fernando Belaúnde Terry.-- Sandro Mariátegui Gh."

que trascrito a Ud. para su conocimiento y demás fines, reiterándole los sentimientos de mi especial consideración.

Atte. Queda a Ud.

Director General de Hacienda  
ALBERTO RODRIGUEZ R. C.



.bme

1966 AUG 29 PM 12:35

RECEIVED  
GENERAL FILES  
COMMUNICATIONS

## OFFICE MEMORANDUM

TO: Files

DATE: July 21, 1966

FROM: Max Lorie

SUBJECT: PERU. Loan 260-PE Huinco Hydro Stage ITechnical and financial final report

The report contains a summary of the historical, technical and administrative aspects of the project, consisting of the construction of the Marcapomacocha diversion and of the Huinco plant with an initial capacity of 120 MW (2 units of 60 MW each).

Construction of the diversion scheme, including the 10 Km Transandean tunnel, was started in 1957 and terminated in September 1962.

Construction of the plant was started in December 1959, but due to adverse geological conditions important modifications had to be made to the project while it was in its first year of construction. The original time schedule of 58 months for the commissioning of the first unit was thus exceeded by 7 months, this unit went on the line in October 1964, the second unit was put into service in February 1965, in accordance to schedule.

With two units in operation, the constant flow from the Santa Eulalia River and the diversion scheme can be fully utilized during the dry season.

The operation of the mechanical and electrical equipment of Huinco has been satisfactory.

The following table shows a comparison between the estimated and the actual costs of the project.

Estimated and final cost of project

	<u>Original</u> <u>Estimated Cost</u>	<u>Final Cost</u>	<u>% Variation</u>
	(Thousands of Soles)		
I. Preliminary works	35,100	7,370	(79.0)
II. Works at plant			
Water diversion	33,318	22,490	(32.5)
Tunnels and penstocks	378,756	651,000	71.7
Power house and civil works	66,663	111,610	67.3
Electro mechanical equipment	145,527	154,840	6.4
Miscellaneous	9,072	24,000	164.6
Total	<u>633,336</u>	<u>963,940</u>	52.0
III. Transmission line	100,455	104,000	3.5
IV. Miscellaneous *	142,228	-	
Total construction	<u>911,119</u>	<u>1,075,310</u>	18.0
V. Engineering and supervision fees *	53,000	-	-
Total cost (expressed in local currency)	964,119	1,075,310	11.4
Equivalent in thousand of US\$	35,708	39,826	11.4

\* The items listed under Miscellaneous, as well as the engineering and supervision fees have been distributed among construction items in accordance with Peruvian Electrical Industry Law.

During the five years of the construction period, the Peruvian currency remained unchanged at 26.80 Soles per US\$.

The cost of labor practically doubled during that period; the increase in the cost of local material was not excessive, except for cement (48%) and construction timber (28%), that of electro mechanical equipment rose by 5-7%. The total cost of the project was 11% higher than the original estimate.

cc: Division Files  
Project Supervision Files

MLorie: jr  
IBRD

PE - Debt  
✓ PE - 260  
PE - 446

Mr. A. David Knox

July 8, 1966

Hans Wyss

PERU - External Debt

1. This morning I had a phone call with Mr. Gibson of the Peruvian Embassy on the following two points:

- a. For the Lima Light and Power project we need a statement of the debts incurred between December 31, 1965 and the latest available date, at least up to June 30, 1966; the statement would be similar to the one provided by Mr. Gamarra in April 1966 for the Port of Pisco loan;
- b. Moreover, we need the forms C and D on a number of external debts outstanding as of December 31, 1965. In a side letter to the Port of Pisco loan (May 13, 1966) the Peruvian representative stated that "it is our intention to provide the Bank with Forms C and D on the debts listed in Annex I (to this letter) within two months".

2. Later this morning Mr. Gibson told me that he has already sent a cable to Lima asking for the foregoing information.

cc: Mr Masoni  
Carnemark

HWyss:jd

orig. PE-369

Mr. Roger A. Chaufournier

May 20, 1966

Vittorio Masoni

M.

PERU - Lima Light: Procurement Procedures Followed in Loan 260 PE of June 29, 1960 and 365 PE of November 22, 1963

1. I am referring to your question of whether Lima Light has followed the correct international bidding procedures in carrying out the Huineo I and II projects financed by Loans 260 and 365 PE. The following information indicates that Lima Light knew about the Bank's requirements on this matter but did not always stick to the rules.

2. Section 3.01 of both Loan Agreements reads "The specific goods to be financed out of the proceeds of the loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrower". Between December 1961 and July 1964 there has been a lively exchange of correspondence with Lima Light on the subject of procedures followed for the procurement of various items under both loans. The maximum frequency of the exchange was in May-July 1964 after which the discussion abated. In addition to that Mr. Piccagli has made several oral representations to Mr. Mariotti on this subject. A copy of the "Guidelines relating to Procurement under World Bank Loans" published June 5, 1964 was sent to Lima Light attached to a PD's letter of July 27, 1964 containing a rebuff to Lima Light for not always sticking to international bidding.

3. It is proposed that in the loan for power distribution, now being appraised, the situation be radically changed. Specifically it is proposed (i) to indicate in the letter inviting negotiations that the Bank will expect all the purchases for the project to be made with international competitive bidding and (ii) to add to the Loan Agreement a detailed supplemental letter on procurement, as it has become standard procedure since the last Lima Light loan was made in 1963.

Cleared with and cc: Messrs Knox  
Sear

VMasoni:jd

AIR MAIL

May 17, 1965

Lima Light and Power Company  
(Empresas Electricas Asociadas)  
Casilla 1384  
Lima, Peru

Re: Loan No. 260 FE

Gentlemen:

We refer to your letter, reference SEF 1757 of May 4, 1965, enclosing proofs of the Temporary Debentures to be delivered under the above-mentioned Loan pursuant to our request of April 27, 1965. We wish to make the following comment on the proofs:

**A. All Debentures:**

1. Since the name of your company has been changed and since you have already shown the new name on the Temporary Debentures of the Series F under Loan No. 365 FE the desirability of showing the new name on these Debentures may be considered.
2. Although it is not shown in the proofs we assume you will have the respective due date printed on each Debenture.

**B. U. S. Debentures:**

1. In the 7th paragraph in the 5th line, the letter "g" has been left out of the word "together".
2. In the 9th paragraph in the second line, the letter "r" in the word "under" is not clear.

**C. Deutsche mark Debentures:**

1. As indicated earlier in connection with Loan 365 FE please consider whether it is desirable in this instance to change the name of the country to "Federal Republic of Germany" and the name of the currency, singular and plural, to "Deutsche mark".
2. In the first paragraph, the word "and" at the end of the first line is not clear.

**D. Mexican peso Debentures:**

1. Mexican peso Debentures should be payable in the city of Mexico, D.F., Mexico. We suggest that you inquire with the Trustee concerning the selection of a paying agent.

cc: Schroder Trust Co., New York, New York 15, N. Y.  
Att: Mr. Philip A. Stroh

Sincerely yours,



Walter C. F. Rutland  
Chief, Finance Division  
Treasurer's Department

Cleared with and cc: Mr. Webb

cc: Mr. Masoni  
Mr. Rutland  
Mr. Deely

Mr. Grothe Mr. Metherate  
APAN/ytp FILE- Loan Dec. 260 FE

- Bonds Requested from Borrower

May 5, 1966

Dear Sirs:

Loan 260 PE

We are referring to your request that Hidrandina be released from the obligation contained in Section 7.01(c) of the Loan Agreement 260 PE.

Hidrandina was committed to repay advances made to it by Empresas and to use its "excess" funds until December 31, 1965 to make long term advances to Empresas. The record shows that the Soles 12.2 million were paid off in September 1960 and that net transfer of excess funds as of December 31, 1965 including the repaid advances amounted to Soles 75.9 million. On this basis, we acknowledge that Hidrandina has complied with the provisions of Section 7.01(c) of Loan Agreement No. 260 PE.

As the future expansion of generating capacity of Empresas might require new financing in excess of possible external loans and internal cash generation, additional future contributions by Hidrandina might have to be considered when such expansion plans are defined. The discussion of this matter would be an important part of the reappraisal of the relationship between Empresas and Hidrandina which would have to be made before further expansion of the generating capacity of the two companies' system can be considered for financing.

We are pleased to take this opportunity to inform you that the Bank would have no objection to Hidrandina selling the Empresas shares it has acquired, provided the sale of new shares by Empresas at an annual rate of Soles 40 million, as foreseen in the financing plan of the presently proposed distribution loan, would not be jeopardized.

Sincerely yours,



Gerald Alter  
Director

Western Hemisphere Department

Empresas Electricas Asociadas  
Casilla 1384  
Lima, Peru

Cleared with and cc: Messrs Knox, de Beaufort, Keltie, Webb

VMasoni:jd





## OFFICE MEMORANDUM

TO: Files

DATE: April 29, 1966

FROM: C. Eugene Webb *CEW*SUBJECT: PERU: Loan No. 260-PE - Lima Light

On February 21, 1966 I told Mr. Masoni it was largely a question of whether Projects thinks Hidrandina cash will be needed in future by Lima Light. Also explained to him the background of this restriction. Suggested to him that we should have a brief working party before modifying the Loan Agreement as requested. The agreement submitted by Hidrandina to comply with Section 7.01 (c) of the Loan Agreement had a terminal date of 12/31/65 and was accepted for Effectiveness even though Section 7.01 (c) did not fix a date. It is my recollection, however, that it was not the intention during negotiations that the obligation cease in 1965, because (a) some of Hidrandina's properties are essential parts of Lima Light's generating capacity; and (b) Hidrandina was originally set up to circumvent security given holders of Bonds which have since been redeemed. Hence, this request by Hidrandina should be dealt with on its merits and on the basis of present facts about financial requirements.

CEW:bmc

cc: Mr. E.E.Clark  
Mr. A. Wenzell  
Mr. C. de Beaufort

ROUTING SLIP		Date
NAME		ROOM NO.
Mr de Beaufort		300
<i>Mr. Masoni</i>		
To Handle		Note and File
Appropriate Disposition		Note and Return
Approval		Prepare Reply
Comment		Per Our Conversation
Full Report		Recommendation
Information		Signature
Initial		Send On
REMARKS		
<p>Please note Mr Webb's reaction. If you are satisfied that Lima Light can be expected to finance a reasonable portion of its financial needs, I could send a cable to release them from their obligation right away.</p>		
F V.G. Masoni		

# OFFICE MEMORANDUM

TO: Mr. V. Masoni

DATE: April 22, 1966

FROM: Carel de Beaufort *CD*

SUBJECT: Peru - Lima Light: Loan 260 PE

I am referring to your memo of February 18. While in Lima I checked on the transfer of Hidrandina's excess funds to Lima Light. <sup>attached</sup> A note on my findings is attached.

H26/66: There is no doubt that Hidrandina has provided cash to Asociadas as promised in 260 PE. The real question is whether Asociadas will in the future need Hidrandina cash. If so, the Bank may wish to restrict Hidrandina's use of its cash, because the generating plants owned by Hidrandina constitute an integral part of Asociadas' system. Hence, Projects Department should be satisfied that Asociadas has sufficient cash for all ~~normal~~ <sup>Attach.</sup> and foreseeable needs, including, particularly, the cash to carry out Matucana, before Hidrandina is given a complete release, or freedom, to use its cash with no regard to Asociadas' needs.

cc: Mr. Rovani  
Mr. Webb

*CDW*

I am satisfied that Lima Light disposes of sufficient internal funds to finance the proposed distribution project. The Matucana project, however, has not yet been appraised. Although I have been able to fit it in the financial projections with an assumed loan of \$15 million I could not state at this moment that the internal contribution to the project would be sufficient. It would seem, however, that - if necessary - we could ask for a new commitment from Hidrandina when we consider the Matucana project. *P. de B.*

Hidrandina - Transfer of Excess Funds to Lima Light

In fulfillment of a requirement under Loan 260 PE Hidrandina committed itself to repay advances made to it by Lima Light and to use its excess funds until December 31, 1965 to make long-term advances to Lima Light. The advances made by Lima Light to Hidrandina totalled S/12.1 million and were paid off in September 1960. Thereafter transfers of funds were accomplished by the transfer of notes payable by Hidrandina to Lima Light and by the purchase of new Lima Light shares by Hidrandina. In both cases Hidrandina credited the amounts involved to the accounts receivable for energy sold to Lima Light. The notes which were transferred to Lima Light were payable to sister companies and, except for about S/5 million of notes, they were either rolled over or funded in long-term debentures.

Annex 1 shows that while during the five year period 1960 through 1965 Hidrandina's net cash generation amounted to S/61.5 million, the net transfer of funds to Lima Light totalled S/75.9 million.

Hidrandina asked for the Bank's confirmation that no further transfers of excess funds are needed under Loan 260 PE so that it could be released from its obligations under a Public Deed for the Constitution of Guarantees which was executed in Peru in connection with the Government's guarantee of Loan 260 PE. From a financial point of view there would be no objection to a letter from the Bank confirming that Hidrandina has complied with the requirements of Section 7.01 (c) of the Loan Agreement.

*to they need  
one authorizing*  
Hidrandina inquired whether it could, if necessary, freely dispose of the Lima Light shares it has acquired. It would appear that there is no reason to prevent the sale of these shares provided that the market for Lima Light shares would not be disturbed and that the sale of new shares by Lima Light at an annual rate of S/40 million, as foreseen in the financing plan of the proposed distribution loan would not be jeopardized.

*A. M. B.*

HIDRANDINA

1960 through 1965  
(in millions of Soles)

Internal Cash Generation

Net Income after Interest and Taxes		36.6
Depreciation		<u>119.7</u>
Total:		156.3
Less: Directors Bonus	4.5	
Amortization	<u>90.3</u>	<u>94.8</u>
Net Internal Cash Generation		<u><u>61.5</u></u>

Transfer of Funds to Lima Light

Repayment of advances by Lima Light		12.1
Transfer of Notes Payable		<u>44.5</u>
Purchase of new Lima Light shares		<u>30.7</u>
Total:		87.3
Less: Decrease in Accounts Receivable from Lima Light	8.5	
Account payable to Lima Light at end of 1965	2.9	<u>11.4</u>
Total Transfer of Funds to Lima Light		<u><u>75.9</u></u>

P. M. B.

Mr. V. Masoni

April 22, 1966

Carel de Beaufort

Peru - Lima Light: Loan 260 PE

I am referring to your memo of February 18. While in Lima I checked on the transfer of Hidrandina's excess funds to Lima Light. A note on my findings is attached.

Attach.

cc: Mr. Rovani  
Mr. Webb

### Hidrandina - Transfer of Excess Funds to Lima Light

In fulfillment of a requirement under Loan 260 PE Hidrandina committed itself to repay advances made to it by Lima Light and to use its excess funds until December 31, 1965 to make long-term advances to Lima Light. The advances made by Lima Light to Hidrandina totalled S/12.1 million and were paid off in September 1960. Thereafter transfers of funds were accomplished by the transfer of notes payable by Hidrandina to Lima Light and by the purchase of new Lima Light shares by Hidrandina. In both cases Hidrandina credited the amounts involved to the accounts receivable for energy sold to Lima Light. The notes which were transferred to Lima Light were payable to sister companies and, except for about S/5 million of notes, they were either rolled over or funded in long-term debentures.

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Hidrandina inquired whether it could, if necessary, freely dispose of the Lima Light shares it has acquired. It would appear that there is no reason to prevent the sale of these shares provided that the market for Lima Light shares would not be disturbed and that the sale of new shares by Lima Light at an annual rate of S/40 million, as foreseen in the financing plan of the proposed distribution loan would not be jeopardized.

HIDRANDINA1960 through 1965  
(in millions of Soles)Internal Cash Generation

Net Income after Interest and Taxes		36.6
Depreciation		<u>119.7</u>
Total:		156.3
Less: Directors Bonus	4.5	
Amortisation	<u>20.3</u>	<u>94.8</u>
Net Internal Cash Generation		<u>61.5</u>

Transfer of Funds to Lima Light

Repayment of advances by Lima Light		12.1
Transfer of Notes Payable		44.5
Purchase of new Lima Light shares		<u>30.7</u>
Total:		87.3
Less: Decrease in Accounts Receivable from Lima Light	8.5	
Account payable to Lima Light at end of 1965	2.9	<u>11.4</u>
Total Transfer of Funds to Lima Light		<u>75.2</u>



CROSS REFERENCE SHEET

COMMUNICATION: Memo

DATED March 22, 1966

TO: Mr. Alter

FROM: Mr. Knox

FILED UNDER: Argentina - 308 AR Administration

SUMMARY: External Financing ( 260 PE) and 300 PE

260 PE.

L.F.

PE-260

Messrs Ives Kovani and G. Eugene Webb

February 18, 1966

V. Masconi

*Mr. 260*

PERU - Lima Light: Loan 261 PE

1. I attach hereto a copy of 2 draft letters of Lima Light and Hidrandina delivered to the Bank by Dr Carlos Mariotti on February 17, 1966.

2. As Mr Mariotti has already indicated to you orally, the letters request the Bank to indicate that Hidrandina has complied with the requirements of Section 7.01 (c) of the Loan Agreement. If the representations made in the letter about Hidrandina's compliance with the Loan Agreement are found to be correct I will prepare an appropriate letter for Lima Light. Please let me have your comments so that I can proceed accordingly.

cc: Messrs Knox & R  
Wynn

TO  
From COV  
cc *Wynn, de Beaufort, EE, Clark*

Re: Lima Light Loan No 260 PE

VMasconi:jd

*Notes to Files*

*4/21/66 Told Masconi largely a question of whether in future Projects - Hidrandina cash will be needed by Lima Light. Also explained to VM the background of this restriction. Suggested to VM we should have a brief W.P. before modifying the LA as requested. The agreement submitted by Hidrandina to comply with § 7.01 (c) of the LA had a terminal date of 12/31/65 and was accepted for effectiveness even though § 7.01 (c) did not fix a date. It is my recollection, however, that it was not the intention during negotiations that the obligation cease in 1965, because (a) some of Hidrandina's properties are essential parts of Lima Light's generating capacity; and (b) Hidrandina was originally set up to circumvent security given holders of Bonds which have since been redeemed. Hence, this request by Hidrandina should be dealt with on its merits and on the basis of present facts and circumstances.*

*Ctrl*

Messrs Yves Rovani and C. Eugene Webb

February 18, 1966

V. Masoni *VM*

PERU - Lima Light: Loan 261 PE

1. I attach hereto a copy of 2 draft letters of Lima Light and Hidrandina delivered to the Bank by Dr Carlos Mariotti on February 17, 1966.

2. As Mr Mariotti has already indicated to you orally, the letters request the Bank to indicate that Hidrandina has complied with the requirements of Section 7.01 (c) of the Loan Agreement. If the representations made in the letter about Hidrandina's compliance with the Loan Agreement are found to be correct I will prepare an appropriate letter for Lima Light. Please let me have your comments so that I can proceed accordingly.

cc: Messrs Knox e/r  
Wyss

VMasoni:jd