

June 9,

QUESTIONS FOR ENRON POWER DEVELOPMENT CORP.'S RICHARD A. LAMMERS:

Questions relating to the EPDC's preliminary draft of the Descriptive Memorandum for the Puerto Quetzal project:

1. What is the date for the commencement of commercial operations (is it 12/1/92, or some other date)? pg 2 *tested Nov 15*

2. If 92% of Empresa is owned by INDE, who owns the other 8%? pg 4  
*private local investors - privately held.  
Broken down between 12 individuals*

How exactly does Empresa fit in with INDE? Empresa is servicing approximately 70% of the electricity consumers in Guatemala. Does INDE provide the electricity to Empresa to provide to the consumers, or what?

pg 4 *Empresa buys 50% of power from INDE, and produces the other 50%. Will receive most of its own production when plant comes on line*

Is Sun King to receive 6% of gross net revenues from the project? pg 6

5. Page 12 mentions OPIC in an improper manner.

6. Page 13 mentions an environmental assessment. Please provide this assessment, along with all other environmental studies in Enron's possession for our analysis of project. ✓

7. The project will lease land and dock space from the Port Authority. Who owns and runs the Port Authority (Guatemalan gov't, local gov't, private entity, etc.)? pg 15  
*thinks it's local. No*  
*Guatemala 6 vermes*  
*is Port Author ✓*

5. Page 4, question 12: These amounts need to be discussed and clarified.

6. Page 4, question 13: This amount needs to equal (\$91.4 million or some other number). Are these numbers correct?

*Leidland*

*Barges 2/3 267 million*

*fabrication at only*

*tanks 1/2 13.5 million 12 million - soft costs*

7. Page 5, question 14: Are these numbers part of initial procurement, annual procurement, or what?

*22 million on fuel > per year at 85% capacity*

*26 million per year*

8. Page 5, question 22: Which numbers are the most likely ones to be correct?

*use pro-forma as guide*

9. Page 6, question 23: Will host government taxes be the same regardless of how much electricity is sold and regardless of Electricidad Enron de Guatemala's profits?

*miss*

*tax = income 7.5%  
pro-forma*

*approximately 1.3 million tax & is there any matter what. fuel oil duty was eliminated. Not signed president yet. local duties*

10. Page 6, question 24: Are there any taxes on the import of electricity from a private supplier into the system? What does the answer mean?

*May be eliminated*

11. Page 7, question 32: This answer needs clarification.

12. On page 4, question 13, subsequent operational procurement from the U.S. is listed as \$25 million, while on page 5, question 14 lists U.S. procurement as \$26 million. If these are related, why the discrepancy?

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8. Language must be changed on page 17 to remove statement that "OPIC will insure the Project against political violence and expropriation".

9. What does it mean on page 19 when it says "INDE has given its assurances in writing to overwatch EMPRESA's performance..." What responsibility does INDE actually have?

*could not get gov't guarantee, so this is the place of a government guarantee.*

10. Page 36 states that a drawing is attached that shows the locations of the various components of the Project. We would like a copy of the drawing (which was not included in paper).

*Will send*

11. What is the status of the Port Permits, as discussed on page 37?

*May not be required till start of operation*

12. Page 41 states that Empresa is obligated to purchase 50% of the project's output. If Empresa is only purchasing 50% of the project's output, can EEG sell its additional electricity to other entities? What is EEG's break-even point relating to the amount of power that Empresa is purchasing? Can EEG make all of its debt payments if Empresa only purchases 50% capacity?

*Empresa owns sole line power  
100% of capacity payments  
50% of energy payments*

*still acceptable return  
in contract before it was purch*

13. Page 45 mentions dispute resolution using the Private Equity Arbitrators in Guatemala. What does Enron know about the arbitration group?

*Sun Key owning 6% of project (in the form of 6% of gross revenues)  
They are local Guatemalans with a stake in project.*

14. Page 66 discusses price increases in energy costs for consumers. How much of a rise in energy costs (if any) has taken place since the 4% price increase of August 1, 1991? How much is electricity currently subsidized?

*Possible May The rate that Empresa sells to its customers is set by Empresa Board of Directors, & president sits on the B of Dir. 1 in price set on increasing rates*

*increased from 6 cents to 8 cents currently.*

*EEG will sell at 6 cents per kWh  
5.92 cents.*

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15 Aside from the transmission line to connect EEG with the Guatemalan energy transmission line network, are there any other improvements or additions necessary for the integration? pg 67

No

16. Page 91 lists two plants being taken off line in December of 1992, and one plant being taken off line in January of 1993. Are any of these plant closings as a result of the EEG Puerto Quetzal plant coming on line in December of 1992?

*Should be neutral or concerns # of employment  
10% loan growth already in 1992.  
Already talking about another 100 MW*

17. Page 4 of the Electricity Market Background Report discusses World Bank recommendations for how the Guatemalan energy sector should be developed. Would it be possible to get a copy of this world bank report?

Questions from Enron's Formal Application:

1. Page 2, question 6: Equity is listed as \$11.34 million for Enron and \$11.34 million for one other entity. Who is the other entity going to be? Is the \$11.34 million figure correct? Should the \$72.55 million debt figure be lowered by \$4.5 million as it will no longer include the transmission line cost?  $\$11.34 + \$11.34 + 68.05 = \$90.73$ . Is this the proper total project cost, or is it \$91.4 million? If the later, where is the difference?

*Equity cover for \$22.68 million*

*11.45 Equity rather than 11.34.*

2. Page 2, question 6G mentions possible financing from host country sources. Is this still a possibility?

*Not very likely, but possible  
US banks - Guatemala C.F.I.C.  
Cher BOPB.*

3. Page 3, question 7A needs review and clarification.

4. Page 3, question 8: Should ~~this be~~ deleted in its entirety?

*to be deleted  
as per said*

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Additional Questions:

1. Can EEG sell to purchasers other than Empresa?

2. Tell us more about the King Ranch

3. Will EEG burn 1% sulfur fuel, or 3% sulfur fuel? 25% difference in price

4. What kind of security measures will be taken at the project? *Depends on permit requirements, Has high (100 ft.) stacks*

5. What's in it for the Texas-Ohio Power Company? *probably security guards and high fence*  
*New Port - Exxon's best thing in town.*

6. We would like to request map of project and drawing of project organization. *a payment up front and 6 months before the start of commercial operations & 6 months after commercial operations: \$700,000 payment each time*

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E.P.C. E.P.C.

King Ranch a large privately held Texas located on a road owned lot of land Texas large cattle

Flomo large but construction company were owner of Empresa (until 1934?)

Hadota largest station on different bidding situations