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Folder Title: Power Distribution Project - Peru - Loan 0464 - P007950 - Negotiations - Volume 2

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Project ID: P007950

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Washington, D.C.

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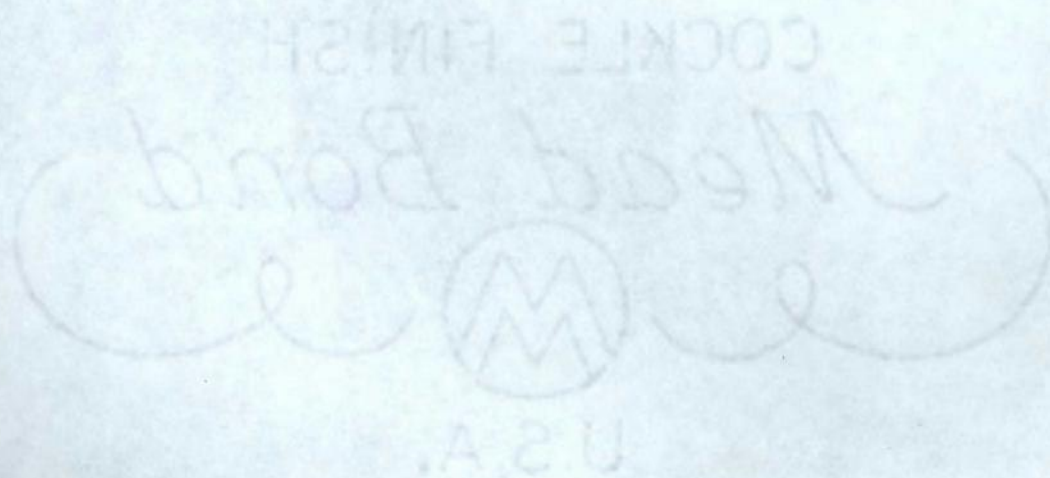
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Archives

1711030

A1995-070 Other #: 113 Box # 169885B
Power Distribution Project - Peru - Loan 0464 - P007950 - Negotiations -
Volume 2

This File closed as September 6, 1966

Please see Volume 1- Administration



5

Mr. Lyell Doucet

September 6, 1966

V. G. Masoni

PERU - Signing of US\$10 million Power Distribution Loan

1. The Ambassador of Peru is arriving from Lima early tomorrow morning with the Decree authorizing him to sign the Guarantee Agreement and relevant Supplemental Letters.
2. The Decree will be checked immediately to make sure it is satisfactory to the Bank. If the Decree is satisfactory, signing could take place tomorrow afternoon at a time to be agreed with the Bank's signing officer.
3. This is a somewhat rush procedure but it would be justified by the fact that Dr. Mariotti - representative of the borrower - needs to return to Lima as soon as possible and the Ambassador will leave Washington on September 8 and return only on September 13.
4. Please let me know if I can set up the signing for tomorrow afternoon, subject to be called off in the unlikely event that the Decree is unsatisfactory.

cc: Messrs. Alter
Knox/Wyss
Sear
Wiens
de Beaufort
Keltie
Lecuona

VMasoni/rwm

INTFRAD 440098 GA

RECEIVED
GENERAL FILES
COMMUNICATIONS

SEP 5 9 25 AM 1966

PARA EL SENOR LUIS MACHADO:

EL DIA DE AYER SE EXPIDIO EL DECRETO SUPREMO NUMERO 284-H
QUE APRUEBA EL PRESTAMO QUE EL BANCO MUNDIAL HA CONVENIDO
EN OTORGAR A EMPRESAS ELECTRICAS ASOCIADAS POR US DOLARES
10'000.000. DECRETO SUPREMO AUTORIZA AL EMBAJADOR PASTOR
A SUSCRIBIR CONTRATO DE GARANTIA, DOCUMENTO SUPLEMENTARIO
Y DEBENTURES. TRASCIPCION OFICIAL DEL MISMO ENVIADA DIA
DE HOY POR CONDUCTO REGULAR.

ATENTOS SALUDOS

MARIATEGUI MINHACIENDA



authorization -
Guantanamo

MINISTERIO DE HACIENDA Y COMERCIO

Lima, 2 de Setiembre de 1966

Of. No 373-66-CP

Señor Embajador del Perú en los Estados Unidos de Norteamérica.-

DECRETO SUPREMO No 284-H

VISACION DE LA CONTRALORIA GENERAL DE LA REPUBLICA
EL PRESIDENTE DE LA REPUBLICA
CON INTERVENIR:

que la Compañía Empresas Eléctricas Asociadas ha solicitado el otorgamiento de la garantía del Estado para el nuevo préstamo que ha convenido en concertar con el Banco Internacional de Reconstrucción y Fomento para financiar parte del costo del proyecto del sistema de distribución 1966, 1967 y 1968 para la Gran Lima y la zona costera Norte y Sur que comprende: a) transmisión en línea a 230 KV y a 69 KV; b) construcción y aplicación de tablero de transformación; c) construcción de sub-estaciones y bobinas; d) instalaciones de redes de distribución en baja tensión; e) conexiones, f) edificios y g) sistema de comunicaciones;

que este proyecto en su aspecto integral ha sido declarado de preferente interés nacional por resolución 14 5 2 del Ministerio de Fomento de 24 de agosto de 1966, previa aprobación del mismo Ministerio resoluciones supremas No. 10 de 25 de Julio y No. 10 de 11 de agosto ambas de 1966;

que para la financiación de parte del costo estimado en S/ 22,000,000.00 el Banco Internacional de Reconstrucción y Fomento va a otorgar a la Compañía recurrente un préstamo de S/ 1,000,000.00 siempre que medie la garantía del Estado, así como los proyectos adjuntos de los contratos de préstamo y la garantía;

que para cubrir la diferencia entre ese préstamo y el costo estimado del proyecto, la recurrente dispone de recursos propios que son adecuados, según los estudios financieros presentados;

que el activo neto tangible de las Empresas Eléctricas Asociadas y las entradas netas que se perciben en la explotación industrial, en las condiciones del mercado creciente cuya demanda tiende a observar toda la energía que se genera, son suficientes para cubrir todas las deudas de la recurrente y constituyen garantía suficiente adecuada de ellas;

que sobre la referida solicitud han informado en sentido favorable la Dirección General de Fomento Industrial, el Instituto Nacional de Clasificación y el Banco Industrial del Perú;

que la Dirección General de Asesoría Legal del Ministerio de Hacienda y Comercio ha opinado que están arreglados a ley los contratos proyectados de garantía, del préstamo a garantizarse y de la constitución de garantía a suscribirse con el Banco Industrial del Perú;

que la Contraloría General de la República los ha encontrado conformes;

la conformidad con la ley No. 11355 y los decretos supremos No. 12 de 14 de octubre de 1965 y No. 27 de 27 de setiembre de 1966; y

con el voto aprobatorio del Consejo de Ministros;



MINISTERIO DE HACIENDA Y COMERCIO

- 2 -

DECRETO:

19.- Apruébese el contrato, según el proyecto adjunto en 5 artículos y documento suplementario, por el que el Estado peruano garantiza solidariamente el pago del capital, sus intereses y otras cargas del préstamo en diversas monedas que, hasta por un monto equivalente a US\$. 15'000,000.00, vá a otorgar el Banco Internacional de Reconstrucción y Fomento a las Empresas Eléctricas Asociadas, con el objeto indicado, al tipo de interés del 6% anual sobre saldos deudores, más una comisión de compromiso de 3/8 del 1% anual sobre saldos no desembolsados y por el plazo de amortización de 20 años, según el contrato de préstamo cuyo proyecto también se acompaña en 2 artículos, 3 anexos y 6 documentos suplementarios.

20.- La prestataria, para asegurar el pago de la suma garantizada, ampliará en US\$. 15'000,000.00 su garantía flotante de segundo rango que para respaldar la garantía estatal por los préstamos anteriores del mismo Banco por US\$. 25'000,000.00 y US\$. 15'000,000.00, tiene constituida a favor del Estado, sobre la integridad de sus bienes, presentes y futuros, constitutivos de la integridad de sus activos, a fin de cubrir así los tres préstamos autorizados que suman US\$. 45'000,000.00, por el tiempo de su vigencia, por intermedio del Banco Industrial del Perú, el cual queda facultado para aceptar esa afectación flotante a prestataria, bajo contrato, con sujeción al Decreto Supremo de 12 de 14 de octubre de 1960, y pagará al Tesoro Público la comisión de garantía del 1/4% sobre saldos deudores del préstamo de US\$. 15'000,000.00, de conformidad con el art. 62 del Decreto Supremo de 55 de 27 de setiembre de 1963.

21.- Autorízase al Subjefe del Perú en los Estados Unidos de América, para suscribir, en representación de la República, el contrato de garantía con el documento suplementario que se acompaña por este Decreto Supremo, y los representantes representativos del préstamo que se garantiza.

22.- Apruébese igualmente el contrato que proyecta celebrar por escritura pública el Banco Industrial del Perú con Empresas Eléctricas Asociadas, de acuerdo con la Ley 1176 y los Decretos Supremos los. 55 de 27 de setiembre de 1960 y 12 de 14 de octubre de 1960, de conformidad con los términos de la minuta que consta de 24 cláusulas y una adicional, por el que la citada prestataria otorga a favor del Estado la garantía de afectación flotante de segundo rango a que se refiere el artículo 20 de este Decreto Supremo, sobre la integridad de sus activos, en resguardo del importe de la fianza por US\$. 1'000,000.00, por el tiempo de vigencia de los compromisos de préstamo en favor del Banco Internacional de Reconstrucción y Fomento con arreglo a los instrumentos de préstamo y fianza que se mencionan en la minuta que es objeto de esta aprobación.

Hecho en la sede de Gobierno, en Lima, a los dos días del mes de Setiembre de mil novecientos sesentiseis.

FERNANDO BELAUNDE TERRY

SÁNDRO MARIATEGUI CH.

Que transcribo a Ud. para su conocimiento y demás fines.

Dios guarde a Ud.

fj.

Form No. 75
(2-60)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL DEVELOPMENT
ASSOCIATION

ROUTING SLIP

Date

Sept 6/66

NAME

ROOM NO.

Mr. Lighthow

M. Sears

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

Lima Light & Power Co.
Empresas Eléctricas Asociadas

PE-467
REGISTERED
MAIL NUMBER 497574

VIA CORREO AEREO

Lima, (Perú), September 2, 1966
Vozacruz 261

Dirección:
Telegráfica: "Asociadas"
Postal: Apartado 1386

International Bank for
Reconstruction and Development
1818 H Street N.W.
Washington DC-20433
U S A. -

Projects Dept. Correspondence
ANS'D BY _____
DATE _____

Gentlemen,

With reference to the loan that you have just released to our Company in order to help finance the expansion of our Transmission and Distribution Systems, we would like to make the following considerations.

When we traced our financial planning for the year 1966, which was also presented to the Bank appraisal mission, we had estimated to receive during this year 3 million dollars against the new loan. In such amount was included the sum of 520 000 dollars which refer to local purchases which we thought would have been reimbursed as in the past with the procedure of the 60% of their cost. Now the new procurement regulations would not permit us to obtain such reimbursement.

For your information the materials related to such purchases are to be included in the following categories of the List of Goods :

a) 10 kV System	approximately \$	70 000
b) 225 V System	"	10 000
c) new connections and meters	"	<u>440 000</u>
		<u>\$ 520 000</u>

and consist of iron boxes for meters, pierrite boards, iron doors for substations, brass columns, etc., which are bought from local suppliers and manufactured in accordance with our specific requirements and under our direct supervision. As a matter of fact, there was a time when we made them ourselves until we found suppliers which have given us full guaranty as to the quality of the

REGISTERED MAIL NUMBER 77-274

James Light & Power Co
Superior Electric Apparatus

Form (Rev.) September 2, 1966
Kearney 261

VIA CORREO AEREO

International Bank for
Reconstruction and Development
1818 H Street N.W.
Washington DC-20433
U.S.A.

Projects Dept. Correspondence
ANS'D BY
DATE

Gentlemen,

With reference to the loan that you have just released to our Company in order to help finance the expansion of our Transmission and Distribution Systems, we would like to make the following considerations.

When we traced our financial planning for the year 1966, which was also presented to the Bank appraisal mission, we had estimated to receive during this year 3 million dollars against the new loan. In such amount was included the sum of 520 000 dollars which refer to local purchases which we thought would have been reimbursed as in the past with the procedure of the 60% of their cost. Now the new procurement regulations would not permit us to obtain such reimbursement.

For your information the materials related to such purchases are to be included in the following categories of the List of Goods :

a)	10 kv System	approximately \$ 70 000
b)	225 V System	" 10 000
c)	new connections and meters	" 440 000
		<u>\$ 520 000</u>

and consist of iron boxes for meters, pterite boards, iron doors for substations, brass columns, etc., which are bought from local suppliers and manufactured in accordance with our specific requirements and under our direct supervision. As a matter of fact, there was a time when ourselves until we found suppliers which have given us full guarantee as to the quality of the

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Lima Light & Power Co.
Empresas Eléctricas Asociadas

VIA CORREO AEREO

Lima, (Perú)
Veracruz 261

- 2 -

Dircción:

Telegráfica: "Asociadas"

Postal: Apartado 1384

materials. In such materials are also included low tension cables which were bought locally, due to the high duty imposed by the Government on imported cables and for which we had estimated to be reimbursed with the old procedure.

Therefore we would be grateful if the Bank could consider exceptionally such materials as eligible for reimbursement against the new loan in view of our financial situation which now could not afford to have such a gap, taking into account the retroaction of the loan itself (January 1966), for which, in perfect good faith, we had calculated that local purchases would have been treated as before. It is understood that such exception is to be applied only to the quantity just mentioned of \$ 520 000, as for the future we shall abide by the new regulations.

Trusting that our request will receive your kind agreement, we remain,

Yours ever,

EMPRESAS ELECTRICAS ASOCIADAS
(Lima Light & Power Co.)


ENRIQUE BROU
GERENTE


MANUEL UGARTECHE
GERENTE

SEP 12 REC'D



MINISTERIO DE HACIENDA Y COMERCIO

REPUBLICA DEL PERU

Lima, 2 de Setiembre de 1966

Of. N° 373-66-CP

REGISTERED
MAIL NUMBER 56795

Señor Presidente del Banco Internacional
de Reconstrucción y Fomento.-

Se ha expedido el Decreto Supremo N° 284-H, que sigue:

"VISACION DE LA CONTRALORIA GENERAL DE LA REPUBLICA.-- EL PRESIDENTE DE LA REPUBLICA.-- CONSIDERANDO:-- Que la Compañía Empresas Eléctricas Asociadas ha solicitado el otorgamiento de la garantía del Estado para el nuevo préstamo que ha convenido en concederle el Banco Internacional de Reconstrucción Y Fomento para financiar parte del costo del Proyecto del Sistema de Distribución 1966, 1967 y 1968 para la Gran Lima y la faja costera Norte y Sur que comprende: a) transmisión en Lima a 220 KV y a 60 KV; b) Construcción y Ampliación de Tablero de transformación; c) Construcción de Sub-Estaciones y Cabinas; d) Instalaciones de redes de distribución en baja tensión; e) Conexiones, f) medidores y g) Sistema de Comunicaciones;-- Que ese proyecto en su aspecto integral ha sido declarado de preferente interés nacional por Resolución N° 302 del Ministerio de Fomento de 24 de Agosto de 1966, previa aprobación del mismo mediante Resoluciones Supremas No. 16 de 25 de Julio y N° 18 de 11 de Agosto ambas de 1966;-- Que para la financiación de parte del costo estimado en US\$ 22'000,000.00 el Banco Internacional de Reconstrucción y Fomento va a otorgar a la Compañía recurrente un préstamo de US\$ 10'000,000.00 siempre que medie la garantía del Estado, según los proyectos adjuntos de los contratos de préstamo y de garantía;-- Que para cubrir la diferencia entre ese préstamo y el costo estimado del proyecto, la prestataria dispone de recursos propios que son adecuados, según los estudios financieros presentados;-- Que el activo neto tangible de Empresas Eléctricas Asociadas y las entradas netas que se preveen en su explotación industrial, en las condiciones del mercado creciente cuya demanda tiende a absorber toda la energía que se genere, son suficiente para cubrir todas las deudas de la recurrente y constituyen garantía flotante adecuada de ellas;-- Que sobre la referida solicitud han informado en sentido favorable la Dirección General de Crédito Público, el Instituto Nacional de Planificación y el Banco Industrial del Perú;-- Que la Dirección General de Asesoría Legal del Ministerio de Hacienda y Comercio ha opinado que están arreglados a ley los contratos proyectados de garantía, del préstamo a garantizarse y de la constitución de garantías a suscribirse con el Banco Industrial del Perú;-- Que la Contraloría General de la República los ha encontrado conformes;-- De conformidad con la Ley N° 11636 y los Decretos Supremo Nos. 12 de 14 de Octubre de 1960 y 55 de 27 de Setiembre de 1963; y-- Con el voto aprobatorio del Consejo de Ministros;-- D E C R E T A:-- 1º.-- Apruébase el contrato, según el proyecto adjunto en 5 artículos y documento suplementario, por el que el Estado peruano garantiza solidariamente el pago del capital, sus intereses y otras cargas del préstamo en diversas monedas que, hasta por un monto equivalente a US\$ 10'000,000.00 vá a otorgar el Banco Internacional de Reconstrucción y Fomento a las Empresas Eléctricas Asociadas, con el objeto

//. Act. Sept 15 1966



MINISTERIO DE HACIENDA Y COMERCIO

"AÑO DE LOS VENCEDORES DEL 2 DE MAYO"

SEP 12 REC'D

Lima, 2 de Setiembre de 1966

Of. No 373-66-CP

Señor Presidente del Banco Internacional de Reconstrucción y Fomento.

REGISTERED MAIL NUMBER

Se ha expedido el Decreto Supremo No 284-H, que sigue:

"VISACION DE LA CONTRALORIA GENERAL DE LA REPUBLICA... -- EL PRESIDENTE DE LA REPUBLICA... -- CONSIDERANDO: -- Que la Compania Electricas E-lectricas Asociadas ha solicitado el otorgamiento de la garantia del Estado para el nuevo préstamo que ha convenido en concederle Banco Internacional de Reconstrucción y Fomento para financiar parte del costo del Proyecto del Sistema de Distribución 1966, 1967 y 1968 para la Gran Lima y la línea costera Norte y Sur que comprende: a) transmisión en Lima a 250 KV y a 60 KV; b) Construcción y Ampliación de Tablero de transformación; c) Construcción de Sub-Estaciones y Cabinas; d) Instalaciones de redes de distribución en baja tensión; e) Conexiones, f) medidores y g) Sistema de Comunicaciones; -- Que ese proyecto en su aspecto integral ha sido declarado de preferente interés nacional por Resolución No 302 del Ministerio de Fomento de 24 de Agosto de 1966, previa aprobación del mismo mediante Resoluciones Supremas No. 16 de 25 de Julio y No 18 de 11 de Agosto de 1966; -- Que para la financiación de parte del costo estimado de en US\$ 22,000,000.00 el Banco Internacional de Reconstrucción y Fomento va a otorgar a la Compania recurrente un préstamo de US\$ 10,000,000.00 siempre que medie la garantía del Estado, según los proyectos adjuntos de los contratos de préstamo y de garantía; -- Que para cubrir la diferencia entre ese préstamo y el costo estimado del proyecto, la prestataria dispone de recursos propios que son adecuados, según los estudios financieros presentados; -- Que el activo neto tangible de Empresas Electricas Asociadas y las otras garantías que se prevén en su explotación industrial, en las condiciones del mercado creciente cuya demanda tiende a absorber toda la energía que se genere, son suficientes para cubrir todas las deudas de la recurrente y constituyen garantía flotante adecuada de ellas; -- Que sobre la referida solicitud han informado en sentido favorable la Dirección General de Crédito Público, el Instituto Nacional de Planificación y el Banco Industrial del Perú; -- Que la Dirección General de Asesoría Legal del Ministerio de Hacienda y Comercio ha opinado que están arreglados a ley los contratos proyectados de garantía, del préstamo a garantizar y de la constitución de garantías a suscribir con el Banco Industrial del Perú; -- Que la Contraloría General de la República los ha encontrado conformes; -- De conformidad con la Ley No 11636 y los Decretos Supremos Nos. 12 de 14 de Octubre de 1960 y 25 de 27 de Setiembre de 1963; y -- Con el voto aprobatorio del Consejo de Ministros; -- D E C R E T O: -- Artículo 1.º Apruébase el contrato, según el proyecto adjunto en 2 artículos y documento suplementario, por el que el Estado peruano garantiza so- libramente el pago del capital, sus intereses y otras cargas del préstamo en diversas monedas que, hasta por un monto equivalente a US\$ 10,000,000.00 va a otorgar el Banco Internacional de Reconstrucción y Fomento a las Empresas Electricas Asociadas, con el objeto

Handwritten signature or note



MINISTERIO DE HACIENDA Y COMERCIO

REPUBLICA DEL PERU

- 2 -

//. indicado, al tipo de interés del 6% anual sobre saldos deudores más una comisión de compromiso de 3/8 del 1% anual sobre saldos no desembolsados y por el plazo de amortización de 20 años, según el contrato de préstamo cuyo proyecto también se acompaña en 9 artículos, 3 anexos y 6 documentos suplementarios.-- 2ª.- La prestataria para asegurar el pago de la suma garantizada, ampliará en US\$ - - 10'000,000.00 su garantía flotante de segundo grado que para respaldar la garantía estatal por los préstamos anteriores del mismo Banco por US\$ 24'000,000.00 y US\$ 15'000,000.00, tiene constituida a favor del Estado, sobre la integridad de sus activos, a fin de cubrir así los tres préstamos garantizados que suman US\$ 49'000,000.00, por el tiempo de su vigencia, por intermedio del Banco Industrial del Perú, el cual queda facultado para aceptar esa afectación flotante ampliatoria, bajo contrato, con sujeción al Decreto Supremo Nº 12 de 14 de Octubre de 1960 y pagará al Tesoro Público la comisión de garantía del 1/4% sobre saldos deudores del préstamo de US\$ 10'000,000.00, de conformidad con el art. 6ª del Decreto Supremo Nº 55 de 27 de Setiembre de 1963.--3ª.- Autorízase al Embajador del Perú en los Estados Unidos de América, para suscribir, en representación de la República, el contrato de garantía con el documento suplementario que se aprueba por este Decreto Supremo y los Debentures representativos del préstamo que se garantiza.--4ª.- Apruébase igualmente el contrato que proyecta celebrar por escritura pública el Banco Industrial del Perú con Empresas Eléctricas Asociadas, de acuerdo con la Ley 11636 y los Decretos Supremos Nos. 55 de 27 de Setiembre de 1963 y 12, de 14 de Octubre de 1960, de conformidad con los términos de la minuta que consta de 24 cláusulas y una adicional, por el que la citada Empresa otorga a favor del Estado la garantía de afectación flotante de segundo rango a que se refiere el artículo 2º de este Decreto Supremo, sobre la integridad de sus activos, en respaldo del importe de la fianza por US\$ 10'000,000.00 por el tiempo de vigencia de los compromisos de pago en favor del Banco Internacional de Reconstrucción y Fomento con arreglo a los instrumentos de préstamo y fianza que se mencionan en la minuta que es objeto de esta aprobación.-- Dado en la Casa de Gobierno, en Lima, a los dos días del mes de Setiembre de mil novecientos sesentiseis.-- Fernando Belaúnde Terry.-- Sandro Mariátegui Ch."

Que trascribo a Ud. para su conocimiento y demás fines.



Dios guarde a Ud.

ALBERTO RODRIGUEZ R. CARPI
Director General de Hacienda

amd

ROUTING SLIP

Date
Sept. 12, 1966

OFFICE OF THE PRESIDENT

Name		Room No.
Mr. Alter		
Mr. [Handwritten]		
Mr. Masouci —		
<p style="text-align: center;">I presume this is a copy of the decree we already have.</p>		
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

Is this something you are waiting for, please? Could you let us know whether it has to be acknowledged.

G. C. Wishart

Would you please tell Wishart
what it is all about?

ADP

Fr



Record Removal Notice

File Title Power Distribution Project - Peru - Loan 0464 - P007950 - Negotiations - Volume 2		Barcode No. 1711030		
Document Date September 1, 1966	Document Type Letter			
Correspondents / Participants To: Dr. Hernando de Lavallo Vargas From: Daniel C. Lecuona, Attorney				
Subject / Title Ref: Lima Light & Power Co. 3rd Loan				
Exception(s) Attorney-Client Privilege				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date August 27, 2018</td></tr></table>	Withdrawn by Shiri Alon	Date August 27, 2018
Withdrawn by Shiri Alon	Date August 27, 2018			

PE - Lima Light
Ego.

August 31, 1966

E. Allen, Esq.
Sullivan & Cromwell
48 Wall Street
New York, N. Y. 10005


Ref: Lima Light and Power Company
Seventh Supplemental Indenture

Dear Mr. Allen:

x Following our telephone conversation this morning, I am returning to you executed copies Nos. 2 and 3 of the Seventh Supplemental Indenture between Lima Light and Power Company and Schroder Trust Company dated as of August 15, 1966, which Dr. Mariotti brought from New York.

As I advised you over the telephone, the signature of the loan agreement between Lima Light and Power Company and our Bank has been postponed for a date during the first half of September, due to the absence of the Peruvian Ambassador from Washington. Dr. Mariotti will be in New York from today until the end of the week and he might be able to give you the latest news in this regard. At any rate, as soon as we know the definitive date of signing we will let you know.

Yours sincerely,


Daniel G. Lecuona
Attorney

Enc.

DCL:vg

cc: Legal Files
Mr. V. Masoni

PE- line get
loop?

Vaughan Sear

August 31, 1966

V.G. Masoni

PERU - Power Tariffs

1. I am attaching hereto some documents of the Power Producers Association of Peru. On top of the bundle there is the reprint of an article of the Revista Latinoamericana de Electricidad which might be of interest to you. The article's title is "Principios de Tarificacion Electrica" and the author is Mr. Eugenio Salazar of BID. It is not indicated whether the article represents BID's official position but I would assume that it has had some clearance within BID.

2. Please forward the material to files when you are through with it.

c.c: Mr. Knox

V. Masoni:WL

**LIMA
LIGHT
AND
POWER
COMPANY**

VERACRUZ 261 LIMA - PERU
TELEFONO 76 200
CASILLA 1384
CABLES: ASOCIADAS
TELEX: LIGHT 3540057

EMPRESAS ELECTRICAS ASOCIADAS

PE-464
K PE -365
REGISTERED
MAIL NUMBER 497517

Projects Dept. Correspondence

ANS'D BY Maths discussed

DATE personally with

Lima, August 26th, 1966

*Dr Mariotti -
No written answer
required. TPT.
31 Aug 66.*

Dear Vaughan,

I thank you so much for your letter regarding Atelsa.

I am sorry to bother you once more with some queries regarding business but I would like you to clear for me unofficially some questions in connection with the new loan which we could not ask you when we were in Washington as they were raised in these last weeks.

1) In order to speed up the utilization of the 2° loan (365 PE), whose applications will terminate in October 1966 instead of January 1967 as previously planned, you remember that we had to make some changes in the List of Goods and consequently there are some payments, already authorized by the Bank which cannot be made any longer out of the second loan. They regard Chavarria against which some advance payments have already been made, remaining approximately \$ 210 000 to be paid. We wonder whether the Bank would accept that payments could be made against the third loan as the equipment is referring to the 220 kV System of the new List of Goods and, I repeat, the Bank has already approved their purchase.

OK.

2) You remember that we mentioned in Washington that we had invoices outstanding for reimbursement since January 1, 1966, for approximately \$ 1 300 000 consisting of the following:

a)	materials related to the 220 kV and 60 kV systems	\$ 800 000
b)	materials related to the 10 kV Distribution System and new connections	" 200 000
c)	materials related to the 225 kV Distribution System	" 300 000
		<u>\$ 1 300 000</u>

COMMUNICATIONS
RECEIVED
AUG 10 1966

LIMA
LIGHT
AND
POWER
COMPANY

VERACRUZ 281 LIMA - PERU
TELEFONO 78 200
CASILLA 1384
CABLES: ASOCIADAS
TELEX: LIGHT 2840057

EMPRESAS ELECTRICAS ASOCIADAS

REGISTERED
MAIL NUMBER A 47217
K 75-365
75-124

Projects Dept. Correspondence

ANS'D BY

DATE

Lima, August 20th, 1966

Dear Vaughan,

I thank you so much for your letter regarding Atlas.

I am sorry to bother you once more with some queries regarding business but I would like you to clear for me unofficially some questions in connection with the new loan which we could not ask you when we were in Washington as they were raised in these last weeks.

1) In order to speed up the utilization of the 2° loan (365 PE), whose applications will terminate in October 1966 instead of January 1967 as previously planned, you remember that we had to make some changes in the list of Goods and consequently there are some payments, already authorized by the Bank which cannot be made any longer out of the second loan. They regard Chavarria against which some advance payments have already been made, remaining approximately \$ 210 000 to be paid. We wonder whether the Bank would accept that payments could be made against the third loan as the equipment is referring to the 220 KV System of the new list of Goods and, I repeat, the Bank has already approved their purchase.

2) You remember that we mentioned in Washington that we had invoices outstanding for reimbursement since January 1, 1966, for approximately \$ 1 300 000 consisting of the following:

a)	materials related to the 220 KV and 60 KV systems	\$ 800 000
b)	materials related to the 10 KV Distribution System and new connections	" 500 000
c)	materials related to Distribution System	" 300 000
		<u>\$ 1 300 000</u>

RECEIVED
GENERAL FILES
COMMUNICATIONS
1966 AUG 30 PM 10:29

*No mention answer
Dr. J. J. J.
replied
10/1/66
10/1/66*

For the materials under a) we have no particular problem and in order to save time the corresponding applications have already been sent to Mr. Keltie asking him to be so kind as to proceed to the payments as soon as the loan becomes effective.

The materials under b) consist of iron boxes for meters, pierrite boards, iron doors for substations, brass columns, etc., which are bought from local suppliers and manufactured in accordance with our specific requirements and under our direct supervision. As a matter of fact, there was a time when we made them ourselves until we found suppliers which have given us full garanty as to the quality of the materials. Considering these conditions, a proper international bidding might be very hazardous. On the occasion of the second loan, the Bank used to reimburse us with the 60% of their cost, being therefore our Cash Flow based on the reception of such funds from the Bank according to the 60% reimbursement system; for this year for example our forecast is 81 million Soles (3 million \$) calculated before we knew the Bank regulations and we do hope that we will be able to receive that money.

The item under c) refers to the low tension cables also bought locally and for which we estimated to be reimbursed with the 60% procedure. For your information, the amounts of \$ 200 000 and \$ 300 000 are already net, representing the corresponding invoices respectively \$ 330 000 and \$ 500 000. Until now, we were under the impression that reimbursements retrospective to January 1966 could be made out of the third loan with the same procedure as the second loan. Are we authorized to do so ?

- 3) Regarding the new telephone switchboard which should be financed under category 7 (Communication System) of the List of Goods, I have a small query. To this effect, I enclose copy of a memo in Spanish which is self - explanatory.

In a few words, the extension of the present switchboard with equipment different from Siemens might not offer a complete security for the service. Are we allowed to buy such equipment from Siemens and be financed by the Bank ?

OK.

- 4) In accordance with the "Guidelines relating to Procurement" dated June 5, 1964 of the Bank, under paragraph 2, it is said that "for large and important contracts, advertisements should be placed in well known technical magazines and trade publications of

300 000

wide circulation". We would like to adopt the quantity of 500 000 dollars over which we consider a contract "large and important". Do you agree on such assumption ? . You understand that the publication on such specialized magazines which are very often published only once a month, would considerably delay the bidding operations if we were to adopt a smaller amount.

OK.

That is all for the time being. I hope it will not be too much disturb for you to answer our inquiries but you will understand their importance, specially as far as paragraph 2 is concerned.

I enclose for your information copy of two letters we have sent to Ebasco and Montreal Engineering asking for their services as Consultants in compliance with the Bank's requirements.

With my best regards,

I remain,

Yours cordially

(Manuel Ugarteche)

Mr. R. Vaughan Sear
c/o. International Bank for
Reconstruction and Development
1818 H Street NW
Washington D. C. 20433 - U.S.A.
.....

Enclosures

lz.



DE SERVICIO P.O. GENERACION

INTERNO

A ODEGO (Dr. A. Boselli)

17 de Agosto de 1966

LIMA,

Nº. SG-0554

FECHA O SELLO

OBJETO: BANCO MUNDIAL - AMPLIACION CENTRAL TELEFONICA

Con referencia a la última reunión de la semana pasada relativa al tercer préstamo, en que se acordó que Ud. escribiría al Banco Mundial sobre la posible financiación de la ampliación de la central telefónica de Veracruz; a continuación le envío los datos correspondientes a dicha central :

La central actual es de fabricación "Siemens" tipo GSN y tiene la capacidad de 300 anexos automáticos, 200 anexos manuales y 28 líneas urbanas. La ampliación prevista modificará dicha central telefónica al tipo GWN con 800 anexos totalmente automáticos y 60 líneas urbanas. La automatización total permitirá además transferencias y consultas con otros anexos durante las llamadas urbanas. También se ha previsto la adquisición de tres equipos de antedespacho para los gerentes generales, 15 instalaciones de antedespacho para altos funcionarios y 100 teléfonos equipados con el botón de consultas y transferencias.

El costo total del material llega a US \$ 72.355 CIF Callao, según la oferta Siemens del 3 de Diciembre de 1964.

La actual central automática es del tipo de selector de elevación y giro con batería central de 60 V. La ampliación de la central existente con material de otros fabricantes no ofrecería suficiente seguridad en el servicio y traerá consigo muchos problemas técnicos que difícilmente podrían ser solucionados satisfactoriamente. Además la adquisición de material de otro proveedor nos obligaría a mantener doble stock de repuestos, dificultando además los trabajos de manutención.

Atentamente.



FS/opz.

71804

August 16, 1966

Ebasco
4, Rector Street
New York

Our company, which has the concession for the supply of electricity for the Capital and the surrounding areas, is being faced, since nearly a decade, with a substantial rate of increase in the demand of energy.

We have been able to meet such demand with the construction of new generating plants of which we would like to mention the Huinco hydro-plant for a capacity of 240,000 KW, whose first unit went into service in October 1964, the cost of which was in part financed by the World Bank. We have also expanded our Transmission and Distribution Systems. However the facilities that are used at present for the operation and maintenance of services, such as general stores, mechanical and electrical workshops, transportation, laboratories etc. are old-fashioned and decentralized.

As it is the intention of our Company to proceed to the construction of a new building containing, centralized, all these facilities, we would like to introduce changes in procedures and equipment, at the same time modernizing the same in order to maintain the efficiency of our services, now obtained only through the hard dedication of our staff.

We also have remained with a problem of personnel or to be more correct with a problem of intermediate management which has not grown up according to our necessities. We are now short of such category of personnel although we do have the elements from which to breed our future executives.

Therefore we should be grateful if you could let us know whether you would be interested in acting as our consultants in:

- a) the introduction of the above mentioned changes of procedures,
- b) the training and development of personnel for future management responsibility.

and on what terms and conditions

We are enclosing for your information some documentation on our Company.

Looking forward to hearing from you, we are,

Yours faithfully,

EMPRESAS ELECTRICAS ASOCIADAS
(Lima Light & Power Co.)

ENCL

ENCLOSURE

RECORDED & INDEXED
MAY 1958

Enclosures

71803

August 16, 1966

Montreal Engineering Co. LTD.
244 Street James
St. W. Montreal
(Quebec)

Our company, which has the concession for the supply of electricity for the Capital and the surrounding areas, is being faced since nearly a decade, with a substantial rate of increase in the demand of energy. Our production has passed from 433 million kWh of 1955 to 1 135 of 1965.

While we have been able to attend such demand with the expansion of our generating and distribution systems, we have remained with a problem a personnel or, to be more correct, with a problem of intermediate management which has not grown up according to our necessities. We are now short of such category of personnel although we do have the elements from which to breed our future executives.

Your firm - as experts in training of personnel - having been suggested by the World Bank which has contributed to the financing of our expansion program, we would like to know whether you might be interested in acting as our Consultants in the training and development of personnel for future management responsibility and on what terms and conditions.

We are enclosing for your information some documentation on our Company.

Looking forward to hearing from you, we are,

Yours faithfully,

EMPRESAS ELECTRICAS ASOCIADAS
(Lima Light & Power Co.)

FRANCISCO BARRERA
GERENTE

MANUEL FIGARTECHE
GERENTE

Enclosures

Mr. Daniel Lecuona

August 26, 1966

Vittorio Masoni *fw*

PERU - Power Distribution Project, Lima Light

1. I attach hereto two copies of "Seventh Supplemental Indenture" of August 15, 1966, between Lima Light and Schroeder Trust Company. The document - which is duly executed - was requested for the pending \$10 million loan to be signed shortly.

cc: Mr. Knox (o/r)

V Masoni: fw

PE - Lima Light
Case.

IDA	IBRD	IFC
FORM NO. 92 (10-61) CORRESPONDENCE RECORD FORM		
FROM Empresas Electricas Asociadas Peru		DATED Aug. 25, 1966
SUBJECT Copy of : Economic Situation June/July 1966 (Identical copy sent to Mr. Wyss) Addressed to Mr. Rovani		
REFERRED TO Projects 373		DATE RECEIVED Sept. 6, 1966 mp

PE = Lima Light
Loop.

INCOMING CABLE

DATE AND TIME OF CABLE: AUGUST 23, 1966 938 AM

LOG NO.: TELEX - AUG. 23

TO: INTBAFRAD

FROM: LIMA

ROUTING	
ACTION COPY:	MR. CHAUFURNIER
INFORMATION COPY:	MR. ALTER
DECODED BY:	

TEXT:

~~Mr. MASON~~
 → ~~Mr. Cochran~~
 file

PARA EL SENOR CHAUFURNIER:

CON REFERENCIA A SU TELEX DE 15 DEL PRESENTE MES, ME COMPLACE INFORMARLE QUE EL 18 DE AGOSTO HEMOS RECIBIDO LOS DOCUMENTOS A QUE HACE MENCION Y CORRESPONDEN AL PRESTAMO A LAS EMPRESAS ELECTRICAS. ACTUALMENTE SE ESTA PROCESANDO EL DECRETO SUPREMO PARA AUTORIZAR AL EMBAJADOR EN WASHINGTON DOCTOR PASTOR A FIN DE QUE FIRME EL CONTRATO Y DEMAS DOCUMENTOS PERTINENTES. ATENTOS SALUDOS

MARIATEGUI MINISTRO DE HACIENDA

NA

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. Mason

Mr. Sean

464-PE

~~And~~

Statement is satisfactory
Original attached to Suppl.
Letter re ATELSA and sent
to Official Documents



OFFICE MEMORANDUM

OP FILES

TO: Mr. David Knox

DATE: August 22, 1966

FROM: R. Vaughn Sear *RS*

SUBJECT: Lima Light

*Aug 16, 1966 attached to Sept 7, 1966 HIDRANDINA
&
ATELSA*

Please find attached a letter from Lima Light concerning Atelsa.

Since ~~we~~ requested this statement as part of the Loan Agreement, I am forwarding it to you. It should probably go to the legal department-- but you decide. As far as I am concerned it meets our requirements.

cc: Division File
Operations File

PE - Corp. Lima
Light

FORM NO. 92 (10-61)		CORRESPONDENCE RECORD FORM	
FROM	Lima Light & Power Co. Lima, Peru	DATED	August 20, 1966
SUBJECT Letter re: the documents of their loan; also enclosing a draft al legal opinion for Mr. Webb's consideration.			
Addressed and			
REFERRED TO	Mr. Webb	DATE RECEIVED	Aug. 23, 1966 jk

PE - 3 - Power

August 18, 1966

Dr. Carlos Mariotti
Empresas Eléctricas Asociadas
Apartado 1384
Lima, Peru

Re: Power Distribution Project: Effectiveness

Dear Dr. Mariotti:

During the Loan negotiations I discussed with Manuel Ugarteche the steps necessary to make this Loan effective. We agreed that Drs. Hernando de La Valle and Navarro Madrid were familiar with the Bank's requirements with respect to legal opinions. If, however, either of them has any questions, please suggest to them that they write me.

Sorry I couldn't be present at the signing.

With most cordial personal regards,

Sincerely,

C. Eugene Webb

cc: EE Clark; Pinto; Knox

CEbb:rg

IDA

IBRD

IPC

FORM NO. 92
(10-61)

CORRESPONDENCE RECORD FORM

FROM

**Pandick Press Inc.
New York**

DATED

SUBJECT

**Copy of the 7th Supplemental Indenture
dated as of August 22, 1966 of the Empresas
Electricas Asociadas Lima Light and Power Co.
and Schroder Trust Co. as Trustee.
Addressed and**

REFERRED TO

Mr. Webb

DATE RECEIVED

Aug. 17, 1966 mp

PE Power 3rd
100.

August 15, 1966

Dear Mr. Minister:

In accordance with your request to Mr. Alter, who is absent from the Bank, I take pleasure in attaching two sets of the Loan Documents which were approved by the Executive Directors on August 11, 1966.

Yours respectfully,



Curt Carnemark
Western Hemisphere Department

Senor Don Sandro Mariategui
Ministro de Hacienda
Ministerio de Hacienda
Lima, Peru

CCarnemark:tlw

Peru Govt 2nd loan

OUTGOING WIRE

TO: MINISTER MARIA TEGUI

DATE: AUGUST 15, 1966

MINHACIENDA

CLASS OF SERVICE: IBF GOVT.

LIMA

144

COUNTRY: PERU

TEXT:
Cable No.:

IN RESPONSE TO YOUR CABLE OF AUGUST 13 WE ARE TODAY
AIRMAILING YOU TWO SETS OF REQUESTED LOAN DOCUMENTS *stop* THESE
SETS ARE IN ADDITION TO THOSE PREVIOUSLY TRANSMITTED TO YOUR
GOVERNMENT *stop* REGARDS

CHAUFournIER

INTBAFRAD

act. Aug. 23, 1966

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Roger Chaufournier

DEPT. Western Hemisphere Department

SIGNATURE *[Signature]*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

CCarnemark:mdk *[Signature]*

For Use by Archives Division

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: *[Signature]*

FE - Lima sugar
Op. Pilla

INCOMING CABLE

DATE AND TIME OF CABLE: AUGUST 13, 1966
LOG NO.: TELEX - AUG 15
TO: INTBAFRAD
FROM: LIMA

ROUTING	
ACTION COPY:	MR. ALTER <i>AM</i>
INFORMATION COPY:	MR. KNOX
DECODED BY:	

TEXT:

PARA EL SENOR ALTER ✓
 ACUSO RECIBO DE SU TELEX DE 11 DEL ACTUAL MEDIANTE EL CUAL
 ME COMUNICA QUE EL DIRECTORIO EJECUTIVO DEL BANCO HA APROBADO
 EL PRESTAMO POR 10 MILLONES DE DOLARES PARA LAS EMPRESAS
 ELECTRICAS ASOCIADAS POR LO QUE LE EXPRESO MI AGRADECIMIENTO.
 REFERENTE ENVIO DE DECRETO SUPREMO DEBO MANIFESTARLE QUE ESTE
 MINISTERIO ESTA A LA ESPERA DE LOS CONTRATOS DE PRESTAMO Y DE
 GARANTIA RESPECTIVOS PARA SU PROCESAMIENTO.

MARIATEGUI MINISTRO DE HACIENDA

Mr. [Signature]
 Make sure that the government
 get the contract - call Juleson at
 the Embassy to check
 ✓
[Signature]

MP

FOR IMMEDIATE RELEASE



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H STREET, N.W., WASHINGTON D. C. 20433 TELEPHONE: EXECUTIVE 3-6360

Bank Press Release No. 66/45
August 12, 1966

SUBJECT: \$10 million power loan to
Empresas Electricas Asociadas,
Peru

The World Bank today made a loan equivalent to \$10 million to Empresas Electricas Asociadas (Lima Light & Power Company) of Peru. This is the third Bank loan to Empresas and will help finance the expansion of its transmission and distribution system. The two previous loans, one of \$24 million in 1960 and a second of \$15 million in 1963, assisted expansion of the company's power generating capacity and its distribution network. The projects assisted are nearly completed and 240,000 kilowatts have been added to the company's generating capacity at the Huinco hydroelectric plant alone.

Seven financial institutions are participating in the loan, without the World Bank's guarantee, for a total of \$500,000, representing the first three maturities which will fall due between December 1, 1969 and December 1, 1970. The participants are The American Express Company, Inc., New York; Continental Illinois Bank & Trust Company of Chicago; Morgan Guaranty Trust Company of New York; Crocker-Citizens National Bank, San Francisco; Bank of North America, New York; The First Pennsylvania Banking & Trust Company, Philadelphia; and The Northern Trust Company, Chicago. In addition, Mellon National Bank & Trust Company has agreed to purchase out of the Bank's portfolio an amount of \$100,000 of the maturity which will fall due on September 15, 1969 of a previous Bank loan to Empresas.

Empresas Electricas is privately owned and serves the Greater Lima-Callao area, which has the highest concentration of population and industry in Peru. At the end of 1965 the area had about 2,800,000 inhabitants, representing over

24 per cent of the country's total population. Over half of the sales by Empresas are to industrial and commercial consumers. Among the nearly 7,000 industries in the area served by the company are cement, rubber goods and metal products manufacturers, along with textile, paper, vegetable oil, fertilizer, fish meal and other plants. In 1962, the company's service area was some 200 square miles (515 km²). It has since increased to about 700 square miles (over 1,800 km²). The Peruvian Government recently authorized a further extension which will bring the total area served by Empresas Electricas to over 1,000 square miles (2,800 km²).

Increasing population, residential development, establishment of new industries and the expansion of the service area have contributed to a power demand which has grown by an average of 10 per cent annually during the past 20 years in the Greater Lima area. Similar increases are expected to continue for the next several years. The company now has an installed generating capacity of 435,000 kilowatts, equivalent to 85 per cent of the total private power capacity serving the public.

To meet rising demand, Empresas has been carrying out a long-range expansion program since 1960, adding about 280,000 kilowatts of new capacity and extending its transmission and distribution system. The project currently under consideration is designed to increase the capacity of its transmission and distribution system to meet the demands of the power market and to transmit the greatly increased power generated. The project consists of the construction of high voltage transmission lines and substations, and the installation of overhead lines, underground cables and transformers for the distribution system. The Bank's loan will help to finance this work and will also provide funds for the purchase of needed equipment for new service connections, meters and modern communication equipment to improve operations control and customer service.

The cost of the project is estimated at the equivalent of \$22 million. The Bank loan of \$10 million will cover foreign exchange requirements, or about 45 per cent of the total. The balance will be provided by Empresas with funds from its operations, other borrowings and customers' contributions for service connections.

The Bank loan is for a term of 20 years and bears interest of 6 per cent per annum. Amortization will begin December 1, 1969. The loan is guaranteed by the Republic of Peru.

With the financing approved today, the Bank has made 20 loans to Peru, totaling \$201.4 million. Besides assisting the power sector, Bank funds have helped finance highway and port construction and maintenance, railroads, land settlement and irrigation, and agricultural credit programs.

The loan is the first made by the Bank in Peru, in the context of the Consultative Group which was established at a meeting in Paris on July 21 and 22. It is expected that the borrowing program elaborated by the Peruvian Government for the Consultative Group will provide the framework for future Bank lending in Peru.

L B

BANCO INTERNACIONAL DE
RECONSTRUCCION Y FOMENTO



1818 H STREET, N.W., WASHINGTON D. C. 20433 TELÉFONO: EXECUTIVE 3-6360

Comunicado de Prensa del Banco No. 66/45 ASUNTO: Préstamo de US\$10 millones
12 de agosto de 1966 para Empresas Eléctricas
Asociadas del Perú

El Banco Mundial ha otorgado un préstamo por el equivalente de US\$10 millones a Empresas Eléctricas Asociadas del Perú. Este es el tercer préstamo del Banco a la compañía y ayudará a financiar la ampliación de su sistema de transmisión y distribución. Los dos préstamos anteriores, uno de US\$24 millones hecho en 1960 y el otro de US\$15 millones aprobado en 1963, aportaron fondos para ampliar la capacidad de generación y de la red de distribución de Empresas. Los proyectos están casi terminados y solamente en la central hidroeléctrica de Huinco se han instalado 240.000 kilovatios.

Siete instituciones financieras participan en el préstamo, sin la garantía del Banco Mundial, por un total de US\$510.000, correspondiente a los tres primeros vencimientos que se cumplen entre el 1º de diciembre de 1969 y el 1º de diciembre de 1970: The American Express Company, Inc., de Nueva York; Continental Illinois National Bank & Trust Company of Chicago; Morgan Guaranty Trust Company of New York; Crocker-Citizens National Bank, de San Francisco; Bank of North America, de Nueva York; The First Pennsylvania Banking & Trust Company, de Filadelfia; y The Northern Trust Company, de Chicago. Además, Mellon National Bank & Trust Company ha convenido en comprar de la cartera del Banco la cantidad de US\$100.000 del vencimiento que se cumple el 15 de septiembre de 1969 de un préstamo anterior del Banco a Empresas.

Empresas Eléctricas es de propiedad privada y sirve la zona de la Gran Lima-Callao, que tiene la mayor concentración de población e industrias del país. A fines de 1965 contaba con 2.800.000 habitantes, o más del 24% de la

población total del país. Más de la mitad de las ventas de Empresas son a consumidores industriales y comerciales. Entre unas 7.000 industrias de la zona abastecida por la compañía, se cuentan fábricas de cemento, productos de caucho y metales, así como de tejidos, papel, aceites vegetales, fertilizantes, harina de pescado, etc. En 1962 el área de servicio de Empresas era de 515 km², y en la actualidad es de más de 1.800 km². Hace poco el Gobierno autorizó una extensión del área a 2.800 km².

El crecimiento de la población, la apertura de nuevas zonas urbanas y el establecimiento de nuevas industrias en la Gran Lima, junto con la ampliación del área de servicio, han contribuido a la mayor demanda de energía, que ha aumentado en un promedio anual de 10% en los últimos 20 años, incremento que se estima continuará a un ritmo similar en los próximos años. Empresas tiene ahora una capacidad de generación instalada de 435.000 kilovatios, o el 85% del total de la capacidad de generación privada que sirve al público consumidor.

Para hacer frente a la demanda, Empresas ha emprendido, a partir de 1960, un programa de largo alcance que ha significado el aumento de su capacidad en 280.000 kilovatios y la ampliación de su sistema de transmisión y distribución. El programa que ahora va a iniciar está destinado a incrementar la capacidad del sistema de transmisión y distribución para satisfacer el mercado consumidor y para transmitir la mayor electricidad generada. El proyecto comprende la construcción de líneas de transmisión de alto voltaje y de subestaciones, y la instalación de cables aéreos y subterráneos y de transformadores para la red de distribución. El préstamo del Banco Mundial ayudará a financiar estos trabajos y además la adquisición del equipo necesario para nuevas conexiones de servicio, medidores y equipo moderno de comunicaciones a fin de mejorar el control de las operaciones y el servicio a los clientes.

Se ha estimado el costo del proyecto en el equivalente de US\$22 millones. El préstamo del Banco, de US\$10 millones, cubrirá las necesidades de divisas, o el 45% del total. El saldo será sufragado por Empresas con fondos propios, otros préstamos y las contribuciones de los clientes por concepto de conexiones de servicios.

El préstamo será a un plazo de 20 años y devengará el 6% de interés anual. La amortizaciones comenzarán el 1º de diciembre de 1969. El préstamo tiene la garantía de la República del Perú.

Con éste, el Banco ha otorgado 20 préstamos al Perú por un total de US\$201,4 millones. Además de ayudar al sector de la energía eléctrica, los fondos del Banco se han utilizado en la construcción y conservación de carreteras y puertos, ferrocarriles, colonización agrícola, riego y programas de crédito agrícola.

El préstamo que se anuncia ahora es el primero hecho por el Banco Mundial al Perú en el contexto del Grupo Consultivo que se estableció en la reunión celebrada en París los días 21 y 22 de julio pasado. Se espera que el programa de empréstitos elaborado por el Gobierno peruano para el Grupo Consultivo proporcione una pauta para futuros créditos del Banco al Perú.

PE 3rd Copy

OUTGOING WIRE

TO: MINFOMENTO

DATE: AUGUST 11, 1966

LIMA

CLASS OF SERVICE: IBF GOVT.

144

COUNTRY: PERU

TEXT:
Cable No.:

TODAY FOLLOWING CABLE WAS SENT TO MINHACIENDA QUOTE PLEASED TO INFORM
YOU EXECUTIVE DIRECTORS TODAY APPROVED \$10 MILLION LOAN TO EMPRESAS ELECTRICAS
ASOCIADAS FOR POWER DISTRIBUTION PROJECT stop PLEASE SEND DECREE AUTHORIZING
LOAN SIGNING EARLIEST POSSIBLE stop WILL ARRANGE SIGNING AS SOON AS POSSIBLE
AFTER RECEIPT OF DECREE UNQUOTE REGARDS

ALTER

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Mr. Gerald Alter

DEPT. Western Hemisphere Department

SIGNATURE *Gerald Alter*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

Cleared with and cc: Messrs. Pinto
Sear

cc: Messrs. Keltie/Dambski

[Signature] CCarnemark:tlw *[Signature]*

For Use by Archives Division

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: *[Signature]*

OUTGOING WIRE

TO: MINHACIENDA

DATE: AUGUST 11, 1966

LIMA

CLASS OF
SERVICE: IBF GOVT.

HK

COUNTRY: PERU

TEXT:

Cable No.:

PLEASED TO INFORM YOU EXECUTIVE DIRECTORS TODAY APPROVED \$10 MILLION LOAN
TO EMPRESAS ELECTRICAS ASOCIADAS FOR POWER DISTRIBUTION PROJECT stop
PLEASE SEND DECREE AUTHORIZING LOAN SIGNING EARLIEST POSSIBLE stop WILL
ARRANGE SIGNING AS SOON AS POSSIBLE AFTER RECEIPT OF DECREE REGARDS

ALTER

ack. Aug 13, 1966

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Mr. Gerald Alter

DEPT. Western Hemisphere Department

SIGNATURE *Gerald Alter*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

Cleared with and cc: Messrs. Pinto
Sear

cc: Messrs. Keltie/Dambski

[Signature] CCarnemark:tlw *[Signature]*

For Use by Archives Division

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: *[Signature]*

1/E 3rd lower

INCOMING CABLE

DATE AND TIME
OF CABLE:

AUGUST 11, 1966 1756

LOG NO.:

ITT 7 - AUGUST 12

TO:

KNOX INTBAFRAD

FROM:

LIMA

TEXT:

**VERY GRATEFUL FOR YOUR CABLE THIS MORNING REGARDING APPROVAL
OUR LOAN BY EXECUTIVE DIRECTORS OF THE BANK. WE ACTUALLY
DEAL WITH THE GOVERNMENT THE AUTHORIZATION OF GUARANTEE DECREE
AND WILL INFORM YOU SOONEST. BY RESOLUTION OUR BOARD OF DIRECTORS
DR. MARIOTTI WILL SIGN AGREEMENTS AND SUPPLEMENTARY LETTERS FOR
THE COMPANY. BEST REGARDS**

UGARTECHE

ROUTING	
ACTION COPY:	MR. KNOX
INFORMATION COPY:	MR. ALTER
DECODED BY:	

MT

VE 3rd lower Exp

OUTGOING WIRE

TO: MARIOTTI
ASOCIADAS
LIMA

DATE: AUGUST 11, 1966

CLASS OF
SERVICE: IBF GOVT.

COUNTRY: PERU

HK
Ack Aug 11/66

TEXT:
Cable No.:

PLEASED TO INFORM YOU EXECUTIVE DIRECTORS TODAY APPROVED \$10 MILLION LOAN
FOR POWER DISTRIBUTION PROJECT stop HOPE TO SIGN LOAN AS SOON AS POSSIBLE
BUT PRECISE DATE MUST AWAIT GOVERNMENT DECREE AUTHORIZING SIGNATURE OF
GUARANTEE AGREEMENTS AND SUPPLEMENTARY LETTER stop GRATEFUL TO KNOW WHO
WILL SIGN FOR COMPANY stop REGARDS

KNOX

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Mr. A. David Knos

DEPT. Western Hemisphere Department

SIGNATURE *A. D. Knos*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

Cleared with and cc: Messrs. Pinto
Sear

cc: Messrs Keltie/Dambski

CCarnemark:tlw *tlw*

For Use by Archives Division

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: *tlw*

PERU-LN 464

AUG. 10, 1966

R.V. SEAR

Peru

EMPRESAS ELECTRICAS ASOCIADAS

(Lima Light)

POWER LOAN

Mr. Chairman, Members of the Board:

Empresas Electricas Asociadas, known as Lima Light, has served the public in the greater Lima area with electric power for over 50 years and has grown from small beginnings to become the largest power company in Peru, providing about 89% of all power for public service.

The company has been a Bank borrower on two previous occasions and has satisfactorily completed the power plant expansion for which those loans were made.

It may be of interest to comment here on the changes which have taken place in Lima Light since the Bank's first loan was made in 1960. At that time the company had a generating plant capacity of 242 MW. This has been doubled to 482 MW today as a result of the construction of the Huinco hydro plant which was financed in part by the two previous Bank loans. A concentrated effort has been made by the company to sell shares in Peru and it has been so successful that today a majority of 52% of the stock is owned by Peruvian investors. This "Peruvianisation" is a very important development of the company. The company's service area has been increased in steps by the government from 515 km² to 2850 km², reflecting the confidence of the government in the company's ability to serve adequately. As a consequence of the doubling of the generating plant capacity which was necessary to meet the 10% annual load growth it is essential for the company to now pay attention to those parts of the system which carry the power to the individual customer. It is therefore embarking upon a long range plan for expanding its distribution network and associated facilities so as to maintain its high quality of service to the public in face of the increasing demand and expanding service area.

The concentration of efforts by the company during the past few years on increasing its physical plant and obtaining financing to make this possible has diverted attention from some other problems. The most pressing of these is the training and development of staff for "middle management" positions and the modernizing of operating procedures and facilities. The company is aware of these problems and has agreed to engage consultants to assist it in reviewing them and recommending solutions.

The plan for financing the Project under the present loan is satisfactory and the company is expected to provide an adequate proportion of the cost from its own resources.

The financial position of the company is sound and is expected to remain so since the return on its equity is defined in the Electricity Law (1955). Tariff increases have been granted in the past in adequate amounts and within a reasonable time after they were due.

It can be said in conclusion that the present loan would be extremely important in making it possible for Lima Light to continue the orderly development of the company started in 1960 and would contribute towards sustaining essential electric service to Peru's largest and most important urban center.

RVSear
August 10, 1966

Mr. Rosen

Mr. Rosen
Mr. Rosen

PE - *Impression*
Line Light
August 10, 1956

Mr. George D. Woods

Francis R. Poore

x Page 260 B. & P.

Participation in the Proposed Loan to
Lima Light & Power Company (Peru)

The following seven financial institutions have agreed to participate in this proposed Loan for a total amount of \$510,000, representing all of the first three maturities falling due from December 1, 1969 through December 1, 1970.

	(in thousands)			Total
	12/1/69	6/1/70	12/1/70	
The American Express Company, Inc., New York	\$ 25	\$ 35	\$ 50	\$110
Continental Illinois National Bank & Trust Company of Chicago	50	60	-	110
Morgan Guaranty Trust Company of New York	40	50	-	90
Crocker-Citizens National Bank, San Francisco	25	25	25	75
Bank of North America, New York	-	-	50	50
The First Pennsylvania Banking & Trust Company, Philadelphia	-	-	50	50
The Northern Trust Company, Chicago	25	-	-	25
	<u>\$ 165</u>	<u>\$ 170</u>	<u>\$ 175</u>	<u>\$510</u>

In addition Mellon National Bank & Trust Company has agreed to purchase out of portfolio an amount of \$100,000 of the September 15, 1969 maturity of existing Loan 260 PE to Lima Light & Power Company (Empresa Electricas Asociadas).

The interest rate will be 6%.

- cc: Mr. Knapp Mr. Alter Mr. de Lesseps Mr. Mendels
- Mr. Aldoverd Mr. Cargill Mr. El Hary Mr. Miller
- Mr. Broches Mr. Cavanaugh Mr. Graves/Miss Maher Mr. Poore
- Mr. Friedman Mr. Gheng, Y.L. Mr. Johnson Mr. Rutland
- Mr. Cope Mr. Knox Mr. Bodly/Sec. Div. File

WivanSeagsvelt:vn

Mr. M.M. Mendels

August 8, 1966

Gerald Alter *GA*

PERU - Presentation to the Board on August 11, 1966, of Proposed \$10 Million Loan to Empresas Electricas Asociadas for Power Distribution Project

I propose the following arrangements for the above presentation:

- (a) Mr. Knox of the Western Hemisphere Department will make the general presentation and review briefly the economic situation.
- (b) Mr. Sear of the Projects Department will make the technical presentation.

Mr. de Beaufort of the Projects Department will be present to answer financial questions on the project and Mr. Wyss of the Western Hemisphere Department to answer questions on the Peruvian economic situation.

Cleared with and cc: Messrs. Knox
Sear
de Beaufort
Wyss

cc: Messrs. Webb/Pinto
Keltie
Carnemark/Masoni

CCarnemark:tlw *[Signature]*

*PE 2nd Lower Congress
Electric's Exp.*

OUTGOING WIRE

TO: UGARTECHE
ASOCIADAS
LIMA

DATE: AUGUST 5, 1966

CLASS OF SERVICE: IBF GOVT

COUNTRY: PERU

ITT

TEXT:
Cable No.:

✓

HOPE PRESENT PROPOSED LOAN TO BOARD AUGUST 11 STOP PLEASE NOTE
CORRECTION DRAFT DATED JULY 15 OF LOAN AGREEMENT COLON LINE 4
PARAGRAPH C SCHEDULE 3 SHOULD READ QUOTE EXPENDITURES PRIOR TO
JANUARY 1 COMMA 1966 UNQUOTE IN ORDER TO BE FULLY CONSISTENT
SUPPLEMENTAL LETTER RE LIST OF GOODS AND PROCUREMENT STOP REGARDS

KNOX

INTBAFRAD

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME A. David Knox

DEPT. Western Hemisphere

SIGNATURE *A. David Knox*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

Cleared with and cc: Mr Pinto

ADKnox:jd

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ORIGINAL (File Copy)
(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: *[Signature]*

CONFIDENTIAL

**FOR
EXECUTIVE
DIRECTORS'
MEETING**

DECLASSIFIED

Date: 8/9/2018

For consideration
on August 11, 1966

FROM: The Secretary

R66-111

August 4, 1966

PROPOSED LOAN - PERU

1. The attached President's Report and Recommendation (P-499) on a proposed loan to Empresas Electricas Asociadas for a Power Distribution Project will be considered by the Executive Directors at a meeting to be held on Thursday, August 11, 1966.
2. Attached to the President's Report and Recommendation is a report entitled "Appraisal of the Power Distribution Project of Empresas Electricas Asociadas - Lima Light and Power Company - Peru" (TO-547a).
3. A report entitled "An Appraisal of the 1966-1967 Public Investment Program of Peru" (WH-155a) was distributed to the Executive Directors on January 19, 1966 (R66-11); a report entitled "Recent Economic Performance and Policies of Peru" (WH-166) dated July 27, 1966, is being distributed to the Executive Directors today as report R66-109.
4. A draft Loan Agreement, draft Guarantee Agreement, draft Letter Regarding Rates and the Statutory Committee Report are being circulated as report R66-111-L.

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Deputy Executive Vice President, IFC
Department Heads, Bank and IFC

CONFIDENTIAL

**FOR
EXECUTIVE
DIRECTORS'
MEETING**

DECLASSIFIED

Date: 8/9/2018

For consideration
on August 11, 1966

FROM: The Secretary

R66-111-L

August 4, 1966

PROPOSED LOAN - PERU

In connection with the President's Report and Recommendation (R66-111) on a proposed loan to Empresas Electricas Asociadas for a Power Distribution Project to be considered by the Executive Directors at a meeting to be held on Thursday, August 11, 1966, one copy of each of the following legal documents is attached:

1. Draft Loan Agreement
2. Draft Guarantee Agreement
3. Draft Letter Regarding Rates
4. Statutory Committee Report

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Deputy Executive Vice President, IFC
Department Heads, Bank and IFC

Legal Department

July 15, 1966

LOAN NO. PE

LOAN AGREEMENT

(Power Distribution Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT

and

EMPRESAS ELECTRICAS ASOCIADAS
(Lima Light and Power Company)

Dated , 1966

LOAN AGREEMENT

AGREEMENT, dated _____, 1966 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and EMPRESAS ELECTRICAS ASOCIADAS (Lima Light and Power Company) (hereinafter called the Borrower).

ARTICLE I

Loan Regulations; Special Definitions

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961, subject, however, to the modifications thereof set forth in Schedule 3 to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Except where the context otherwise requires, the following terms have the following meanings wherever used in this Loan Agreement or any Schedule hereto:

- (a) The term "Indenture" means the Indenture dated as of July 1, 1957, executed by the Borrower in favor of Schroder Trust Company, as Trustee, and includes any indenture supplemental thereto which has been or shall be executed and delivered in accordance with the provisions of the Indenture.
- (b) The term "Seventh Supplemental Indenture" means the supplemental indenture or supplemental indentures which shall be executed by the Borrower pursuant to the provisions of Section 5.04 of this Agreement providing for the issue, authentication and delivery of Debentures of the Series H.

- (c) The term "Debentures" shall mean debentures issued in accordance with the terms of the Indenture.
- (d) The term "Debentures of the Series H" shall mean Debentures of the various series issued pursuant to the Seventh Supplemental Indenture and this Agreement.
- (e) The term "subsidiary" shall mean any corporation, firm or association directly or indirectly controlled by the Borrower.
- (f) The term "Affiliate" or "Hidrandina" means Energia Hidroelectrica Andina S. A.
- (g) The term "Atelsa" means Atencion Electrica, S. A., an entity controlled by shareholders of the Borrower.
- (h) The term "soles" and the symbol "S/." means currency of the Guarantor.
- (i) The term "First Loan Agreement" means the Loan Agreement dated June 29, 1960 between the Bank and the Borrower.
- (j) The term "First Guarantee Agreement" means the Guarantee Agreement dated June 29, 1960 between the Guarantor and the Bank.
- (k) The term "Second Loan Agreement" means the Loan Agreement dated November 22, 1963 between the Bank and the Borrower.
- (l) The term "Second Guarantee Agreement" means the Guarantee Agreement dated November 22, 1963 between the Guarantor and the Bank.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to ten million dollars (\$10,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Agreement.

Section 2.03. Notwithstanding the provisions of Section 3.02 of the Loan Regulations, withdrawals from the Loan Account in respect of expenditures in the currency of the Guarantor or for goods produced in (including services supplied from) the territories of the Guarantor shall be in dollars or such other currency or currencies as the Bank shall from time to time reasonably select.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($3/8$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of six per cent (6 %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.06. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($1/2$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 to this Agreement. 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, subject to modification by further agreement between them.

Section 3.02. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project and title to all such goods shall be acquired by the Borrower free and clear of all liens, charges and encumbrances.

ARTICLE IV

Debentures

Section 4.01. The Borrower shall execute and deliver Debentures of the Series H representing the principal amount of the Loan of the form, tenor and purport prescribed in the Indenture as modified by the Seventh Supplemental Indenture and as provided therein and in the Loan Regulations.

Section 4.02. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall, against payment by the Bank of any amount to be withdrawn from the Loan Account, deliver to or on the order of the Bank, Debentures of the Series H in the aggregate principal amount so paid.

Section 4.03. The Borrower shall effect original issues of the Debentures of the Series H only as provided herein and in the Seventh Supplemental Indenture.

Section 4.04. The Bank and the Borrower shall be at liberty to make such arrangements as they may from time to time mutually agree as to procedure for the issue, authentication and delivery of the Debentures of the Series H and such arrangements may be in addition to or in substitution for any of the provisions of this Agreement or of the Loan Regulations.

Section 4.05. (a) The Debentures of the Series H shall be bearer Debentures with coupons for semi-annual interest attached (hereinafter sometimes called Series H coupon Debentures). Debentures of the Series H delivered to the Bank shall be Series H coupon Debentures in

such temporary or definitive form (authorized by the Seventh Supplemental Indenture) as the Bank shall request. Series H coupon Debentures payable in dollars shall be substantially in the form set forth in the Seventh Supplemental Indenture. Series H coupon Debentures payable in any currency other than dollars shall be substantially in the form set forth in the Seventh Supplemental Indenture, except that they shall (i) provide for payment of principal, interest and premium on redemption, if any, in such other currency, (ii) provide for such place of payment at such agency as the Bank shall specify, and (iii) contain such other modifications as the Bank shall reasonably request in order to conform to the laws or to the financial usage of the place where they are payable.

(b) All Debentures of the Series H shall have the guarantee of the Guarantor endorsed thereon substantially in the form set forth in Schedule 3 of the Loan Regulations.

ARTICLE V

Particular Covenants

Section 5.01. The Borrower shall carry out and complete the Project and operate and maintain its business and properties, including the Project, with due diligence and efficiency and in conformity with sound engineering, business, financial and electric utility practices. To that end, the Borrower shall employ engineering and other consultants mutually acceptable to the Borrower and the Bank on terms and conditions mutually satisfactory to the Borrower and the Bank.

Section 5.02. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans and specifications (including construction schedules) for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(b) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower and of its subsidiaries.

(c) The Borrower shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, the sites, works, construction and operations included in the Project and all other

plants, works, properties, equipment and operations of the Borrower and its subsidiaries, and to examine any relevant records and documents.

(d) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the use of the goods purchased therewith, the progress of the Project and the administration, operations and financial condition of the Borrower, its subsidiaries, Hidrandina and Atelsa.

Section 5.03. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and other matters relating to the purposes of the Loan.

(b) The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

Section 5.04. The Borrower shall execute and deliver a supplemental indenture, the form and substance of which shall be satisfactory to the Bank, providing for the issue, authentication and delivery of Debentures of the Series H; shall protocolize, record, file and register said supplemental indenture as provided in Section 7.09 of the Indenture as

promptly as shall be reasonably practicable; and shall, upon the protocolization, recordation, filing and registration thereof, furnish to the Bank an opinion or opinions satisfactory to the Bank of legal counsel acceptable to the Bank showing that said supplemental indenture has been validly and effectively protocolized, recorded, filed and registered, and has created valid and effective liens, charges and priorities in accordance with its terms.

Section 5.05. Except as the Bank and the Borrower shall otherwise agree, the Borrower will not, and will not permit any subsidiary to, create, incur, assume or suffer to exist any mortgage, pledge, lien or encumbrance, except the lien of the Indenture, upon any of its properties or assets, whether now owned or hereafter acquired, unless such mortgage, pledge or lien shall provide for the security of the Debentures in priority to the debentures, notes or other obligations or liabilities of whatsoever character which are to be secured by such mortgage, pledge or lien; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date; or (iii) any "permitted lien" as defined in the Indenture on the date of this Agreement, excluding subsection (i) of said definition.

Section 5.06. Subject to such exemptions as shall be conferred by the provisions of Section 3.03 and Section 3.04 of the Guarantee Agreement or otherwise, the Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement, the Indenture, the Seventh Supplemental Indenture or the Debentures of the Series H, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Debenture of the Series H to a holder thereof other than the Bank when such Debenture of the Series H is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.07. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Debentures of the Series H are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement, the Indenture, the Seventh Supplemental Indenture or the Debentures of the Series H.

Section 5.08. (a) The Borrower shall take out and maintain with responsible insurers or make other provision satisfactory to the Bank for insurance against such risks and in such amount as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure the imported goods to be financed out of the proceeds

of the Loan against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 5.09. (a) The Borrower shall at all times maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall operate and maintain its plants, equipment and property, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering standards; and shall at all times operate its plants and equipment and maintain its financial position in accordance with sound business and electric utility practices.

Section 5.10. The Borrower shall not agree to any change in the contract between it and its Affiliate, dated February 7, 1956, known as the Amended Contract for the Supply of Electric Power, unless the Borrower shall have notified the Bank in advance and obtained approval by the Bank of the change or a determination by the Bank that a change is not material.

Section 5.11. The Borrower shall transmit all material contracts between it and Hidrandina and between it and Atelsa to the Bank and shall not agree to any change in . . .

such contracts unless the Borrower shall have notified the Bank in advance and obtained approval by the Bank of the change or a determination by the Bank that the change is not material.

Section 5.12. The Borrower shall have its financial statements (balance sheet and related income and earned surplus statements) certified annually by an independent accounting firm satisfactory to the Bank and shall transmit to the Bank not later than four months after the end of the financial year, certified copies of such statements and a signed copy of the accountant's report.

Section 5.13. Unless it shall have obtained the prior approval of the Bank, the Borrower shall not make any investment in any corporation, firm or association in excess of \$1,000,000 or its equivalent in other currencies.

Section 5.14. Unless it shall have obtained the prior approval of the Bank, the Borrower will not redeem or prepay, prior to the maturity thereof, any Debentures otherwise than: (i) upon a refunding thereof by the issuance of Debentures of the same or later maturity or maturities; or (ii) for the purpose from time to time of meeting the next semi-annual sinking fund or analogous payment.

Section 5.15. The Borrower shall not consent to any action taken at any meeting of Debentureholders pursuant to Section 13.06 of the Indenture or by written instrument pursuant to Section 13.09 of the Indenture, unless the Bank shall have given its approval of such action or consent.

Section 5.16. The Borrower may authorize the issue, execution and delivery of additional Debentures upon compliance with the present provisions of Sections 4.02 and 4.04 of the Indenture.

Section 5.17. The Borrower shall duly perform all covenants, agreements and obligations to be performed by it under the Indenture.

Section 5.18. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall, as promptly as may be required, offer for subscription at a price reasonably related to their market price such additional capital shares as shall be sufficient to provide funds, not otherwise available, needed to carry out and complete the Project and to provide adequate working capital during and at the completion thereof.

ARTICLE VI

Remedies of the Bank

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in Section 6.02 (b) of this Agreement shall occur, or (iii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations, as amended herein, shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Debentures of the Series H then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement, or in the Indenture, or in the Debentures of the Series H to the contrary notwithstanding.

Section 6.02. Pursuant to paragraph (j) of Section 5.02 of the Loan Regulations, the following are specified as additional events for the purposes of said Section:

- (a) failure by the Borrower to fulfill an obligation to make payment of principal or interest or any other payment required under this Loan Agreement or any other loan

agreement between the Borrower and the Bank or under any Debenture delivered pursuant to any such agreement even though such payment has been made by other persons; and

- (b) one of the events specified in the Indenture as "events of default".

ARTICLE VII

Modification of First and Second Loan Agreements

Section 7.01. For the purposes of the First Loan Agreement, paragraph (c) of Section 5.02 of the Loan Regulations of the Bank dated June 15, 1956, as amended in Schedule 3 of said First Loan Agreement, is further amended hereby to read as follows:

"(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, or the Guarantee Agreement, or the loan agreement dated November 22, 1963, or the guarantee agreement of even date therewith, or the loan agreement dated _____, 1966 or the guarantee agreement of even date therewith, or the Indenture, the Supplemental Indenture (as defined in the Loan Agreement), the Fifth Supplemental Indenture (as defined in the loan agreement dated November 22, 1963), the Seventh Supplemental Indenture (as defined in the loan agreement dated _____, 1966, the Debentures of the Series D, or the Debentures of the Series F (as defined in the loan agreement dated November 22, 1963) or the Debentures of the Series H (as defined in the loan agreement dated _____, 1966)."

and the term "Loan Regulations" as used for the purposes of the First

Loan Agreement shall mean Loan Regulations No. 4 of the Bank, dated June 15, 1956, as modified by the First Loan Agreement and the Second Loan Agreement and as further amended hereby.

Section 7.02. For the purposes of the Second Loan Agreement, paragraph (c) of Section 5.02 of the Loan Regulations of the Bank dated February 15, 1961, as amended in Schedule 3 of said Second Loan Agreement, is further amended hereby to read as follows:

"(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, or the Guarantee Agreement, or the loan agreement dated June 29, 1960, or the guarantee agreement of even date therewith, or the loan agreement dated _____, 1966 or the guarantee agreement of even date therewith, or the Indenture, the Supplemental Indenture (as defined in the loan agreement dated June 29, 1960), the Fifth Supplemental Indenture, the Seventh Supplemental Indenture (as defined in the loan agreement dated _____, 1966), the Debentures of the Series D (as defined in the loan agreement dated June 29, 1960), or the Debentures of the Series F, or the Debentures of the Series H (as defined in the loan agreement dated _____, 1966)."

ARTICLE VIII

Effective Date; Termination

Section 8.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (c) of the Loan Regulations:

(a) that the Borrower has complied with Section 5.04 of this Agreement; and

(b) that the Borrower shall have certified in writing to the Bank that, as of a date to be agreed between the Borrower and the Bank, there has been no material adverse change in its condition since the date of this Agreement.

Section 8.02. The following are specified as additional matters, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank: namely, that the requirements of Section 5.04 of this Agreement have been satisfied.

Section 8.03. If this Loan Agreement shall not have come into force and effect by October 28, , 1966, the Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Bank shall promptly notify the Borrower and Guarantor of such date.

ARTICLE IX

Miscellaneous

Section 9.01. The Closing Date shall be June 30, 1969, or such other date as shall be agreed by the Bank and the Borrower as the Closing Date.

Section 9.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Borrower:

Empresas Electricas Asociadas
Casilla 1384
Lima, Peru

Alternative Address for cablegrams and radiograms:

Asociadas
Lima, Peru

For the Bank:

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

Alternative address for cablegrams and radiograms:

Intbafrad
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By _____

EMPRESAS ELECTRICAS ASOCIADAS
(Lima Light and Power Company)

By _____
Authorized Representative

SCHEDULE 1

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
December 1, 1969	165,000
June 1, 1970	170,000
December 1, 1970	175,000
June 1, 1971	180,000
December 1, 1971	185,000
June 1, 1972	190,000
December 1, 1972	195,000
June 1, 1973	205,000
December 1, 1973	210,000
June 1, 1974	215,000
December 1, 1974	220,000
June 1, 1975	230,000
December 1, 1975	235,000
June 1, 1976	245,000
December 1, 1976	250,000
June 1, 1977	260,000
December 1, 1977	265,000
June 1, 1978	275,000
December 1, 1978	280,000
June 1, 1979	290,000
December 1, 1979	300,000
June 1, 1980	310,000
December 1, 1980	315,000
June 1, 1981	325,000
December 1, 1981	335,000
June 1, 1982	345,000
December 1, 1982	355,000
June 1, 1983	365,000
December 1, 1983	380,000
June 1, 1984	390,000
December 1, 1984	400,000
June 1, 1985	415,000
December 1, 1985	425,000
June 1, 1986	440,000
December 1, 1986	460,000

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

Premiums on Prepayment and Redemption

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.5 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations.

<u>Time of Prepayment or Redemption</u>	<u>Premiums</u>
Not more than three years before maturity	1/2%
More than three years but not more than six years before maturity	1-1/2%
More than six years but not more than eleven years before maturity	2-1/2%
More than eleven years but not more than sixteen years before maturity	3-1/2%
More than sixteen years but not more than eighteen years before maturity	5%
More than eighteen years before maturity	6%

SCHEDULE 2

Description of Project

The Project consists of expansion of the Borrower's transmission and distribution system. It includes:

- (1) Extension of 220 KV primary transmission lines and addition of substations with such voltage;
- (2) Extension of distribution lines and addition of substations to the 10 KV, 30 KV, 60 KV and 225 Volts systems;
- (3) Installation of connections and meters to service new consumers; and
- (4) Installations to improve the Borrower's internal communication system.

SCHEDULE 3

Modifications of Loan Regulations No. 4

For the Purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, are modified as follows:

(a) Wherever the terms "Bond" or "Bonds" are used in the Loan Regulations, the terms "Debenture of the Series H" or "Debentures of the Series H" shall be substituted therefor.

(b) The following sentence is added at the end of Section 3.07:

"Whenever it shall be necessary to value soles in terms of dollars or another currency, such value shall be as reasonably determined by the Bank."

(c) The second sentence of Section 4.01 shall read as follows:

"Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (a) expenditures prior to January 1, 1966, or (b) expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in (including services supplied from) such territories."

(d) By the deletion of subparagraph (c) of Section 5.02 and the substitution therefor of the following subparagraph:

"(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the First or Second Loan Agreement, the First or Second Guarantee Agreement, the Loan Agreement, the Guarantee Agreement,

"the Indenture, the Supplemental Indenture (as defined in the First Loan Agreement), the Fifth Supplemental Indenture (as defined in the Second Loan Agreement), the Seventh Supplemental Indenture, the Debentures of the Series D (as defined in the First Loan Agreement) or the Debentures of the Series F (as defined in the Second Loan Agreement), or the Debentures of the Series H."

- (e) Section 6.01 is deleted.
- (f) The words "under Section 6.03 or" are deleted from Sections 6.05 and 6.10.
- (g) Section 6.07 is deleted.
- (h) The first two sentences of Section 6.09 are deleted.
- (i) By the deletion of subparagraphs (c) and (d) of Section 6.11 and the substitution for subparagraph (d) of the following re-lettered subparagraph:
 - "(c) The Bank shall reimburse the Borrower for the reasonable cost of any exchange made pursuant to paragraph (a)."
- (j) Subparagraph (a) of the Section 6.12 is deleted, and subparagraph (b) is re-lettered "(a)".
- (k) Section 6.13 is deleted.
- (l) Section 6.18 is deleted.
- (m) By the addition in Section 7.01, after the words "Guarantee Agreement" where those words occur, of the words "the Indenture, the Seventh Supplemental Indenture".

(n) By the deletion of the second sentence of Section 7.02 and the substitution therefor of the following sentence:

"Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower, and shall not be impaired by any of the following: any extension of time, forbearance or concession given to the Borrower; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or in respect of any security for the Loan; any modification or amplification of the provisions of the Loan Agreement contemplated by the terms thereof; any modification or amplification of any other document related to the Loan or related to any security therefor; any failure of the Borrower to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or agency of the Guarantor."

(o) By the deletion of subparagraph (j) of Section 7.04 and the substitution therefor of the following:

"(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the determination of controversies between the parties to the

"Loan Agreement and Guarantee Agreement or any claim by any such party against any other such party arising thereunder; provided, however, that nothing herein shall be deemed to preclude any of the said parties from exercising, or instituting any legal or equitable action to enforce, any right or claim arising out of or pursuant to the Indenture, the Seventh Supplemental Indenture or the Debentures of the Series H , and submission to arbitration hereunder shall not be deemed to be a condition precedent or in any way to prejudice such exercise or other enforcement of any such right or claim."

- (p) Subparagraph (a) (ii) of Section 9.02 is deleted.
- (q) Section 9.04 is deleted.
- (r) Paragraph 9 of Section 10.01 is deleted.
- (s) By the deletion of Schedules 1 and 2.

Legal Department

July 15, 1966

LOAN NUMBER PE

GUARANTEE AGREEMENT

(Power Distribution Project)

between

REPUBLIC OF PERU

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated

1966

GUARANTEE AGREEMENT

AGREEMENT, dated _____, 1966, between REPUBLIC OF PERU (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Empresas Electricas Asociadas (Lima Light and Power Company) (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement, the Bank has agreed to make to the Borrower a loan in various currencies equivalent to ten million dollars (\$10,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961, subject, however, to the modifications thereof set forth in Schedule 3 to the Loan Agreement (said Loan Regulations No 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein. The terms defined in said Loan Agreement shall have the same meaning as if such definitions were fully set forth herein.

ARTICLE II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Debentures of the Series H, and the premium, if any, on the prepayment of the Loan or the redemption of the Debentures of the Series H, all as set forth in the Loan Agreement, the Seventh Supplemental Indenture and the Debentures of the Series H.

ARTICLE III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Debentures of the Series ___, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the Banco Central de Reserva del Peru.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end,

each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Debentures of the Series H shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Debenture of the Series H to a holder thereof other than the Bank when such Debenture of the Series H is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Guarantee Agreement, the Loan Agreement, the Seventh Supplemental Indenture and the Debentures of the Series H shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The Guarantor covenants that it will not take or permit any of its political subdivisions or agencies to take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations contained in the Loan Agreement and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations.

ARTICLE IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Debentures of the Series H to be executed and delivered by the Borrower. The Ministro de Hacienda y Comercio of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

ARTICLE V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Guarantor:

Ministerio de Hacienda y Comercio
Lima, Peru

Alternative address for cablegrams and radiograms:

Minhacienda
Lima, Peru

For the Bank:

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

Alternative address for cablegrams and radiograms:

Intbafrad
Washington, D.C.

Section 5.02. The Ministro de Hacienda y Comercio of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF PERU

By _____
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By _____
President

No. 6

EMBASSY OF PERU

[Date]

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

Power Distribution Project
Rates

Dear Sirs:

During the negotiations leading to the Loan for the Power Distribution Project, it was pointed out that the Bank loan agreements which provide development finance for electric power projects usually contain covenants which establish a standard for rates charged for electric services provided by the borrowers. It is understood and accepted that this requirement is uniform; such covenants are required of borrowers in all parts of the world.

You have explained that in the case of this and other loans to Peruvian entities for electric power projects, the Bank has not inserted such a rate covenant, because, in making said loans, the Bank has relied on the Electric Industry Law (No. 12378 of 1955). This Law, which you agree is well-conceived, so regulates electric utilities in Peru that they can charge rates which defray all costs and permit profits and reserves sufficient to encourage investments needed for further expansion.

We confirm that administration of said Electrical Industry Law is a duty of the Executive Power. We undertake to apply the various provisions of said Law in strict accordance with the time limits prescribed therein.

We have explained that under the Peruvian Constitution the Executive Power cannot bind the Legislative Power of Peru.

The Executive Power is, however, pleased to inform you the Executive Power has no intention of changing said Electric Industry Law. Furthermore, the Executive Power will inform the Bank of any proposed changes in said Law to enable the Bank to comment upon them. The Executive Power will also transmit to the Legislative Power the comments made by the Bank on any proposed changes in said Law.

It is our mutual understanding that in making loans to Peru for electric power you have relied, and will continue to rely, on the statements and undertakings set forth herein.

Very truly yours,

REPUBLIC OF PERU

By _____
Authorized Representative

STATUTORY COMMITTEE REPORT

To: The President, International Bank for Reconstruction and Development

Report of Committee under Section 4(iii) of Article III of the Articles of Agreement on the Proposed Loan (Power Distribution Project) to Empresas Electricas Asociadas (Lima Light and Power Company) to be guaranteed by the Republic of Peru.

The undersigned Committee constituted under Section 7 of Article V of the Articles of Agreement of International Bank for Reconstruction and Development (the Bank) hereby submits its report pursuant to Section 4(iii) of Article III of said Articles in respect of the proposal that the Bank grant to Empresas Electricas Asociadas (Lima Light and Power Company) a loan in an amount in various currencies equivalent to U. S. \$10,000,000 which loan is to be guaranteed by the Republic of Peru. The purpose of said loan is to expand and improve facilities to distribute power in the Lima area.

1. The Committee has carefully studied the merits of the proposal to grant such a loan, and of the purposes to which the proceeds of the loan are to be applied.

2. The Committee is of the opinion that the project toward the financing of which the proceeds of such loan are to be applied comes within the purposes of the Bank as set forth in Article I of said Articles of Agreement, and that said project is designed to promote the development of the productive facilities and resources of the Republic of Peru, and is in the interests of the Republic of Peru and of the members of the Bank as a whole.

3. Accordingly, the Committee finds that said project merits financial assistance from the Bank, and hereby recommends said project for such assistance.

COMMITTEE

/s/ J. Burke Knapp
Chairman of the Loan Committee

/s/ C. Gibson
Expert selected by Governor for the Republic of Peru

/s/ Gerald Alter
Director, Western Hemisphere Department

/s/ A. Broches
General Counsel

/s/ Simon Aldewereld
Director, Projects Department

/s/ Robert W. Cavanaugh
Treasurer

Dated at Washington, D.C.

July 28, 1966

PE-

Mr. Knox
to Carnment
OP files

INCOMING CABLE

PE-

DATE AND TIME
OF CABLE:

AUGUST 1, 1966

LOG NO.:

TELEX - AUGUST 2

TO:

INTBAFRAD

FROM:

LIMA

ROUTING

ACTION COPY:

~~MR. WYSS~~

INFORMATION
COPY:

MR. ALTER

DECODED BY:

TEXT:

SENOR HANS WYSS

CON REFERENCIA SU CABLE DE 29 DE JULIO, DIA DE HOY ESTAMOS
ENVIANDO CARTA RELACIONADA CON LOS CREDITOS CONTRAIDOS Y
GARANTIZADOS POR EL SUPREMO GOBERNO DESDE EL PRIMERO DE ENERO
DE 1966 HASTA EL 30 DE JUNIO DEL PRESENTE ANO. SALUDOS

GAMARRA

DIRECTOR DE CREDITO PUBLICO

MT

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

DATE	DESCRIPTION	AMOUNT	CURRENCY
AUGUST 1, 1966	TRUNK - SHIRT 2		
	TRUNK		
	TRUNK		
	TRUNK		
	TRUNK		

SENIOR BANK WITH
 CONSTRUCTION IN JULY 1966, DIA DE LOS REYES
 Y
 DEPARTAMENTO DE EL SECTOR NOROCCIDENTAL DE LA ZONA DE
 DE JULIO 1966 EN EL JULIO DEL MES DE JULIO DEL AÑO.

MANAGER
 DIRECTOR DE CREDITO FONCIERO

JUL 28 8 34 AM 1966

CONFIDENTIAL

LOAN COMMITTEE

Mr. McMahon.

DECLASSIFIED

Date: 8/9/2018

~~*[Signature]*~~

August 1, 1966

MEMORANDUM TO THE LOAN COMMITTEE

Peru - Proposed Loan to Empresas Electricas Asociadas
(Lima Light and Power Company)

Attached for information is a memorandum from the Director of the Western Hemisphere Department to the Chairman of the Committee, dated July 27, 1966, transmitting for approval the draft Report and Recommendation of the President on a proposed loan of \$10 million to Empresas Electricas Asociadas (Lima Light and Power Company).

John M. Malone
Secretary
Loan Committee

DISTRIBUTION:

- CHAIRMAN
- DIRECTORS OF AREA DEPARTMENTS
- DIRECTOR, PROJECTS DEPARTMENT
- GENERAL COUNSEL
- DIRECTOR, ECONOMICS DEPARTMENT
- TREASURER
- DIRECTOR, DEVELOPMENT SERVICES DEPARTMENT

Copies for Information to:

- President
- Vice President
- Economic Adviser to the President
- Secretary
- Director of Information
- Director, Economic Development Institute
- Director, European Office
- Special Advisers to the President
- Special Representative for UN Organizations
- Executive Vice President (IFC)

OFFICE MEMORANDUM

To: Chairman, Loan Committee

July 27, 1966

From: Gerald Alter

Subject: PERU - Proposed Loan to Empresas Electricas Asociadas (Lima Light and Power Company) for a Power Distribution Project

1. I attach for your approval a copy of the Draft Report and Recommendation of the President on a proposed loan of \$10 million to Empresas Electricas Asociadas. Also attached are drafts of the Loan and Guarantee Agreements and of the supplemental letters mentioned below. We plan to present this Loan to the Executive Directors at a meeting in Mid-August.
2. On June 9, 1966, the Appraisal Report on this project was distributed to the Loan Committee for its consideration without a meeting. The negotiations have resulted in reaching agreement with Empresas Electricas Asociadas along the lines approved by Loan Committee on June 9, except on the question of procurement.
3. The proposal in the Appraisal Report was that we should insist on international competitive bidding for all equipment to be financed by the Bank, but that we permit a margin of preference of 15 percent in favor of domestic producers. It was estimated that on this basis approximately 15 percent of the proposed loan would be spent on domestically produced equipment. During the course of negotiations we learned that under Peruvian law it would be difficult to reduce the preference margin to 15 percent and thus it might be impossible to disburse any part of the proposed loan on domestically produced equipment. The present rates of duty are considerably above 15 percent. Moreover, under the Industrial Promotion Law a Peruvian manufacturer of an item "similar" to an import can request additional protection and probably effectively bar its importation.
4. At a meeting on July 14, 1966, the Deputy Chairman of the Loan Committee agreed to a modification of the List of Goods permitting expenditures of the full \$10 million on imported equipment over a period of three years (1966-1968) instead of 2½ years as originally proposed. At the same time provisions were retained in the Loan Documents whereby the borrower could use loan funds to procure domestically produced equipment provided this was done after international bidding and using a preference margin not exceeding 15 percent. The change from a 2½ to a 3 year program raises the total cost of the project from \$17.7 million to \$22 million. Of this total, the company finances \$12 million and the Bank \$10 million, i.e. 45 percent. The change will result in a shift in the disbursement of about \$1.2 million of the loan towards the end

July 27, 1966

of the disbursement period. This will have no material effect on the financing plan which previously covered the full three years, 1966-1968. Because of the longer construction period the grace period has been lengthened from 2½ to 3 years. The eligibility date has been set, in the supplemental letter on "List of Goods and Procurement," at January 1, 1966.

5. These revisions will be incorporated in the Appraisal Report before sending it to the Executive Directors. Since there are no further changes of substance in the Appraisal Report, it is not attached.

6. It is proposed to distribute the following documents to the Executive Directors separately:

- i. attached Draft Loan Agreement
- iii. attached Draft Guarantee Agreement
- iii. Statutory Loan Committee Report (not attached)
- iv. attached Letter re Rates

An Economic Memorandum on Recent Economic Performance and Policies of Peru (WH-166) will be sent to you shortly prior to distribution to the Executive Directors.

7. The following draft supplemental letters are attached:

- i. Currency Denominations of Debentures
- ii. List of Goods and Procurement
- iii. Representations; Financing Plan
- iv. Hidrandina and Atelsa
- v. Consultants
- vi. Rates

It is intended to distribute to the Executive Directors only the letter on "Rates", which fills a gap in this and previous Loan and Guarantee Agreements which contain no covenant relating to the Electricity Rates of Empresas Electricas Asociadas.

8. This memorandum and the attached documents mentioned herein have been cleared with the Working Party. Part V of the draft Report and Recommendations of the President is a summary of WH-166 which was

Chairman, Loan Committee

- 3 -

July 27, 1966

cleared with the Economic Committee. I will appreciate your giving any comments on these papers to Mr. Knox (extension 2483) by 3 p.m. on Tuesday, August 2.

Attachments

cc: Mr. Woods
Mr. Cope
Loan Committee (without attachments)

OUTGOING WIRE

TO: GAMARRA

DATE: JULY 29, 1966

MINISTERIO DE HACIENDA

CLASS OF SERVICE: *Prif Govt.*

LIMA

2-1-1

COUNTRY: PERU

TEXT:
Cable No.:

FOR LOAN TO EMPRESAS ELECTRICAS ASOCIADAS WE NEED LETTER STATING ALL CREDITS CONTRACTED OR GUARANTEED BY GOVERNMENT SINCE JANUARY 1, 1966 stop PLEASE USE SAME FORM AS ATTACHMENT TO YOUR LETTER DATED APRIL 25, 1966 WHICH WAS PREPARED FOR LOAN TO PORT OF PISCO stop PLEASE ADVISE BY CABLE WHEN SENDING LETTER REGARDS

WYSS

ack. Aug 1, 1966

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Mr. Hans Wyss

DEPT. Western Hemisphere Department

SIGNATURE *Hans Wyss*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

Cleared with and cc: Mr. Knox

Hwyss:tlw

For Use by Archives Division

ORIGINAL (File Copy)
(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: *[Signature]*

OFFICE MEMORANDUM

To: Chairman, Loan Committee

July 27, 1966

From: Gerald Alter

Subject: PERU - Proposed Loan to Empresas Electricas Asociadas (Lima Light and Power Company) for a Power Distribution Project

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4. At a meeting on July 14, 1966, the Deputy Chairman of the Loan Committee agreed to a modification of the List of Goods permitting expenditures of the full \$10 million on imported equipment over a period of three years (1966-1968) instead of $2\frac{1}{2}$ years as originally proposed. At the same time provisions were retained in the Loan Documents whereby the borrower could use loan funds to procure domestically produced equipment provided this was done after international bidding and using a preference margin not exceeding 15 percent. The change from a $2\frac{1}{2}$ to a 3 year program raises the total cost of the project from \$17.7 million to \$22 million. Of this total, the company finances \$12 million and the Bank \$10 million, i.e. 45 percent. The change will result in a shift in the disbursement of about \$1.2 million of the loan towards the end

July 27, 1966

of the disbursement period. This will have no material effect on the financing plan which previously covered the full three years, 1966-1968. Because of the longer construction period the grace period has been lengthened from $2\frac{1}{2}$ to 3 years. The eligibility date has been set, in the supplemental letter on "List of Goods and Procurement," at January 1, 1966.

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- iv. Hidrandina and Atelsa
- v. Consultants
- vi. Rates

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8. This memorandum and the attached documents mentioned herein have been cleared with the Working Party. Part V of the draft Report and Recommendations of the President is a summary of WH-166 which was

Chairman, Loan Committee

- 3 -

July 27, 1966

cleared with the Economic Committee. I will appreciate your giving any comments on these papers to Mr. Knox (extension 2483) by 3 p.m. on Tuesday, August 2.

Attachments

cc: Mr. Woods
Mr. Cope
Loan Committee (without attachments)

FE. T... ..

OFFICE MEMORANDUM

TO: Files

DATE: July 28, 1966

FROM: Curt Carnemark *CC*SUBJECT: PERU - Procurement Policy in the Proposed \$10 Million Loan to Empresas Electricas Asociadas (Lima Light)

International competitive bidding has not been required for equipment to be procured with local funds since this would be inappropriate. The project is for power distribution and the equipment purchased by local funds consists of:

1. small items (poles, wires, etc.) which would not be ordered in sufficient quantities to be of interest to international bidders; and
2. distribution transformers for which, under present Peruvian legislation, the import duties are sufficiently high to make it unlikely that any foreign suppliers would be interested in bidding. However, the Loan Documents contain provisions whereby loan funds could be used to finance purchases of such equipment provided the margin of preference in favor of the domestic producers does not exceed 15 percent and provided procurement is on the basis of international competitive bidding.

cc: Messrs. Alter
Sear (cleared in substance)
Knox (cleared)
Keltie
Webb
de Beaufort

July 27, 1966

Mr. Manuel Ugarteche
Empresas Electricas Asociadas
Casilla 1384
Lima, Peru


Dear Mr. Ugarteche:

Attached please find drafts of the Loan Documents for the Power Distribution Project in which the changes made during our final meeting are embodied. Please note that the amortization schedule is tentative and depending on the decision to be taken by the Executive Directors on the rate of interest. We are planning to present the Loan to the Executive Directors shortly. If you have any further comments we would appreciate if you could send them to us by cable as soon as possible. My best regards to you and Mr. Aldo Bosselli.

Yours sincerely,

A. David Knex
Western Hemisphere Department

Enclosures

 CCarnemark:tlw

Op. Files
PE - Power E. Elect

Mr. Curt Carnemark

July 26, 1966

C. Eugene Webb

PERU: Power Distribution Project

The July 15, 1966 drafts of the Guarantee Agreement, Loan Agreement and Supplemental Letters for the Power Distribution Project loan to Lima Light reflect the changes and include the amortization schedule based on a six per cent interest rate.

Please distribute copies among the Working Party and transmit copies to Lima and to Carlos Gibson.

CEW:buc

PE - Power Emergency
Electricity
Op. [unclear]

Mr. Curt Carnemark

July 22, 1966

C. Eugene Webb

PERU: Power Distribution Project. President's Report

I attach hereto two copies of the draft of Part IV - Legal Instruments and Authority section for the President's Report.

This description of the legal documents is much shorter than that for the previous loan to the same Borrower, 365-PE, I think we need to mention the fact that the Bank gets real security.

I have also mentioned the Letter re Rates from the Guarantor. You will want to discuss with David whether he wishes to mention it. I think it desirable to do so but it is not essential.

CEW:bmc
encl.

PE - Power Companies
Electrical

Mr. Curt Carnemark

July 21, 1966

C. Eugene Webb *CEW*

PERU: Empresas Electricas Asociadas (Lima Light and Power Co)

CEW I attach the form of Statutory Committee Report and form of Resolution on the proposed loan to Empresas Electricas Asociadas (Power Distribution Project).

CEW:bac
encl.

DECLASSIFIED

Date: 8/9/2018

CONFIDENTIAL

SecM66-244

FROM: The Secretary

July 19, 1966

STATUS OF NEGOTIATIONS - PERU

Power Distribution Project

1. NEGOTIATIONS: - Completed.
2. BORROWER: - Empresas Electricas Asociadas (Lima Light and Power Company).
3. GUARANTOR: - Republic of Peru
4. AMOUNT: - US\$10 million equivalent.
5. INTEREST: - Standard rate.
6. COMMITMENT CHARGE: - 3/8 of 1% per annum.
7. TERM AND AMORTIZATION: - 20 years including a 3-year grace period; principal repayments semi-annually from December 1, 1969, to December 1, 1986.
8. PURPOSE: - To help finance expansion of the transmission and distribution system of the Company.
9. CONSIDERATION BY EXECUTIVE DIRECTORS: - Mid-August.

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Deputy Executive Vice President, IFC
Department Heads, Bank and IFC

Mr. R. W. Cavanaugh

July 15, 1966

Nervyn L. Weiner *N*

PERU - Proposed Loan of \$10 million to Lima Light and Power Company

- 1. Borrower: **Empresas Electricas Asociadas (Lima Light and Power Company)**
- 2. Guarantor: **Republic of Peru**
- 3. Amount: **The equivalent in various currencies of US\$10.0 million**
- 4. Purpose: **Expansion of transmission and distribution system.
Includes:**
 - 1. **Extension of 220 KV primary transmission lines and addition of substations at these voltages;**
 - 2. **Extension of distribution lines and addition of substations to the 10 KV, 30 KV, 60 KV, and 225 volt systems;**
 - 3. **Installation of connections and meters to service new customers; and**
 - 4. **Installations to improve the Borrower's internal communication system.**

5. <u>Disbursements:</u>	<u>Date</u>	<u>Amount (million US\$)</u>
	1966	3.0
	1967	4.0
	1968	3.0
		<u>10.0</u>

- 6. Source of Supply: **Subject to Bank Procurement Policy**
- 7. Interest Rate: **Standard rate**
- 8. Maturities: **December 1, 1969, through December 1, 1986, per attached amortisation schedule.**
- 9. Date for Board Consideration: **Mid August**

July 15, 1966

10. Remarks: The following banks have close relationships with Peru: Manufacturers Hanover (fiscal agent of the Peruvian Government in U.S.A.), Chase Manhattan Bank of America, First National City Bank, Continental Illinois, National Bank of Detroit, Marine Midland Grace Trust & Co., Bankers Trust, and Schroder Trust Company (banking agent of the Borrower in U.S.A.). Chase Manhattan has the controlling interest in Banco Continental in Lima. First National City Bank has a substantial direct operation in Peru.

Attachment

cc: President
Vice-Presidents
European Office (Attention Mr. de Lesseps)
New York Office
Mr. Alter
Mr. Knox

cc: Messrs. Knox
Keltie
de Beaufort
Sear
Webb
Carnemark

CCarnemark:tlw



PE - Power
Impressas
Pile - bricas

SCHEDULE 1

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
December 1, 1969	165,000
June 1, 1970	170,000
December 1, 1970	175,000
June 1, 1971	180,000
December 1, 1971	185,000
June 1, 1972	190,000
December 1, 1972	195,000
June 1, 1973	205,000
December 1, 1973	210,000
June 1, 1974	215,000
December 1, 1974	220,000
June 1, 1975	230,000
December 1, 1975	235,000
June 1, 1976	245,000
December 1, 1976	250,000
June 1, 1977	260,000
December 1, 1977	265,000
June 1, 1978	275,000
December 1, 1978	280,000
June 1, 1979	290,000
December 1, 1979	300,000
June 1, 1980	310,000
December 1, 1980	315,000
June 1, 1981	325,000
December 1, 1981	335,000
June 1, 1982	345,000
December 1, 1982	355,000
June 1, 1983	365,000
December 1, 1983	380,000
June 1, 1984	390,000
December 1, 1984	400,000
June 1, 1985	415,000
December 1, 1985	425,000
June 1, 1986	440,000
December 1, 1986	460,000

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in the column represent dollar equivalents determined as for purposes of withdrawal.

PE-Power
Engineering
Electronics

Appointment Stationery
Committee Representative

PERUVIAN EMBASSY
WASHINGTON 6, D. C.

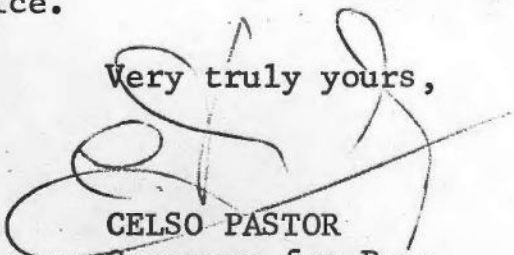
July 14, 1966

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

Gentlemen:

I hereby appoint Mr. Carlos Gibson, Financial Minister, to serve on the Committee required by Article V, Section 7, of the Articles of Agreement of the International Bank for Reconstruction and Development, to report on the proposed loan (Power Distribution Project) to the Empresas Eléctricas Asociadas, and who will hereinafter act in this capacity for future loans until further notice.

Very truly yours,



CELSO PASTOR
Governor for Peru

PERUVIAN EMBASSY
WASHINGTON 6, D. C.

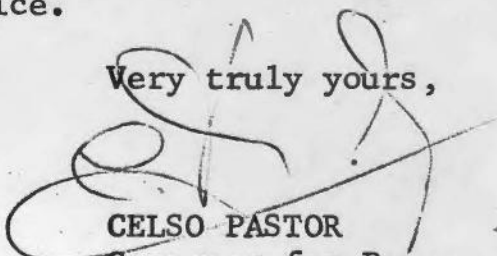
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Very truly yours,



CELSO PASTOR
Governor for Peru

Mr. M.L. Weiner

July 14, 1966

A.D. Knox

PERU - Loan Documents for Proposed \$10 million Loan to Empresas
Eléctricas Asociadas.

I attach the latest draft of the documents of the above loan. We are now completing them in the light of Mr. Cope's decision.

The Loan Agreement and the Guarantee Agreement are only slightly changed from the documents used for the previous loan to Empresas. (Loan 365 PE).

Certain of the side letters are also substantially the same as of the previous loan. I would draw your attention, however, to the following points in the side letters:-

(a) Letter No. 2

On Page 2 of this letter, we have included in Paragraph 5 a provision which would permit domestic procurement with a margin preference of 15%.

We have also included in the second paragraph on Page 3 of this letter a provision to preclude any possibility of our Loan being used to finance equipment which is subsequently transferred to the "Public Domain" in Peru. This is a special circumstance arising out of the situation in Lima under which the Company installs certain facilities which are subsequently transferred to the Public Domain.

(b) Letter No. 3

Letter No. 3 contains certain provisions designed to safeguard the financing plan.

(c) Letter No. 4

In letter No. 4, we ask the Company to enter into undertakings concerning its relationships with Hidrandina and Atalsa. With respect to Hidrandina, the Company is to reorganize the relationship on the basis acceptable to the Bank. In respect to Atalsa, the Company undertakes not to change its relationship without the Bank's approval.

July 14, 1966

(d) Letter No. 6

Letter No. 6 is a completely new item designed to fill in a gap in the previous Loan Agreements. The gap is that the previous loan agreement contains no provision whatsoever with respect to rates. We have hitherto relied on the Peruvian Electric Industry Law.

The purpose of this letter is to give us some additional safeguards that the Law will be applied expeditiously and that any proposed changes will be discussed with the Bank. The Executive Power, as you will see, confirms that there is no intention to change the Law.



ADKnox:mck

OFFICE MEMORANDUM

TO: Deputy Chairman, Loan Committee

DATE: July 13, 1966

FROM: Mervyn L. Weiner *W*SUBJECT: PERU - Proposed \$10 Million Loan to Empresas Electricas Asociadas
(Lima Light)

In a memorandum of June 9 to the Loan Committee on the above loan, Mr. Chaufourrier recommended that the Bank should adopt the proposals of the Appraisal Report (TO-504 of June 8, 1966) on the question of procurement. The proposal was that we should insist on international competitive bidding for all equipment to be financed by the Bank, but that we permit a margin of preference of 15 percent in favor of domestic producers. It was estimated that on this basis approximately 15 percent of the proposed loan would be spent on domestically produced equipment.

Under the previous loans to Empresas (Nos. 260-PE and 365-PE) we had also required procurement on the basis of international competitive bidding, but with respect to domestically produced equipment we had agreed to finance an amount equivalent to the import component. Our experience with this system was not entirely satisfactory. Empresas tended to invite bids from too limited a range of suppliers and, indeed, appears to have favored domestic suppliers distinctly. Since we wished to get away from this problem, it was thought the best solution would be to insist more rigorously on international competitive bidding for all bids but to temper the effect on the local suppliers by permitting a 15 percent margin of preference.

During the course of negotiations the representatives of the company and of the Peruvian Government, which is the guarantor for the loan, have argued that under Peruvian law it would be impossible to accept a 15 percent preference margin. The present rates of duty are considerably above 15 percent. Moreover, under the Industrial Promotion Law a Peruvian manufacturer of an item similar to an import can request additional protection. We are told that the tendency is to do so and that the company is engaged in a continuous battle on the meaning of "similar". The company, which values its good public relations, is unwilling to enter into an additional battle in order to bring the rates of duty down to 15 percent.

The Working Party has considered this problem and has concluded that the appropriate way to handle this matter would be to change the list of goods so as to permit the full loan to be disbursed on imported equipment while retaining the possibility of financing some domestic equipment if procurement were satisfactory. The project is for the expansion of the company's transmission and distribution network. As originally conceived, the Bank loan would have helped to finance the work to be carried out in the period of 2½ years. The list of goods could be modified as to permit

July 13, 1966

expenditures of the full \$10 million on imported equipment over a period of three years. At the same time, we would retain in the loan documents provisions whereby the borrower could use loan funds to procure domestically produced equipment provided this were done after international bidding and using a preference margin not exceeding 15 percent. This proposal is acceptable to the borrower.

The change from a 2½ to a 3 years program would have the following effect on project costs. Total costs would rise from \$17.7 million to \$22 million. Of this total, the company would finance \$12 million and the Bank \$10 million, i.e., 45 percent. The change would result in a shift in the disbursement of about \$1.2 million of the loan towards the end of the disbursement period. This would have no material effect on the financing plan which previously covered the full three years.

I recommend that the Bank should now negotiate a loan of \$10 million to finance the company's transmission and distribution program over a period of three years. The grace period would also have to be lengthened from 2½ to 3 years; but the amortization period would continue to be 20 years as originally proposed. For your convenience I am attaching copies of the memorandum of June 9, referred to above, and of an additional memorandum of June 14 which was prepared at Mr. Knapp's request.

Agreed
[Signature]
July 14 '66

Attachment

Cleared with and cc: Messrs. Sear
de Beaufort
Webb
Keltie
Carnemark
cc: Mr. Malone

OFFICE MEMORANDUM

TO: ~~Mr. A. David Knox~~

DATE: July 8, 1966

FROM: Hans Wyss *HW*SUBJECT: 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

7.1. 2.1.1. - Enclosures

OFFICE MEMORANDUM

TO: Files

DATE: July 5, 1966

FROM: Curt Carnemark *CC*SUBJECT: PERU - Lima Light: Power Distribution Project

Working Party meeting June 30, 1966. Present were Messrs. Knox, de Beaufort, Fligler, Masoni, Sear and Carnemark.

Discussion of the Loan Agreement

1. It was suggested that the title should be changed to "Power Distribution Project".
2. Empresas Electricas Asociadas, the official name of the company, should be stated in the text with Lima Light and Power Company in brackets, not vice versa.
3. 1.02 e and f. The terms "subsidiary" and "affiliate" should be further clarified as to Hidrandina and Atelsa. It was further suggested that a side letter should define the operational work of Atelsa and that Lima Light should agree not to change this without consulting the Bank.
4. Mr Fligler was to check with Mr Webb on Section 2.02 if the following sentence was relevant to amend: "No more than one million \$ may be withdrawn from the account before the supplementary *letter* *debtors* has been finalized."
5. A new Section 2.08 containing a currency switch clause should be amended.
6. Section 3.01. The company's procurement procedures should be discussed during the negotiations and a side letter on this matter prepared.
7. Section 3.02. This section states that all goods financed out of the proceeds of the Loan should be imported. Mr Knox pointed out that in this case some 15 percent may be expenditures in Soles. Mr Webb was to check into this.
8. Mr Sear raised the question about the last sentence in Section 3.02 - ".... title to all such goods shall be acquired by the Borrower free and clear of all liens, charges and encumbrances". According to agreements between Lima Light and the Government, Lima Light has to submit to the public domaine every year 10 percent of its investments. In this particular project \$1.7 million worth of property would be submitted. Mr Sear wanted Mr Webb to comment on this, and suggested that we should ask Lima Light not to dispose of any property which the Bank is financing.
9. Section 4.05 states that the debentures shall be bearer debentures. Mr Knox wanted to know the reason for this. Mr Webb should check this point.

10. Section 5.01. Atelsa and/or Hidrandina should be included in the text. Side letters to be prepared on responsibility and selection of consultants, as well as on middle management plan.
11. In Sections 5.09a, 5.10 and 5.11 Atelsa and/or Hidrandina should be inserted.
12. A time limit of four months should be inserted in Section 5.11.
13. Section 5.17 requires the preparation of a sideletter.

cc: Messrs Knox
Masoni
Carnemark

Curt Carnemark:jd

PE Empresarios
Kroff
Peru
~~_____~~ R

ASOCIACION DE EMPRESARIOS ELECTRICOS DEL PERU

Camaná 780
Apartado 3582
Tel. 78785
Lima

"NOTICIAS DE LA ASOCIACION"

No. 127

Junio 30, 1966

Ampliación de la hidroeléctrica Cañón del Pato. - Se está terminando la instalación de dos turbinas de 25,000 kW cada una, factura Westinghouse, en la central hidroeléctrica Cañón del Pato, de la Corporación del Santa. Como se sabe, esta energía será destinada a la ampliación del suministro eléctrico a cargo de la Corporación del Santa, con destino a la acería de Chimbote, la ciudad de Huaraz y diversos pueblos a lo largo del Callejón de Huaylas. Además, la Corporación del Santa se encuentra terminando los estudios para el proyecto de electrificación rural a lo largo del Callejón de Huaylas. La nueva fuerza eléctrica en Chimbote será aplicada a la expansión de la siderúrgica y permitirá también la instalación de nuevas industrias en el puerto de Chimbote.

La central de Huaral se incrementa con 400 kW. - La Empresa de Luz y Fuerza de Huaral ha terminado la instalación de una nueva unidad térmica de 400 kW con destino al suministro público de las ciudades de Chancay y Huaral. El grupo es de factura Dentz-Siemens, y se encuentra expedito para su funcionamiento desde el 2 de junio último. Con este grupo, la potencia de Huaral llega a 1.588 kW.

Cursos sobre electrotécnica aplicada en España. - Informa la ONRAP (Oficina Nacional de Racionalización de la Administración Pública), que en España se llevará a cabo, durante siete meses, a partir de noviembre 1^o próximo, un curso de electrónica aplicada a la automática. Los estudios están orientados para ofrecer adiestramiento avanzado a graduados en electrónica o especialidades afines, que ya trabajan en procesos de fabricación automática o computación de datos. Mayores informaciones se proporcionan en la ONRAP, Las Acacias 393, T. 58370, Miraflores.

Las minas de cobre de Cerro Verde. - Según informan diarios de Lima, la compañía "Andes Exploration Co." (subsidiaria de la compañía "Minas Anaconda"), ha terminado los trabajos preparatorios para la explotación de las minas de Cerro Verde (Arequipa), las mismas que se iniciarán en el curso de este año.

De acuerdo a un despacho de la AFP, procedente de Dallas ("La Crónica", junio 2), el programa de expansión de la compañía Anaconda, en los próximos años, conforme declaró su Presidente, Charles M. Brinckerhoff, incluye nuevas explotaciones en la mina Exótica, cerca de Chuquillcamata, Chile, y Cerro Verde, Arequipa. El Presidente de la Anaconda declaró también que todo parece indicar que la demanda por cobre en todo el mundo, lejos de disminuir continuará incrementándose en los próximos años.

Electrificación del distrito de Comas.- El nuevo y populoso distrito de Comas, diez kilómetros al norte de Lima, será electrificado en el curso de los próximos seis meses, de acuerdo a estudios efectuados por ATELSA (Atención Lima Sur S.A.), entidad subsidiaria a Empresas Eléctricas Asociadas. Se tenderán líneas para 4.800 conexiones iniciales, en la primera etapa. Se espera que en el curso de los próximos dieciocho meses, gran parte de la extensa zona de Comas se halle totalmente electrificada.

Nuevas normas de INANTIC.- El Instituto Nacional de Normas Técnicas Industriales y Certificación, ha aprobado normas provisionales para confección de sobres. Estas normas pueden ser solicitadas a INANTIC, República de Chile 698, y las observaciones debidamente fundamentadas deberán elevarse a dicho instituto, dentro de los seis meses contados a partir de la publicación en "El Peruano" (junio 20, 1966).

El INANTIC ha elaborado también normas provisionales sobre transformadores de potencia y normas para dibujo técnico, las mismas que hemos remitido a nuestros asociados con fecha junio 15.

Nuevo Directorio de la Sociedad Nacional de Industrias.- El señor Jorge Ferrand ha sido elegido como Presidente de la SNI para el bienio 1966-1968. El señor Ferrand sucede en el cargo al señor Santiago Gerbollini. Los tres Vicepresidentes de la SNI, elegidos conjuntamente con el señor Ferrand, son los siguientes: Carlos Raffo Dasso, Eduardo Dibós Chappuis y Gonzalo Raffo. La nómina de los 43 directores de la SNI se indica en hoja anexa.

El FNDE amplía la central de Puerto Maldonado.- Se halla en instalación el primer grupo electrogénico de 200 kW, adquirido con aportes del FNDE, para la nueva central termoeléctrica de Puerto Maldonado, de 700 kW de potencia. Un segundo grupo de 200 kW será instalado en el segundo semestre y un tercer y último grupo de 300 kW, en el curso del próximo año. A la fecha la capital del departamento de Madre de Dios tiene un pequeño grupo de 60 kW, insuficiente para las necesidades de la población. La inversión

de la central de Puerto Maldonado llega a los 4'623 mil soles. ("El Peruano", mayo 28, 1966).

Tercera unidad para la central de Machu Pichu. - Las obras de ampliación de la central de Machu Pichu, que incluyen la adquisición de una nueva turbina Pelton y la construcción y nuevos desarenadores y plantas de sedimentación para la central, tendrá un costo aproximado de 100 millones de soles, según informó el Departamento de Servicios Eléctricos de la Corporación de Fomento del Cusco, con fecha junio 1º.

Inversiones en el Parque Industrial de Tacna. - La Corporación de Fomento de Tacna ha publicado en "El Peruano" de fecha junio 6, dos avisos por los cuales se informa que se ha presentado ante la COFDET una solicitud de Industrias Químicas Tacna, para instalar una industria de productos químicos en el Parque Industrial de dicha ciudad, de acuerdo a la ley 15923, que crea el Parque Industrial de Tacna. Informa también la COFDET que se ha recibido una solicitud de la firma Omega, S.A. para instalar una planta de ensamblaje y fabricación de artefactos electrónicos.

Ministro de Gobierno inaugura planta eléctrica. - El Ministro de Gobierno, Dr. Javier Alva Orlandini, en su visita al departamento de Cajamarca inauguró la planta eléctrica en Cascas, provincia de Contumazá. ("El Peruano", junio 13).

El proyecto de Aguada Blanca. - Sociedad Eléctrica de Arequipa anunció en Arequipa, con fecha junio 10, que en el mes de agosto próximo se iniciarán los trabajos del proyecto hidroeléctrico Charcani V, que utilizará las aguas de la represa Aguada Blanca, de 60,000 kW, con una inversión aproximada de 300 millones de soles. Informó también SEAL que en el curso de las próximas dos semanas, entraría en funcionamiento la línea de A.T. de 33,000 voltios, que parte de la central térmica de Chilina hacia el Parque Industrial, al sur de la ciudad de Arequipa.

La represa de Aguada Blanca, según información emitida por la Oficina de Reforma Agraria en Arequipa, permitirá culminar el proceso de canalización de la irrigación de La Joya, mediante la utilización total de las 14 mil hectáreas del proyecto. Se represarán 40 millones de metros cúbicos de agua con una inversión de 80 millones de soles. La represa estará ubicada aguas abajo de la confluencia de los ríos Blanco y Sumbay, que desembocan en el río Chili.

Comisión estudia régimen jubilatorio. - Por R.S. 144 de abril 25, 1966, se ha designado una comisión, presidida por el Ministro de Trabajo y representantes del Seguro Social del

Empleado, de los empleados y empleadores, a fin de armonizar el régimen jubilatorio de la ley 10624 y ampliatorias, con el régimen establecido por la ley 13724. Comenta el boletín semanal de la Cámara de Comercio de Lima No. 824, que la constitución de esta comisión permitirá efectuar estudios que servirán para establecer una cabal apreciación del régimen jubilatorio, tanto en su incidencia económica como en los inconvenientes de su funcionamiento de acuerdo a las normas vigentes. La comisión citada presentará sus conclusiones al señor Ministro de Trabajo en el plazo de sesenta días contados a partir de la fecha de su instalación.

Producción eléctrica de 1965 y febrero y marzo, 1966.- Adjuntamos copia de los cuadros de la producción eléctrica correspondientes al año 1965 y los cuadros correspondientes a los meses de febrero y marzo, 1966. Datos reproducidos de la Dirección de Industrias.

Principios de la tarificación eléctrica.- Remitimos a nuestros asociados copia del trabajo publicado en la "Revista Latinoamericana de Electricidad", No. 1, tercer trimestre, 1963, titulado "Principios de la tarificación eléctrica", cuyo autor, Eugenio Salazar, es un experto del Banco Interamericano.

Proyecto de integración Colombia-Ecuador.- El Banco Interamericano ha concluido un programa de desarrollo conjunto de la región fronteriza entre Colombia y Ecuador, que incluye 71 proyectos específicos que beneficiarán a una región de 120 mil kms²., donde habitan 600 mil colombianos y 400 mil ecuatorianos, a un costo de \$ 102 millones. El proyecto contempla, entre otros, obras de electrificación por \$ 6.2 millones; transporte y comunicaciones, \$ 32 millones; agua y alcantarillado, \$6.5 millones; salud, \$ 3.1 millones; educación, \$ 1.6 millones; ganadería, \$ 27.2 millones; desarrollo industrial, \$ 23.4 millones, y gastos de preinversión, \$ 2 millones. Dos tercios de este proyecto serán invertidos en obras locales y un tercio en adquisición de maquinaria y equipo importado. El proyecto ha sido bosquejado de acuerdo a la política auspiciada por el BID de acelerar la integración económica latinoamericana, mediante el estímulo de proyectos multinacionales. Este proyecto fue hecho público en la última reunión del CIES que tuvo lugar en Buenos Aires, en abril del presente año. En dicha ocasión, Felipe Herrera, Presidente del BID, declaró que el Banco había estudiado el establecimiento de un fondo de preinversión regional "dedicado exclusivamente a financiar la preparación de estudios y proyectos en áreas decisivas para un desarrollo integrado". Entre éstas, Felipe Herrera mencionó obras multinacionales de infraestructura, industrias básicas nacionales, desarrollo de cuencas hidrográficas y otras áreas geográficas que abarquen dos o más países.

Continuado crecimiento del PNB en Venezuela. - Según un informe publicado por el Presidente Raúl Leoni, de Venezuela, en 1965 el PNB en dicho país aumentó 7% y el ingreso per cápita 4%. La producción aumentó 7.5%, las manufacturas 11%, y la construcción en 17%. En cuanto a la situación fiscal, durante 1965, Venezuela tuvo un superávit en su presupuesto de \$ 32 millones. Las reservas de moneda extranjera se mantuvieron en \$ 845 millones (\$ 800 millones en 1963). Se disminuyó la deuda pública en \$ 40 millones.

Seminario sobre Economía de la Energía. - Como están enterados nuestros asociados por nuestra Carta Quincenal No. 42, de junio 16, del 8 al 12 de agosto tendrá lugar en Paracas, un Seminario Internacional sobre Economía de la Energía, bajo los auspicios de la Universidad de Ingeniería de Lima. A este certamen han sido especialmente invitados como expositores: el Ing. Adolfo Dorfman, Director del Programa de Recursos Naturales y Energía de la CEPAL, el economista, Alejandro Végh Villegas, experto de la CEPAL y Director de la Revista Latinoamericana de Electricidad, y el profesor Jorge Cauas Lama, Asesor del Presidente de Chile. La inscripción está limitada a cuarenta participantes y el costo de la misma es de \$/ 3.500.00. Los interesados en este seminario pueden dirigirse al Instituto de la Energía, UNI, Tel. 83090, anexo 155.

LEGISLACION

- Con fecha junio 21, el Supremo Gobierno promulgó la Ley de Desarrollo Comunal No. 16174, por la cual se autoriza la celebración de un contrato entre el Perú y el Banco Interamericano por \$ 20 millones, para llevar adelante el plan de desarrollo comunal de diversos pueblos de la sierra peruana, conocido como el "Plan Sierra". Para mejor información, adjuntamos al presente boletín, copia de la mencionada ley.

- Por D.S. No. 181-H, de fecha junio 21, 1966 ("El Peruano", 23.VI.66), se modifica el D.S. No. 103-H, de 19.IV.66 (ver nuestra Carta Quincenal No. 40, de mayo 9, 1966), a fin de facilitar la valorización, liquidación y pago de los impuestos sucesorios. Para mejor información reproducimos el texto del D.S. No. 181-H.

- Por ley 16171, de junio 17, 1966 ("El Peruano", 22.VI.66), se autoriza la transferencia de una partida del pliego de Fomento, subpliego Electricidad, por la suma de \$/ 350,000, para invertirlos en la electrificación de la urbanización popular Santoyo, distrito El Agustino, provincia de Lima. Esta transferencia de partida procede de la partida de iniciativa parlamentaria, depositada a la orden de la COSAL para obras de agua y desagüe en Santoyo.

- Por D.S. No. 136-66-DGS, de junio 10, 1966 ("El Peruano", 18.VI.66), se modifica el Art. 2 del reglamento de la ley 8487, sobre clasificación de viviendas de interés social, en la forma siguiente: "Art. 2º.- Para el cumplimiento de la ley 8487, se considera viviendas de interés social, los solares, callejones, casas de vecindad, quintas de departamentos y toda vivienda cuyo alquiler no exceda de 300 soles al mes."

Electroconsult terminó estudios de la irrigación de Majes.- Según informa "El Peruano", de junio 22, la firma de Ingenieros Consultores Electroconsult de Milán, entregó al Presidente de la República el estudio de factibilidad del proyecto de irrigación de Majes, Arequipa. Este proyecto aumentará en 100% el área de tierra cultivable en el departamento de Arequipa (área cultivada actual, 40 mil hectáreas, proyecto de Majes, 60 mil hectáreas). El proyecto de Majes está vinculado a un proyecto de generación hidroeléctrica con una potencia hasta de 500,000 kW. El proyecto se realizará en etapas y subetapas; se podrá llevar adelante mediante adjudicación simultánea a muchos contratistas y subcontratistas y en zonas cercanas y otros pueblos donde existe abundante mano de obra ociosa. Se espera dar ocupación a 35 mil campesinos, y a unos 10 mil trabajadores en actividades complementarias. El proyecto prevé el ahorro de 500 millones de soles anuales en compra de alimentos del exterior y la construcción de un gran túnel de un costo aproximado de mil millones de soles. El proyecto contempla una inversión total de 3.950 millones de soles. Habida cuenta de los costos de los predios rurales en el departamento de Arequipa, el precio de la hectárea habilitada del proyecto Majes sería del orden de 30 a 35% del mismo precio en el valle de Arequipa.

Resumen financiero del Banco Mundial.- Desde el 1º de julio de 1965 hasta el 31 de marzo de 1966, el Banco aprobó 24 préstamos por un total de \$ 616 millones, de los cuales nueve fueron otorgados a seis países de América Latina, por un total de \$ 282.9 millones, a saber: Brasil, \$ 49 millones para energía eléctrica (CEMIG, del estado de Belo Horizonte); Chile, \$ 2.750.000 para educación vocacional y técnica; México, \$ 135 millones (\$ 110 millones para energía eléctrica y \$ 25 millones para créditos agrícolas); Paraguay, \$ 4.850.000 (\$ 750.000 para mejoramiento del puerto de Asunción y \$ 2.100.000 para caminos); Perú, \$ 33 millones para carreteras; y Venezuela, \$ 58.3 millones (\$ 37 millones para telecomunicaciones y \$ 21.3 millones para abastecimiento de agua de Caracas.

OFFICE MEMORANDUM

TO: Files

DATE: June 27, 1966

FROM: Vittorio Masoni *mi*SUBJECT: PERU - Commitment of the Peruvian Government to Consult with the Bank before Changing the Electric Law (Forthcoming Negotiations of Power Distribution Loan with Empresas Electricas Asociadas)

On June 13, 1966, Mr. Carnemark and I went to see Dr. Mariotti, General Manager of Empresas, to inform him that in the next loan the Bank intends to request the Peruvian Government to undertake not to change Chapter X of the Electric Law without consulting the Bank.

After informing him of the Bank's proposed position we asked him whether Empresas had any objection to it and who would be the most appropriate person in the Government to discuss this matter with. Mariotti's answer made it clear that, of course, Lima Light is very happy for the support that the Electric Law might receive by being mentioned in an international agreement. Empresas, however, places main reliance as to the continuation of a satisfactory relationship with the Government on (a) providing good services to the public, (b) cooperating with the Government to the maximum extent possible as it is expected of Empresas as the largest Peruvian Corporation. In regard to legal protection against changes in the Electric Law, Mariotti noted that the provisions of the existing Guarantee Agreements for the previous loans already give a sufficiently broad coverage to the Corporation. He referred specifically to Provision 3.06 of the Guarantee Agreements which reads:

"The Guarantor covenants that it will not take or permit any of its political subdivisions or agencies to take any action which would prevent or interfere with the performance by the Borrower of its obligations contained in the Loan Agreement."

He added that summing up the pros and cons he would not be in favor of the Bank pressing the Peruvian Government too hard, especially if the preliminary contacts with the Government would show some rigidity by Government against entering into the proposed commitment.

As to the second question, Mariotti indicated that he thought the Ministers of Public Works or Finance would be the most suitable channels.

On June 16, Mr. Carnemark and I met Minister of Finance Mariategui and we mentioned to him the Bank's request. We added that we are aware of the difficulties which had arisen in the past in the case of the loans for San Lorenzo and the Port of Pisco, but that we were confident that, as these difficulties had been overcome, possibly similar difficulties might also be overcome in the case of Empresas. The Minister answered that he thought the Peruvian Government would be willing to undertake not to change the Law without consulting the Bank and that all that was going to be necessary was to phrase the commitment in a way which would be acceptable to the General Comptroller of the Republic.

June 27, 1966

After our return to Washington, I talked to Mr. Gibson of the Peruvian Embassy, who will be in charge of representing the Government in the forthcoming negotiations, and briefed him on this subject and on the conversation we had with Mariategui.

cc: Mr Piccagli
Knox
Fligler
Keltie

VMasoni:jd

BK Mr. L... ..

VAN 6/27

INCOMING CABLE

FE Lima Light

DATE AND TIME OF CABLE: JUNE 25, 1966
LOG NO.: TELEX - JUN 27
TO: INTBAFRAD
FROM: LIMA
TEXT:

ROUTING	
ACTION COPY:	MR. CHAUFOURNIER <i>[Signature]</i>
INFORMATION COPY:	MR. ALTER
DECODED BY:	<i>[Signature]</i>

FOR CHAUFOURNIER

ACKNOWLEDGE RECEIPT OF INVITATION FOR NEGOTIATIONS REGARDING
LOAN AGREEMENT FOR PROPOSED THIRD LOAN FOR THE COMPANY. MANUEL
UGARTECHE ASSISTED BY ALDO BOSSELLI WILL REPRESENT THE COMPANY
IN SAID NEGOTIATION AND IS EMPOWERED TO AGREE ON DRAFT OF LOAN
AGREEMENT AS WELL AS TO DISCUSS MATTERS MENTIONED ON YOUR CABLE.

June 17, 1966

WILL APPRECIATE RESERVATIONS FOR TWO HAY ADAMS HOTEL FROM JULY 5.

BEST REGARDS

MARIOTTI

LIMA LIGHT Loan

2 SWTB reserved as requested.

MT

Pern 3rd Power

INCOMING CABLE

DATE AND TIME
OF CABLE:

JUNE 25, 1966 12AM

LOG NO.:

TELEX - JUN 27

TO:

INTRAFRAD

FROM:

LIMA

ROUTING

ACTION COPY: **PROJECTS-PUBLIC UTILITIES**

INFORMATION
COPY: **PROJECTS-342**

DECODED BY:

TEXT:

FOR YOUR PROJECTS DEPARTMENT

**WE ARE GLAD TO INFORM YOU THAT THE EXCAVATION OF THE DISCHARGE
GALLERY OF THE ANTACOTO LAKE INTO THE MARGAPOMACocha LAKE HAS
BEEN SUCCESSFULLY COMPLETED TODAY THUS ENABLING TO USE HENCE-
FORTH THE ACCUMULATED WATERS OF THE ANTACOTO LAKE FOR HYDRO-
ELECTRIC GENERATION. BEST REGARDS**

ASOCIADAS

MT

Pe - 3-d Power

INCOMING CABLE

DATE AND TIME
OF CABLE:

JUNE 23, 1966 6:19 p.m.

LOG NO.:

TELEX - JUNE 24

TO:

INTBAFRAD

FROM:

LIMA

ROUTING

ACTION COPY: **MR. CHAUFOURNIER**

INFORMATION
COPY: **MR. ALTER**

DECODED BY:

TEXT:

L June 17

PARA EL SENOR CHAUFOURNIER
 CON REFERENCIA A SU TELEX DE 18 DEL A GUAL SOBRE
 LAS PROXIMAS NEGOCIACIONES DEL PRESTAMO A LAS
 EMPRESAS ELECTRICAS, INFORMOLE QUE MI DESPACHO
 HA DESIGNADO AL MINISTRO CONSEJERO EN WASHINGTON
 SENOR CARLOS GIBSON PARA QUE ASUMA LA REPRESENTACION
 DEL GOBIERNO PERUANO. SE HA INDICADO AL SENOR
 GIBSON QUE ESTABLEZCA CONTACTO CON USTED PARA EL
 MEJOR DESEMPEÑO DE SU GESTION.
 CORDIALES SALUDOS.

MARIATEGUI-MINISTRO DE HACIENDA Y COMERCIO.

JK

3rd Power Companies

OUTGOING WIRE

TO: MARIOTTI
ASOCIADAS
LIMA

DATE: JUNE 17, 1966

CLASS OF
SERVICE: IBF GOVT.

2 T T

COUNTRY: PERU

TEXT:
Cable No.:

PLEASED TO INVITE YOU TO SEND REPRESENTATIVES TO WASHINGTON TO NEGOTIATE
PROPOSED LOAN FOR EXPANSION EMPRESAS DISTRIBUTION AND TRANSMISSION
NETWORK STOP AMONG MATTERS TO BE DISCUSSED ARE ALPHA APPROPRIATE GUARANTEE
FROM PERUVIAN GOVERNMENT FOR WHICH INVITING GOVERNMENT REPRESENTATIVES
BETA PROCUREMENT PROCEDURE AND MARGIN OF PREFERENCE TO BE PERMITTED LOCAL
SUPPLIERS GAMMA RELATIONSHIP BETWEEN EMPRESAS AND HIDRANDINA DELTA
STRENGTHENING MIDDLE MANAGEMENT EPSILON FUNCTIONS AND SCOPE ATELSA
ZETA EMPRESAS FINANCIAL POLICIES AND EXPANSION PLANS STOP NEGOTIATORS
SHOULD HAVE AUTHORITY TO AGREE ON DRAFTS OF LOAN DOCUMENTS WHICH WOULD BE
PRESENTED TO YOU FOR FINAL APPROVAL BEFORE SUBMISSION TO BANK DIRECTORS STOP
READY TO START NEGOTIATIONS JULY SEVEN REGARDS

CHAUFOURNIER

act. June 25, 1966

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Roger Chaufournier, Deputy Director

DEPT. Western Hemisphere

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

Cleared with and cc: Messrs.

de Beaufort
Keltie
Fligler

ADKnox/mv

For Use by Archives Division

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: *[Signature]*

1966 JUN 17

1966 JUN 17

RECEIVED
COMMUNICATIONS
SECTION

1966 JUN 17

TO DIRECTOR OF COMMUNICATIONS SECTION
 FROM [Illegible]
 SUBJECT: [Illegible]
 [The following text is extremely faint and largely illegible, appearing to be a memorandum or report.]

[Illegible text]

[Three small circular marks]

Classified with and controlled by [Illegible]
 [Illegible]
 [Illegible]

JUN 17 5 54 PM 1966

COMMUNICATIONS
GENERAL FIVE

DISPATCH

12-1000

OUTGOING WIRE

TO: MINISTER MARIATEGUI
MINHACIENDA
LIMA

DATE: JUNE 17, 1966

CLASS OF SERVICE: IBF GOVT.

2 T T

COUNTRY: PERU

TEXT:
Cable No.:

PLEASED TO INVITE PERUVIAN GOVERNMENT TO SEND REPRESENTATIVES TO
WASHINGTON TO NEGOTIATE GUARANTEE AGREEMENT FOR PROPOSED LOAN TO EMPRESAS
ELECTRICAS ASOCIADAS FOR WHICH ALSO INVITING COMPANY REPRESENTATIVES STOP
AMONG MATTERS TO BE CONSIDERED WITH GOVERNMENT REPRESENTATIVES WILL BE
ALPHA APPROPRIATE MARGIN OF PREFERENCE FOR LOCAL SUPPLIERS BETA ASSURANCES
ON CHAPTER TEN OF ELECTRICITY LAW STOP NEGOTIATORS SHOULD HAVE AUTHORITY
TO AGREE ON DRAFT GUARANTEE AGREEMENT WHICH WILL BE PRESENTED TO GOVERNMENT
FOR FINAL APPROVAL BEFORE SUBMISSION TO BANK DIRECTORS STOP READY TO
START NEGOTIATIONS JULY SEVEN REGARDS

CHAUFOURNIER

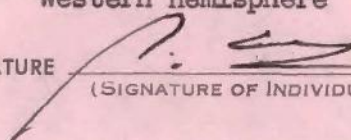
*Del
June 23*

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

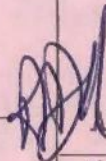
NAME Roger Chaufournier, Deputy Director

DEPT. Western Hemisphere

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

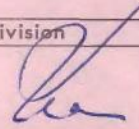
Cleared with and cc: Messrs.
de Beaufort
Keltie
Fligler

 DKnox/mv

For Use by Archives Division

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: 

1966

1966

1966

THE UNITED STATES OF AMERICA
 DEPARTMENT OF JUSTICE
 FEDERAL BUREAU OF INVESTIGATION
 WASHINGTON, D. C. 20535

1966

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DECLASSIFIED

Date: 8/9/2018

CONFIDENTIAL

SecM66-206

FROM: The Secretary

June 16, 1966

PERU

The Bank is planning to invite the Government and the Empresas Electricas Asociadas (Lima Light and Power Company) to send representatives to Washington to negotiate a proposed loan of about \$10 million to Empresas Electricas Asociadas.

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Deputy Executive Vice President, IFC
Department Heads (Bank and IFC)

Peru - 3rd Power
Empresas

Mr. John M. Malone, jr.

June 15, 1966

A. David Knox

PERU - Invitation to Negotiate Loan

Would you kindly arrange for the following notice to be distributed to the Executive Directors.

"It is proposed to send invitations to the Government of Peru and Empresas Electricas Asociadas (Lima Light) to negotiate a loan for Lima Light."

ADKnox/mv
ADK

OFFICE MEMORANDUM

TO: Mr. J. Burke Knapp (through Mr. R. Chafournier) DATE: June 14, 1966

FROM: A. David Knox

SUBJECT: PERU - Proposed Loan to Lima Light: Import Content of Locally Produced
Equipment

1. With reference to your question on the above, our information is that the import component of locally produced equipment is approximately 60 percent of total cost. With regard to transformers the percentage can vary depending upon the degree to which the manufacturer (Brown Boveri) considers it advantageous to produce components in Switzerland or in Peru.
2. In previous loans (260-PE and 365-PE) we required the borrower to procure on the basis of international competitive bidding, but agreed to finance an amount equivalent to the import component of domestically produced equipment. Our experience with this system was not entirely satisfactory. Lima Light tended to invite bids from too limited a range of suppliers and in this way appears to have favored local suppliers. As is pointed out in the Appraisal Report (para. 48), it should be possible to obtain more advantageous prices from broader competition. We, therefore, propose to be much stricter in the proposed new loan and insist on fully competitive bidding.
3. The present import duties on equipment produced in Peru are a mixture of specific and ad valorem rates; but the general level is of the order of 50 percent. It was therefore thought that strict insistence on international bidding without any preference for the domestic supplier would have heavy repercussions on the local industry. A 15 percent margin of preference was proposed to temper these effects.

Mr. Knox

June 14, 1966

Carol de Beaufort

PERU - Proposed Distribution Loan

During the Working Party meeting Mr. Sear and I pointed out that we were still trying to find out whether a part of the proposed loan would finance distribution works which after their completion would be transferred to the public domain. (See paragraphs 84 through 87 of TO-547).

Dr. Mariotti has now informed us that up to S/. 46 million (US\$1.7 million) of the proposed loan might be used to finance works which would be transferred to the public domain. In the light of the views expressed at the meeting I assume that this would be acceptable.

CdeB:af
IBRD

cc: Messrs. Keltie
Sear
Webb

OFFICE MEMORANDUM

hmm

TO: Mr. S. Noel McIvor

DATE: June 14, 1966

FROM: J. Hanns Pichler *JP*SUBJECT: Appraisal Report (no. TO-597, June 8, 1966) of the Distribution System Expansion Project of Empresas Electricas Asociadas - Lima Light and Power Company, Peru1. Background

This report is dealing with the second project under the approved^{1/} U.S. \$130 million lending program for Peru, 1966-67. It has been agreed upon in the Loan Committee that the loan for this project should be subject only to a satisfactory appraisal report.

The total cost of the project is estimated to be U.S. \$17.7 million of which the Bank should finance about \$10 million, i.e., 56.6 per cent. The Bank has made two previous loans to "Lima Light" (260-PE in 1960 and 365-PE in 1963). The project under the first loan has been completed; the implementation of the project financed by the second loan is about 90 per cent complete by now and the company's managerial as well as financial performance is reported to have been satisfactory to the Bank under both the previous loans. The proposed third loan to Lima Light should contribute to finance a project comprising the extension of the company's high voltage transmission lines and the expansion of its distribution system 1966 through 1968.

2. The Need

Lima Light's service area has been extended from 515 km² in 1962 to a total of 2850 km² in 1966 (already authorized by the Government), i.e., an expansion of more than five times within four years. The company's system demand has been growing at an average annual rate of 10 per cent in the past and this trend is expected at least to be sustained if not exceeded in the next few years. Based on these facts the report finds it "essential for the company to expand all its facilities continuously" (paragraph 5). Due to the company's past expansion program assisted by the previous Bank loans, a complementary expansion of the transmission and distribution system has become necessary in order to meet further demand.

3. Organizational and Financial Aspects

Lima Light's operations are subject to the Electricity Law of July 1955 and the company's present concession was granted by the Peruvian Government in 1956. The law provides for tariffs (regulated by the National Tariff Commission which is reported to act with a reasonable degree of independence) to ensure gross revenues covering all operation costs and--in the case of larger companies--yielding a return of 11.5 per cent on the invested capital. Lima Light's experience under this law has been satisfactory during the past ten years.

^{1/} Approval by the Loan Committee of January 17, 1966

Currently over 3000 Peruvian shareholders (the result of a gradual increase in Peruvian ownership over the last few years) own about 52 per cent of the stock, a Swiss holding group, which in effect still controls the company, owns about 38 per cent and 10 per cent is held by other shareholders outside Peru.

The company is well run by an experienced top management and has an adequately staffed operating section maintaining a good relationship with the authorities and the public. Some weakness and lack of experience, however, has been found on the middle management level, and the report therefore emphasizes the organization of a formal program to train middle level personnel "for future senior responsibility and to replace older staff who are approaching retirement" (paragraph 37). Attention should also be given to provide more possibilities to staff members for training abroad, thus broadening their experience.

The overall financial position of the company is considered to be sound and expected to remain so with a ratio of debt to total capitalization of around 56 per cent.

The financing plan for the project period (1966-68) can be considered as satisfactory with net earnings, customers' contributions and sales of shares amounting to a combined total of 54 per cent of the overall requirements, the remaining 46 per cent to be financed through borrowings (contributions, see paragraph 90). The report stresses in this context to obtain satisfactory assurance from the company that

- (a) the now outstanding two-year Notes totalling U.S. \$6 million would be funded in 1967 by a new issue of long-term debentures in the same amount (paragraph 91);
- (b) efforts will be made to raise annually S/. 40 million 1966 through 1968 by issuing new shares which would cover 9 per cent of the total financial requirements (paragraph 94).

The projected net income shows an increase by 24 per cent from 1966 to 1970 (Annex 8), based on an estimated increase in sales of 10 per cent p.a. and the approved 1966 level of tariffs. The total operating expenses are expected to increase by 60 per cent over the same period assuming that wages will rise by about 15 per cent p.a. (based on the experience of recent years) and expenses for most of the other items by about 10 per cent (except fuel, which was considered to remain unchanged due to the fact that most of the required energy will come from hydro power anyway).

4. Procurement

The Bank's more recently adopted policy of disbursing for the whole cost of locally purchased goods (provided competitive bidding being observed while allowing a 15 per cent premium to the local supplier) should also be applied to this project. This is an important change concerning the company's procurement procedures compared to the practice followed under the previous loans and should therefore be a point of particular attention during negotiations.

5. Conclusion:

The project is described in the report as being adequate to meet the forecast demand; the planning has been well organized and is based on realistic assumptions. Considering the company's satisfactory performance in the past and its generally sound financial position as well as further development prospects, it can be agreed to the report's recommendation of the project being suitable for a Bank loan of U.S. \$10 million subject to the provisions stated (paragraph 113) and with respect to the particular problems mentioned above. Special attention should further be paid to the clarification and re-examination of the relationship between Lima Light and "Hidrandina" (paragraphs 71 to 73 of the report and paragraph 113/viii).

I have no further comments.

Note: Two pages 13 have been included in this copy (no. 29) of the report.

ROUTING SLIP	Date
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NAME	ROOM NO.
------	----------

~~Mr. Knott~~

Mr. Steub: 235

Mr. Knott is on leave. I am

reified that he is familiar with

the points covered in these memos

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
and I have therefore crossed off his name. Please file
Please initial 2 memos
the attachments. *W*
Thank you

Sam Steub 235

OFFICE MEMORANDUM

TO: ~~Mr. Knox~~

DATE: June 14, 1966

FROM: Carel de Beaufort *CdB*SUBJECT: PERU - Proposed Distribution Loan

During the Working Party meeting Mr. Sear and I pointed out that we were still trying to find out whether a part of the proposed loan would finance distribution works which after their completion would be transferred to the public domain. (See paragraphs 84 through 87 of TO-547).

Dr. Mariotti has now informed us that up to S/. 46 million (US\$1.7 million) of the proposed loan might be used to finance works which would be transferred to the public domain. In the light of the views expressed at the meeting I assume that this would be acceptable.

CdeB:af
IBRD

cc: Messrs. Keltie
Sear
Webb

PE - Empresas
M. Steward
CONFIDENTIAL

LOAN COMMITTEE

John Evans
424

DECLASSIFIED

Date: 8/9/2018

June 9, 1966

MEMORANDUM TO THE LOAN COMMITTEE

Peru - Third Power Loan

1. The Committee is requested to consider, without meeting, the attached memorandum of June 9, 1966 from the Western Hemisphere Department, entitled "Peru - Third Power Loan" (LC/O/66-44).
2. Comments, if any, should be sent to reach Mr. Knox (ext. 2483) by 3:00 p.m. on Tuesday, June 14.
3. It is planned then, if the Committee approves, to inform the Government that the Bank is prepared to begin negotiations for the proposed loan.

John M. Malone
Secretary
Loan Committee

DISTRIBUTION:

CHAIRMAN
 DIRECTORS OF AREA DEPARTMENTS
 DIRECTOR, PROJECTS DEPARTMENT
 GENERAL COUNSEL
 DIRECTOR, ECONOMICS DEPARTMENT
 TREASURER
 DIRECTOR, DEVELOPMENT SERVICES
 DEPARTMENT

Copies for Information to:

President
 Vice President
 Economic Adviser to the President
 Secretary
 Director of Information
 Director, Economic Development Institute
 Director, European Office
 Special Advisers to the President
 Special Representative for UN Organizations
 Executive Vice President (IFC)

CONFIDENTIAL

LC/O/66-44

June 9, 1966

LOAN COMMITTEE

Memorandum from Western Hemisphere Department

PERU - Third Power Loan

1. On January 17, 1966, the Loan Committee approved a 1966-67 lending program for Peru of \$130 million. It was further agreed that loans for the three projects proposed for 1966 should be subject only to satisfactory appraisal reports, except for the education project which was conditional upon satisfactory budget performance. The first loan, \$9.1 million for the Port of Pisco, was signed on May 13. The second project in the 1966 program, the construction of transmission and distribution facilities by Empresas Electricas Asociadas (Lima Light), has been appraised and the Appraisal Report is attached (TO 547 dated June 8, 1966).
2. The new facilities are required to complement recent increases in generating plant and some further such increases now being planned. The total cost of the project is estimated to be \$17.7 million. The proposed loan is for \$10 million and would cover the foreign exchange costs and a small amount for locally manufactured equipment, notably transformers for low voltage cable and meter boxes. In the two previous loans the Bank agreed to finance the import component of these items. It is proposed in this loan to finance the full cost of domestically produced equipment, probably representing about 15 percent of the loan, provided that orders are placed after international competitive bidding in which the local supplier is permitted a preference margin of 15 percent. Construction should be completed by the end of 1968.
3. The borrower, Empresas Electricas, is well known to the Bank, having received two previous loans: 260 PE of 1960 for \$24 million and 365 PE of 1963 for \$15 million. The borrower's record is good and experience with the two projects has been satisfactory. The Peruvian Government is willing to guarantee the proposed loan.
4. The larger area being served and the steadily increasing demand for power justify the project. The borrower's financial position is sound; but we propose during negotiations to seek further clarification of the relationship between the borrower and its associated company, Hidrandina.

The need for such clarification arises from the fact that Hidrandina has hitherto supplied power solely to Empresas Electricas but is now constructing a plant which will supply power to other users. In addition Hidrandina's financial plan seems less than satisfactory (see Appraisal Report, paragraphs 71 - 73).

5. The borrower's senior management is good, but there appears to be some weakness at the middle level. The borrower is working on plans to deal with this and we shall seek more details during negotiations and ask for the use of consultants.

Recommendation

6. I recommend that we invite representatives of the Company and of the Peruvian Government to negotiate a loan of \$10 million to Empresas Electricas Asociadas on the terms and conditions stated in the attached Appraisal Report. The loan would be for 20 years, including a grace period of 2½ years and would be guaranteed by the Government of Peru.

Roger Chaufournier
Deputy Director

Peru - Power Archives

CONFIDENTIAL

231

LOAN COMMITTEE

DECLASSIFIED

June 9, 1966

Date: 8/9/2018

MEMORANDUM TO THE LOAN COMMITTEE

Peru - Third Power Loan

1. The Committee is requested to consider, without meeting, the attached memorandum of June 9, 1966 from the Western Hemisphere Department, entitled "Peru - Third Power Loan" (LC/O/66-44).
2. Comments, if any, should be sent to reach Mr. Knox (ext. 2483) by 3:00 p.m. on Tuesday, June 14.
3. It is planned then, if the Committee approves, to inform the Government that the Bank is prepared to begin negotiations for the proposed loan.

John M. Malone
Secretary
Loan Committee

DISTRIBUTION:

CHAIRMAN
DIRECTORS OF AREA DEPARTMENTS
DIRECTOR, PROJECTS DEPARTMENT
GENERAL COUNSEL
DIRECTOR, ECONOMICS DEPARTMENT
TREASURER
DIRECTOR, DEVELOPMENT SERVICES DEPARTMENT

Copies for information to:

President
Vice President
Economic Adviser to the President
Secretary
Director of Information
Director, Economic Development Institute
Director, European Office
Special Advisers to the President
Special Representative for UN Organizations
Executive Vice President (IFC)

CONFIDENTIAL

LC/O/66-44

June 9, 1966

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Roger Chaufournier
Deputy Director

PE - Bowen
Expanded.

X PE-365

May 27, 1966

Dr. C. Mariotti
Empresas Electricas Asociadas
Casilla 1384
Lima, Peru

Proposed Distribution Loan

Dear Dr. Mariotti:

We received your letters of May 18 and 21, 1966 and thank you for the replies to our questions.

As regards the power contract between Express and Hidrandina we propose that a revision be postponed until we have had an opportunity to exchange views with you about the whole relationship between the two companies. Such a discussion is being planned to take place during the forthcoming negotiations.

The remarks made in your letter of May 21 do not quite answer our specific question. We would like to know whether any of the material or equipment to be purchased under the proposed new loan would form part of the property in the public domain. When Mr. Sear asked this question in Lima he was told that the Bank's funds would only be used for the purchase of goods which would remain the property of Lima Light. If this is not the case we would like to know what items and amounts in the estimate for the proposed loan prepared by Mr. Castelli would be affected.

Very truly yours,

J.C. Athgow
Chief, Power Section II
Projects Department - Public Utilities

CdeBeaufort/RVSeaf
IBRD

Cleared with and copy to Mr. Webb

Form No. 75
(2-60)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL DEVELOPMENT
ASSOCIATION

ROUTING SLIP

Date

May 24/66

NAME

ROOM NO.

~~Mr. Lithgow~~

~~Mr. Seast~~ D4

Mr. de Beaufort

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

LIMA
LIGHT
AND
POWER
COMPANY

EMPRESAS ELECTRICAS ASOCIADAS

GERENCIA GENERAL VERACRUZ 261 LIMA - PERU
TELEFONO 76 200
CASILLA 1384
CABLES: ASOCIADAS
TELEX: LIGHT 3540067

Lima, Mai 21, 1966

International Bank for Re-
construction and Development
1818 H Street, N.W.
WASHINGTON, D.C. 20433

Projects Dept. Correspondence
ANS'D BY C. de Beaufort
DATE 5/27/66

Attn. Mr. C. de Beaufort

Gentlemen:

With reference to your letter dated May 17, we would like to express our views in relation with the proposed I. B. R. D. loan and their reflections on the economy of our Company.

Although the proposed loan is liable to extend up to the year 1968, as a matter of fact, it only covers the years 1966 and 1967 for a total investment of S/478 million in the Distribution system. Of such amount, the Bank would finance about S/ 262 million (without interest) - a little more than 50 % - whereas our Company trusts to receive in the same period about S/ 177 million from its customers. It would then appear that our own contribution program only reach S/ 39 million.

Now, some important considerations have to be made and taken into account for a correct evaluation of our position. As indicated in our Cash Flow of April 4, 1966, our Company has yet to complete the financing of Huinco II and Marca II for an amount estimated in S/ 208 million, to which must be added the S/ 39 million above mentioned. It will then be agreed that it is quite a financial effort that is still required from our Company, especially when we have just finished to carry the weight of the major cost Huinco I.

On the other hand, the Third Parties Account is showing a balance in our favour of approximately S/ 40 million at the end of December, 1965, (see the annexed photocopy of the Account statement) which proves that we have made more investments than we received. Therefore, from the S/ 177 million of expected receipts for the next two years, we shall have to reimburse ourselves with such amount due to us.

./.

act. May 27, 1966

Adding up these S/ 40 million to the amounts already mentioned of 208 and 39 million, we reach a total contribution for Lima Light of 287 million. The corresponding participation ratios would then be as follows:

World Bank: 262 - 48

Lima Light: 287 - 52

The above ratios would even move more towards the borrower side if we take into account the receipts from our customers which also represent a national contribution.

World Bank: 262 - 38

Lima Light: 424 - 62

not counting that, very presumably, the Government will request us to contribute more and more to the electrification of new suburban sectors of Lima and other towns to the north and south of the Capital.

Another final consideration is arising from the experience of Huinco I. The construction costs having the tendency to increase, our Company will necessarily have to face such major costs, remaining evidently steady the Bank contribution.

For all the above mentioned considerations, we are of the opinion that the financial participation of the Company is quite substantial perhaps not so much with respect to the project under examination as to the whole construction picture, which is the one that really counts.

In relation to the query contained in the last paragraph of your letter we would like to emphasize that any excess which might arise as an eventual difference between the contributions from our customers and the cost of installations, is by no means, to be considered either as a profit or a compensation for operation expenses but has the exclusive destination of being invested in the expansion of the Distribution System.

While we remain at your disposal for any additional information you may require on the subject, we are,

Yours ever,

Encl:



EMPRESAS ELECTRICAS ASOCIADAS

FONDO DE TERCEROS

Balance al 31 de Diciembre de 1965

CONCEPTO	DEBE	HABER
Líneas aéreas de 2300 V.	4'979,673.43	
Líneas aéreas de Baja Tensión	4'416,161.56	
Líneas aéreas A. P.	1'863,399.05	
Cables de A. T.	123,067.14	
Cables de B. T.	298'489,066.22	
Cables de A. P.	81'734,673.49	
Equipos Cabinas	203,180.70	
Equipos y aparatos controlados por Kardex	2'225,270.00	
Sistema de Entrega y Medición	325'745,226.00	
Artefactos de A. P.	129'045,392.29	
Obras en curso	22'750,318.84	
Deudores por conexiones	6'161,277.66	
Egresos Varios	2'458,415.21	
Retiro de Instalaciones	14'134,800.29	
Urbanizaciones		259'528,980.98
Conexiones de rutina		220'755,840.66
Instalaciones por aumento de carga		99'727,132.65
Instalaciones de A. P.		19'278,168.46
Otras instalaciones		26'201,194.12
Valor residual instalaciones retiradas		506,608.70
Fondo de Depreciación		227'771,878.20
		<hr/>
	894'329,921.88	853'769,803.77
SALDO		40'560,118.11
		<hr/>
	894'329,921.88	894'329,921.88
		<hr/> <hr/>

May 17, 1966

Dr. C. Mariotti
Empresas Electricas Asociadas
Casilla 1384
Lima, Peru

Dear Dr. Mariotti:

According to the statements on the distribution program which were recently mailed to us, the total cost of the project proposed to the Bank would be S/ 478 million. If this amount is fitted into the projections made for 1966, 1967 and 1968 it appears that the amount of distribution in addition to the proposed project would be S/ 172 million. On the other hand customers' contributions during the period would total S/ 322 million.

These figures might lead to the conclusion that part of the Bank project would be financed by customers' contributions. In that case we should know how much of the assets would be transferred to the public domain. On the other hand if the project does not contain parts which would be financed by customers' contributions it would seem that these contributions would be greatly in excess of the cost of the installations to the Company. We should then know how this profit will be entered into the books of the Company.

Looking forward to an explanation of this matter,

Sincerely yours,

Carel de Beaufort
Projects Department - Public Utilities

CdeBeaufort:af
IBRD

LIMA
LIGHT
AND
POWER
COMPANY

EMPRESAS ELECTRICAS ASOCIADAS

PEI - Power Expans

GERENCIA GENERAL VERACRUZ 261 LIMA - PERU
C. Mariotti TELEFONO 76 200
CASILLA 1384
CABLES: ASOCIADAS
TELEX: LIGHT 3540057

Lima, May 18, 1966

Mr. Carel de Beaufort
Projects Department
Public Utilities
International Bank for Re-
construction and Development
1818 H Street, N.W.
WASHINGTON, D.C. 20433

Dear Mr. de Beaufort,

filed PEI 365

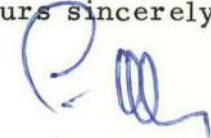
I acknowledge with thanks your letter of May 13, 1966 inquiring about the possible existence of revisions made since 1956 of the Power Agreement between Empresas and Hidrandina.

It is exact that this contract, in its wording, seems to apply only to Moyopampa. However, I have to inform you that since 1956 no revisions nor additional contracts between Empresas and Hidrandina have entered. That means that when Huampani was constructed the arrangement was based on the existing contract, dated February 7, 1956 without any alterations. After the putting into force of the Electrical Industry Law in 1956, this law formed in itself automatically the basis for any such internal contract.

Nevertheless, upon your enquiry we have decided to arrange for an actualization of that contract. We will put the subject to the discussion of the next Board of Directors meetings of both Companies with the purpose of working out a formal adjustment. As soon as the exact wording is available, we will not fail to let you have copy thereof.

Hoping that this information may be of some help to you, I remain, dear Mr. de Beaufort, with my best personal regards,

Yours sincerely,



Carlos Mariotti

ts/fr

acknowledged
5/25/66
CdeB.

ack. May 27, 1966

CROSS REFERENCE SHEET

COMMUNICATION: Memo

DATED: May 10, 1966

TO: Files

FROM: Mr. Wenzell

FILED UNDER: PE 365

SUMMARY: Extract:
Lima Light and Power Company

1. "During the recent visit of Messrs de Beaufort and Sear in Lima to discuss a proposed new loan to Lima Light and Power Company, the subject of its affiliate, Hidrandina, came up in an apparently minor way. the management of Lima Light asked the Bank to write a letter acknowledging that as of December 31, 1965, the obligation of Hidrandina to make available its "excess funds" to Lima Light has, by its terms, ceased."

4. It seems a proper time to reexamine the subject of Hidrandina and its relationship to Lima Light."

Then Mr. Wenzell goes into a lengthy discussion of the two companies. The memo is 3 pages long.

PE Power Expans.

INCOMING CABLE

DATE AND TIME
OF CABLE:

APRIL 26, 1966

1220

LOG NO.:

TELEX - APR 26

TO:

INTBAFRAD

FROM:

LIMA

ROUTING	
ACTION COPY:	PROJECTS-PUBLIC UTILITIES
INFORMATION COPY:	PROJECTS-342
DECODED BY:	

TEXT:

FOR MR. LITHGOW

YOUR CABLE APRIL 21

FINAL DECISION ON DATE, SIZE AND TERMS FOR A POSSIBLE CONCENTRATION OF OUR ADMINISTRATIVE AND TECHNICAL OPERATIONS AT OUR CHACRA RIOS PROPERTY WILL BE TAKEN ONLY DURING THE SECOND SEMESTER OF THIS YEAR. FOR SUCH A MOVE WE ARE CONSIDERING A 10 YEAR PLAN, STARTING WITH THE TRANSFER OF OUR WORKSHOPS AND WAREHOUSES DURING THE 1967/68 PERIOD. WE ESTIMATE THE COST FOR THIS FIRST STAGE TO BE OF SOLES 25 MILLION. THIS INVESTMENT COULD BE FINANCED BY THE PROCEEDS FROM THE SALE OF OUR VALUABLE REAL ESTATE ADJOINING AVENIDA BENAVIDES. REGARDS

MARIOTTI/LIMA LIGHT

FCA

PE - Power Expans.

Form No. 27
(7-61)
INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: Mariotti
Lima

DATE: April 21, 1966

CLASS OF SERVICE: IBF Int.

14+

COUNTRY: PERU

TEXT:
Cable No.:

PLEASE CABLE ESTIMATED TOTAL COST AND PROPOSED ANNUAL INVESTMENT IN
NUEVO CENTRO AT CHACRA RIOS

LITHGOW

ack. April 26, 1966

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME John C. Lithgow
DEPT. Projects - Public Utilities

SIGNATURE [Signature]
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

PH
RVSear:mr

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. de Beaufort
Div. Files

For Use by Archives Division

Checked for Dispatch: [Signature]

187 201

44

APR 21 2 37 PM 1966

GENERAL FILES COMMUNICATIONS

DISPATCHED

APR 21 2 10 PM 1966

GENERAL FILES COMMUNICATIONS

RECEIVED

CROSS REFERENCE SHEET

COMMUNICATION: Cable (Outgoing)

DATED: ~~04666465~~ April 18, 1966

TO: Mr. Sapir
Bolivar Hotel
Lima
Peru

FROM: Mr. Piccagli

FILED UNDER: PE-365

SUMMARY: "2
SEAR REPORTS HE HAS OBTAINED ALL USEFUL INFORMATION AVAILABLE
POWER SECTOR THIS TIME AND FEELS NO USEFUL PURPOSE SERVED BY YOUR
FURTHER SEARCHING THIS AREA
PICCAGLI"

ROUTING SLIP

Date

Mar 8/66

NAME

ROOM NO.

Mr. Blithgaw

DW File

Mr. Rowland

~~Mr. Scott~~

300
M.R.

→ ~~See file drawer~~

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

The attachments give the impression that planning has been done for the sub-transmission, but there is no indication as far as 10 KV is concerned

From

LIMA
LIGHT
AND
POWER
COMPANY

GERENCIA GENERAL VERACRUZ 261 LIMA - PERU
TELEFONO 76 200
CASILLA 1384
CABLES: ASOCIADAS
TELEX: LIGHT 3540057

REGISTERED
MAIL NUMBER

250091

PE-464

EMPRESAS ELECTRICAS ASOCIADAS

Lima, March 5, 1966

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

Attention: Projects Department

Gentlemen:

Our loan application of November 20, 1965

We herewith confirm our yesterday's telex reading as follows:

"We are pleased to inform you that our preparations for the reception of the appraisal mission for the expansion of our distribution system have been concluded and we are looking forward to its arrival on Monday, March 14. . Hotel reservation has been made according to your wishes. A complete financial and technical documentation will be available and part thereof sent to you tomorrow."

In accordance with the wishes expressed by Mr. Mario Piccagli during the conversations held with our General Manager, Dr. Carlos Mariotti, on his recent visit to the Bank, we have pleasure in enclosing a brief description of the motivation of the bi-annual program for the expansion of our Company's distribution system which should be considered as an explanatory introduction to our loan application dated November 20, 1965.

Complying with Mr. Carel de Beaufort's request we are also enclosing the following financial documentation which we hope will be of help to you:

- Balance Sheet as of December 31, 1965, approved by our Board of Directors on March 3, 1966.
- Statement of Income for the year ended December 31, 1965.
- Statement of Capital, Reserves and Retained Earnings for the year ended December 31, 1964.

Projects Dept. Correspondence

ANS'D BY Not necessary

DATE 23 May 66

(Mission started Lima after receiving the letter PM)

./.

- Statement of Long -Term Debt with maturities in 1966 and 1967.
- Copy of Agreement regarding the issue of Debenture Notes.

Presentation of the first three documents follows that used by our auditors Messrs. Price Waterhouse Peat & Co. in prior years.

A breakdown of current liabilities is shown on the balance sheet.

As we have not applied any important changes to the Projections for Income Statements and for Sources and Applications of Funds for the years 1966 and 1967, we would ask you to use those submitted to you previously. As to the Projections for the years 1968, 1969 and 1970, these are being finalized and will be available to you in Lima at the end of next week.

Our Board of Directors has learned with full satisfaction of the Bank's decision to send an appraisal mission to Lima and we wish to thank you very much for this new testimony of your concern with the problems of satisfactory power supply in developing countries. We will be pleased to discuss with its members all the details of the proposed loan and to give them any possible assistance in this connection. Respective reservations for hotel accommodation have been made as per the enclosed list.

Thanking you again for your kind attention, we meanwhile remain,

Very truly yours,


Carlos Mariotti

Enclosures

rm/fr

PROGRAM FOR THE EXPANSION OF THE DISTRIBUTION SYSTEM OF
LIMA LIGHT & POWER COMPANY.

The results of the operations during the last 20 years show that the trend of the increase of power demand in the area of Lima is of about 10 % per year. On the other hand, the Electric Industry Law states that the public utility concessionaries must be able to satisfy an increase of the demand at the rate of 10 % yearly.

The Huinco Power Plant which was put in operation in November 1964 and will be completed in July 1966, will enable the Company to satisfy the above mentioned rate of increase until 1969. In order to ensure the power supply after that year, the Matucana power plant has been planned with an installed capacity of ~~kW~~ 100, 000 supply being secured until 1972.

Before the Huinco Power Plant went in operation the power generated by the existing hydroplants, i. e. Moyopampa, Callahuanca and Huampani, totalling 160 MW, was transmitted to Lima by a system of high voltage lines at 60 and 30 kV which feeded 4 main transforming stations namely: Barsi, Mirones, Santa Rosa and Balnearios. In these transforming stations the power was transformed to 10 kV for the distribution by the primary cable network. The power of the nearby thermal plant was also fed in the 10 kV busbars of the Santa Rosa transforming station.

Obviously with the increase of the generation power by 240 MW which arrives through a 220 kV transmission line to a new main transforming station 220/60 kV located in the neighbourhood of Sta. Rosa, a new shape of the 60 kV feeding system was necessary in order to distribute this additional power to the consuming area.

It is also a fact that the increase of the power demand of the greater Lima is only partly due to the vegetative increase, but mainly to the quick urbanistic and industrial expansion of the city. Besides, suburban areas and especially the ones located on the coastal zone in the north and the south of the city, which until now lack in efficient and continuous public service of electricity, started since some years an action in order to be included in the Lima distributing system action which was backed and reinforced by the authorities, thus compelling our Company to satisfy this request. Owing to these circumstances, the extension of our concession area which amounted to 515 square km in 1962, increased to the present area of 1325 square km.

./.

As principal element of the new resettlement in order to attend this expansion, the establishment of a collecting line at 220 kV at the periphery of the city has been planned, which will connect in the future, in the northern zone, the new Chavarria transforming station and the Barsi one with the Santa Rosa transforming station. In the south, it will feed a new transforming station, San Juan, on the Panamerican highway. Eventually, in the future, this line will be closed as ringlike, with a coastal branch which, starting at Barsi will connect the present Pershing transforming station, duly modified and enlarged, to reach the San Juan transforming station. This collecting ring line is presently fed in Santa Rosa by the transmission line which carries the Huinco power and later the Matucana one.

In the future, the interconnection lines will start in Chavarria for the production and consumption centers of northern Peru and in San Juan for the generation and consumption centers of the southern and central areas of Peru.

From the above mentioned main transforming stations of Barsi, Chavarria, Santa Rosa and San Juan, the 60 kV feeders will lead to the 60/10 kV transforming stations conveniently located on the consumption area.

This resettlement has the advantage to reduce the short circuit power of the system and will permit to keep independent the different sectors of the city, avoiding general black-outs.

In this respect, we should also mention that the expansion program includes a change in the system of the 60 kV transmission lines which carry the energy produced by the hydroplants of Callahuanca and Moyopampa. The connection of the line from Callahuanca will be maintained in the Santa Rosa transforming station as heretofore. Meanwhile, the power coming from the Moyopampa plant, which at present is fed at even parts to the transforming stations of Barsi and Balnearios, that is, in two diametrical points of the network, will be concentrated in the Balnearios station only.

The first step to the realization of this program was the construction of the Chavarria transforming station which, during its first stage, will have a capacity of 166 MVA, 220/60 kV, and of the 220 kV connection link to the transforming station of Santa Rosa. Both items are at present under construction and have been included in the financing of Huinco II (Loan PE 365). The further expansion of the 220 kV collecting system will be reserved for the future.

./.

The second part of the expansion program and certainly the most important consists of the reinforcement of the already existing 60 kV feeders, the enlargement of the existing 60/10 kV transforming stations and the construction of new ones. These works are specified under paragraphs "B" and "C" of Annex 1 to the document entitled "Distribution System - Program 1966-1967", of November 1965.

In the above mentioned program, it may be observed that preference was given to overhead lines at 60 kV because of economical advantages, reserving the underground cables only stretches where city development make it necessary.

In the mentioned program it is foreseen that 60 kV overhead lines will feed the southern coastal zones up to a distance of 70 km and the northern ones up to an extension of 58 km.

There are also included some stretches of transmission lines, planned for a tension of 220 kV but which will be fed firstly with 60 kV until the already reserved place of the San Juan transforming station, from where in the future the 220 kV lines will start to the south.

The 60 kV feeders reach each 60/10 kV transforming station located in the consumption zone. Some of them, i. c. Barsi, Mirones, Pershing, Tacna and Balnearios already exist and must be enlarged to get more transforming capacity. Others like Oquendo and Puente are recent provisional constructions due to the urgent need of new industries and will have to be completed later.

The Galvez transforming station is now being constructed and will replace a switching center at 10 kV whose feeding is insufficient to meet the demand. The substations Santa Marina at Callao, of San Isidro and Miraflores will have the same purposes.

However the following transforming stations already planned correspond to new expansions: Corpac, Collique, Ancen, Chancay, Ventanilla, Vitarte, Nafia, Barranco, San Juan, Ciudad de Dios, Atocongo, Lurin and Mala.

For the primary net of 10 kV and the secondary of 220 V there has been planned for the period 1966-67 the installation of 96000 meters of 10 kV cable and 150'000 meters of 220 V cables, whereby the distribution by overhead lines is quite reduced. This is due to the rules in force in the city of Lima, which demand the use of underground cables.

The program also plans the construction, during the same time, of 85 new substations of 10 kV/220 V for an average transforming capacity of 550 kVA each.

./.

Finally the extension of the communication system and the construction of a load dispatching center constitute an important item of the expansion program.

Obviously, the operation of a system which will include five hydroelectric plants, one thermal plant, more than ten main 220/60 kV and 60/10 kV transforming stations and interconnecting branches with other groups of plants require an efficient communication system in order to ensure the necessary connections between all these centers.

For the power plants (including Huinco), a Carrier system on the transmission lines was adopted and installed; but it should be duplicated by a short wave VHF radio system in order to include also the main transforming stations and the control centers of the water flow in the accumulating basins in the mountains. The present system is obsolete and inefficient.

At the same time, a load dispatching center in Lima should be installed, permitting the control of the power plants and of the water flow. Presently, this control is made through telephone communications, thus being impossible a simultaneous check up of the load distribution in the plants. This situation might affect the safety of the operation in case of emergency.

Consequently, the dispatching center should include the telemetering of the electrical and hydraulical values of each power plant and of each transforming station. This would allow to have a constant survey of the generation and distribution of active and reactive power and to forecast the necessities of water at any time.

A first step towards this program was made with the telemeasuring device installed at the Huinco power plant, which characteristical data are transmitted to the Santa Rosa receiving station through the Carrier communication system. This device should, however, be extended to the other plants.

Later, it is foreseen that the dispatching center can be enlarged with the teleoperation of the switches, thus improving the efficiency of service and reducing manpower.

March, 5, 1966
GW/fr

Power Empresas Asociadas

January 7, 1966

Dear Mr Minister:

I wish to acknowledge receipt of your letter of December 26, 1965 addressed to Mr Chaufournier regarding the loan application of Empresas Electricas Asociadas. We have noted the contents of your letter and appreciate the willingness of the Peruvian Government to guarantee a loan from the International Bank for Reconstruction and Development to Empresas Electricas Asociadas should one be negotiated.

May I say that we should also be grateful to know your Government's decision on the increase in rates for which Empresas Electricas have applied. Once we know this we shall be able to decide on our appraisal of this project.

With kind regards,

Sincerely yours,

A. David Knox
Western Hemisphere Department

Sr Sandro Mariategui
Ministro de Hacienda y Comercio
Av Abancay
Lima, Peru

cc: Messrs Webb
Keltie
Cleared with and cc to: Mr Sear

VMasoni:jd

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January 7, 1966

Dear Mr. Minister:

I wish to acknowledge receipt of your letter of December 20, 1965 addressed to Mr. Chantourier regarding the loan application of Empresa Electrica Asociada. We have noted the contents of your letter and appreciate the willingness of the Peruvian Government to guarantee a loan from the International Bank for Reconstruction and Development to Empresa Electrica Asociada should one be negotiated.

May I say that we should also be grateful to know your Government's decision on the increase in rates for which Empresa Electrica Asociada have applied. Once we know this we shall be able to decide on our approval of this project.

With kind regards,

Sincerely yours,

A. David Knox
Western Hemisphere Department

Dr. Sandro Maristany
Ministro de Hacienda y Comercio
Av. Abancay
Lima, Peru

cc: Messrs Webb
Keltie
Cleared with and cc to: Mr. Bear

WMA:jd

1966 JAN 10 PM 2:08

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