

Business Confidential Information

1

ENRON
POWER CORP

Senate Finance Committee

EXHIBIT 9

Electricidad Enron de Guatemala, S.A.

\$71,250,000 Term Loan Facility
Descriptive Memorandum

Business Confidential Information

July 1992

Confidential Descriptive Memorandum

\$71,250,000

Term Loan Facility

for

ELECTRICIDAD ENRON de GUATEMALA, S.A.

Business Confidential Information

This confidential Descriptive Memorandum has been prepared by Enron Power Corp. for use by prospective lenders while considering participation in the Term Loan Facility described herein. This Confidential Descriptive Memorandum may neither be reproduced nor used, in whole or in part, for any purpose nor furnished to any person, except for distribution within the recipient's organization, without the prior written consent of Enron Power Corp.

July 1992

CONFIDENTIALITY AND DISCLAIMER

This memorandum has been prepared by Enron Power Corp. ("Enron Power") in connection with the recipient's prospective participation in the financing of the 110 MW barge mounted power project located in Puerto Quetzal, Guatemala. The project will be owned by Electricidad Enron de Guatemala, S.A. ("Enron Guatemala"), currently a wholly owned subsidiary of Enron Power. By acceptance of this memorandum, each recipient agrees that:

- (i) no representation or warranty is made concerning the information herein nor is any liability accepted in respect thereof by Enron Power, Enron Guatemala, other shareholders in Enron Guatemala or any of their respective officers, directors, affiliates or subsidiaries;
 - (ii) it will not copy, reproduce, distribute to others this memorandum and that the information herein shall be kept confidential by the recipient and shall not be distributed to any person without the prior written consent of Enron Power other than to directors, officers, employees and agents of the recipient who require such information in connection with the recipient's analysis of the activities of Enron Guatemala and the proposed financing and who agree to keep such information confidential;
- it will use the information herein only to evaluate the financing contemplated herein and for no other purpose; and
- it will return this memorandum and any copies of it to Enron Power upon request thereof.

Estimates, assumptions and projections in this memorandum have been prepared by Enron Power and involve significant elements of subjective judgement and analysis. Other possible outcomes, which may be less favorable, may occur. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this memorandum, and nothing contained herein is, or shall be relied upon as, a promise or representation, whether as to the past or to the future. This memorandum does not purport to contain all of the information that may be required to evaluate any proposed transaction and any recipient hereof should conduct its own independent analysis of such matters or request further information from Enron Power. Enron Power does not expect to update or otherwise revise the memorandum or other material supplied herewith.

ELECTRICIDAD ENRON de GUATEMALA, S.A.

Table of Contents

- Executive Summary of Proposed Transaction
- A. Executive Summary
 - B. Guatemala - Country Map
 - C. Picture of Barge
- II. The Project - Technical Description Summary
- A. Plant Description
 - B. Transmission of Electricity
 - C. Site Services and Utilities
 - D. Permits
- III. Project Operating Contracts
- A. Power Sales Agreement
 - B. Engineering and Construction Contract
 - C. Fuel Supply Management Agreement
 - D. Operation and Maintenance Agreement
- IV. Project Participants
- A. Enron Corp
 - B. Enron Power Corp
 - C. Empresa Eléctrica de Guatemala, S.A
 - D. Royalty Participants
 - E. Guatemala Overview
- V. Summary of Key Financing Terms and Conditions
- A. Financing Terms
 - B. Security for Repayment
 - C. Insurance

ELECTRICIDAD ENRON de GUATEMALA, S.A.

Table of Contents

Investment Considerations

- A. Electrical Market
- B. Currency Conversion
- C. Fuel Supply and Pricing
- D. Political Violence/Expropriation
- E. Project Operation
- F. Creditworthiness of Power Purchaser

Project Economics

- A. Base Case Assumptions
- B. Accounting Principles and Taxation

Appendices

- A. Power Purchase Agreement and Amendments
- B. Turnkey Construction Contract
- C. Project Technical Description
- D. Financial Statements
 - Empresa Eléctrica de Guatemala, S.A.
 - Enron Corp.
- E. Tax Exemption Letters from Minister of Finance
- F. Guatemalan Generating Capacity
- G. Guatemalan Financial Models
 - 1. 85% Capacity Factor
 - 2. 50% Capacity Factor

Business Confidential Information



I. EXECUTIVE SUMMARY

Enron Power Corp ("Enron Power") is seeking project financing for a 10 megawatt ("MW"), \$95 million power plant to be located along Guatemala's Pacific coast (the "Project"). Using fuel-oil-fired reciprocating diesel engines, the Project is slated to begin commercial operations December 1, 1992 under a 15-year power purchase agreement ("PPA"). The generating equipment will be mounted on two movable barges, flagged as U.S. vessels, which will be moored in a protected slip for the duration of the Project.

The Project will be the first privately owned, project-financed power plant in Central America. Funding will take place at the start of commercial operation, and lenders are therefore not required to take any development, construction, siting, delay or cost overrun risks. The capacity payment/energy payment structure of the PPA provides safe coverages of the Project's fixed and variable costs over the life of the Project, with pre-tax debt coverages significantly above levels customary in comparable international financings. The transportability of the barges, in addition to the strong project cash flows, give lenders a second level of security uncommon for power plant lending.

The power purchaser, Empresa Electrica de Guatemala, S.A. ("EEGSA"), has been operating profitably as a private generation and distribution company in Guatemala for over seventy years, first as a subsidiary of U.S.-based EBASCO until 1972, and thereafter as a 92% owned subsidiary of INDE, the principal government utility.

Enron Power is developing and managing construction of the Project, and will operate and manage it, and intends to own at least 50% of the equity. A subsidiary of U.S.-based Enron

Corp ("Enron"), Enron Power is one of the worlds largest independent power producers.

The Project offers the following features:

- No funding of non-recourse debt until construction is completed and PPA performance tests passed
- Project will be EEGSA's lowest cost thermal plant
- All in power cost 20% below current retail prices
- Power shortages and aging existing generation facilities ensure high Project dispatch
- Above average pre-tax debt coverage levels even (1.52x average, 1.41x minimum) at contractual minimum dispatch levels
- U.S.-style capacity and energy payment provisions in the PPA

Proven technology in use world-wide from reputable supplier

Readily available fuel with pass-through of market pricing

Enron Power is experienced owner and operator

Project is OPIC-insured for expropriation, political violence and currency inconvertibility

-
-
-

Confidential Information

expanding economy, and in providing basic service to a greater percentage of the population.

The country has a recent history of power shortages, a situation the Government has publicly committed will be corrected. The Project, which will represent approximately 14% of the country's nominal electric generation capacity and 33% of its actual output, will play a key role in achieving that goal. The all-in price (capacity and energy) to EEGSA of 6.24¢/Kwh projected

for December, 1992 is expected to be below the cost of EEGSA's other generation plants. The Project's operation will significantly improve the reliability of the overall EEGSA system, a system characterized by aging generating equipment in need of major refurbishment or retirement.

Project Background

The opportunity for a privatized power generation project in Guatemala became possible with the election in January 1991 of a new government headed by President Jorge Serrano, and the concurrent appointment of a new chairman for both the national utility, Instituto Nacional de Electrificación ("INDE") and for EEGSA who strongly favors the privatization of new electric power generation. This policy is consistent with the Government's overall free-market economic platform, a key element of which is to privatize key public sectors, including the railroad, airline, and communications segments, as well as new electric generation. This policy is made easier to implement due to the support of all major political parties, and the relatively minor historic role of the government in Guatemala's economy. From a regional perspective, the Project's success will likely be the impetus to similar projects throughout Latin America.

The Government's economic policy stimulated a small group of Guatemalan businessmen concerned about growing power shortages in this country to take the initiative to attract and develop a private power generation project. These businessmen began efforts to attract U.S. firms to Guatemala and to convince both the government and EEGSA of the timeliness of such a plan. They located a company, Texas-Ohio Power of Houston, Texas ("TOP"), with experience in power plant development willing to develop a barge-mounted plant at Puerto

Quetzal. In October 1991, the Serrano Government approved a plan to provide additional generating capacity through power purchase arrangements with private companies. EEGSA, which is responsible for the distribution of electricity to over 70% of the existing electricity consumers in Guatemala, was the vehicle selected for this plan. Because it is legally structured as a private company, EEGSA was able to solicit proposals and negotiate a contract with private power suppliers on an urgent basis without any requirement to change existing procurement

EEGSA began negotiations with TOP for a private barge-mounted project in late 1991, and executed the PPA in January 1992. TOP and Enron Power began discussions in February, 1992 regarding Enron Power's potential assumption of development of the Project, and TOP agreed, with EEGSA's consent, to sell and assign the contract to Enron Power on March 12,

Enron and Wärtsilä executed a turnkey construction contract on April 10, 1992 and by mid-July all required approvals had been obtained and OPIC insurance approved.

Power Plant Description

The power barges are currently being constructed by McDermott in Morgan City, Louisiana by Wärtsilä Diesel, Inc. ("Wärtsilä") under a fixed price turnkey construction contract. Construction financing is included in the turnkey price; no further payments are required until the plant passes certain performance tests that demonstrate its ability to perform under the power contract, including delivery and interconnection to the Project site. (Passage of these tests is a condition to non-recourse funding under the proposed credit facility.)

The Project includes two barges each containing ten Wärtsilä VASA 18V32D 5.5 MW diesel engines designed to burn heavy fuel oil in power plants. The technology is similar to that

used to power large ships. The barges will be located in the existing Puerto Quetzal port facility 75 kilometers south of Guatemala City under a long term lease of dockage space. Sea water will be used to cool the engines and then discharged into the sea outside the port area. The shore facilities will include a 200,000 barrel heavy fuel oil tank farm, a 230 Kv substation, a fuel oil pumping facility, a utility/pipe corridor, a 13.8 Kv cable trench, a fuel unloading facility, temporary laydown areas for construction, a parking area, space for a hot water discharge line, and office space.

The Project is being designed to meet or exceed all applicable local and World Bank environmental standards, including standards for air emissions, cooling water discharge and noise.

Enron Power

Enron Power is one of the largest independent power production companies in the world, with proven experience in power plant development including design, engineering, financing, construction, procurement, operation and fuel management and supply. Enron Power has direct and indirect ownership interests in over 3400 MW of electric generating capacity. This includes interests in five operating power plants located in the U.S. and four under construction throughout the world, including the 1725 MW gas facility in Teesside, England, the largest privately owned gas-fired combined cycle cogeneration plant in the world.

Enron Power is a wholly-owned subsidiary of Enron, which operates the largest natural gas transmission system in the U.S. Enron is one of the world's largest marketers of liquid fuels and has extensive activities in oil and gas exploration, gas supply and production and sale of

natural gas liquids.

Enron Power intends to retain 50% of the Project equity as a long-term investment, and to bring in an industry or financial partner for the remaining 50%. Enron Power believes its world-wide expertise in the development, construction and operation of electric power plants will greatly assist Guatemala in its endeavor to modernize the country's electric generating capacity while providing Enron and its partners the opportunity to achieve reasonable financial returns.

Power Purchase Agreement ("PPA")

The 15-year U.S.-style PPA is denominated in dollars and obligates EEGSA to provide the Project: i) weekly fixed capacity payments; ii) weekly variable energy payments; and iii) additional collateral and documentary support to secure EEGSA's obligations during the term of the PPA.

Capacity payments are fixed and escalate annually at contractually specified rates. Energy payments are variable and are linked to expected fuel costs; energy payments are indexed to No. 6 (1% sulfur) Fuel Oil (NY Cargo-Platts Oilgram). EEGSA is obligated to pay for 110 MW of capacity (subject to a performance test) and to purchase at least 50% of the Project's available energy output. Capacity and energy payments are to be made in U.S. dollars or Quetzales (the Guatemalan local currency) at prevailing market exchange rates.

PPA further provides the following measures to secure EEGSA's payment performance: (i) a letter of credit by a bank acceptable to Enron Power that is renewed each ninety days for the amount equal to 30 days of energy and capacity payments (\$4.4 million in 1993); (ii) a \$7.25 million interest free cash advance paid by EEGSA at commercial operation

which represents a portion of capacity payments otherwise due in 1998 - 2003 ; and (iii) written assurances from INDE that it recognizes EEGSA's obligations, and to the extent legally possible, will cause EEGSA to fulfill its obligations under the PPA. The Project also expects to receive from the U.S. Ex-Im Bank a letter of credit guaranteeing approximately two months of payments (\$8.8 million) if the PPA remains in default for ninety days.

Fuel Arrangements

Each barge will consume approximately 2,000 barrels of fuel per day for a total of 4,000 barrels of fuel per day of Bunker C (No. 6) Fuel Oil assuming dispatch at full capacity. The energy pricing in the PPA changes monthly in accordance with market changes of the price of 1% No. 6 fuel oil. This will enable the Project to purchase fuel at spot market prices without subjecting itself to adverse price risk. An affiliate of Enron, which is one of the world's largest marketers of liquid fuels, will agree to supply fuel to the Project site under a 15-year contract at prices linked to those under the PPA, plus transportation costs.

In order to mitigate supply disruptions and take advantage of competitive fuel oil pricing, the Project's turnkey construction contract includes two land-based storage tanks, each with 100,000 barrels of capacity, and a one day storage tank on each barge. These tanks will store approximately 35 days supply of fuel oil. While the PPA provides for changes in the energy pricing tied to No. 6 fuel oil with 1% sulfur content, the Project's design will enable it to burn No. 6 fuel oil with up to 3% sulfur content and still satisfy both local and World Bank standards.

Project Financing

Project costs, including start-up training, working capital, development costs, financing costs and approximately 6% of contingency, total approximately \$95 million. (Construction financing is included in the turnkey price.⁵ The Project has been structured so that lenders are not required to assume risks associated with Project construction, development, siting, permitting, delay, cost overruns, electric price/fuel cost linkage, or shortages in working capital.

Due to the comprehensive turnkey contract, construction management by Enron Power and contingencies in the Project budget, cost overruns are unlikely. However, if any occur they will be funded by Enron Power and not the lenders. Two million dollars of initial working capital is included in the Project cost. Additional working capital will be made available as required through a working capital facility provided by Enron Power.

The Project's sources and uses of funds, key financing assumptions, and projected debt cover ratios, are set out below:

<u>SOURCES</u>	<u>\$ MM</u>	<u>%</u>
Long-term debt	\$71.25	75.0%
Equity	<u>23.77</u>	<u>25.0%</u>
TOTAL	\$95.00	100.0%
<u>USES</u>		
Turnkey Construction & IDC	\$77.40	81.5%
Start-up, Development & Miscellaneous	8.22	8.7%
Financing Costs	1.78	.9%
Working Capital	2.00	2 %
Contingency	<u>5.60</u>	<u>5.8%</u>
TOTAL	\$95.00	100.0%

Debt Assumptions:

12 year term, 1 year grace, 10.5% all-in fixed rate

<u>Debt Cover Ratios (pre tax)</u>	<u>50% Minimum Dispatch</u>	<u>85% Expected Dispatch</u>
Minimum	1.41%	1.69%
Average	1.52%	1.88%

As depicted below, during the operating period, the Project has been structured to hedge its fixed and variable costs against minimum PPA revenues. Profits resulting from dispatching above the 50% minimum enhance equity returns but are not required to cover costs or debt service.

<u>REVENUE SOURCE</u>	<u>COSTS COVERED</u>	<u>% OF REVENUE SOURCE</u>
PPA Capacity Payments	Debt Service	48.6%
	Project and O&M Insurance	11.5%
	Local Taxes/Lease	3.3%
	Equipment maintenance costs	16.9%
	Operating costs (fees, labor & administration)	12.0%
	Operating contingency	3.4%
	Contribution to profits	<u>4.3%</u>
	Total	
PPA Energy Payments (50% minimum dispatch)	Fuel for 50% operations	68.3%
	Income Taxes	3.3%
	Contribution to profits	<u>28.4%</u>
Total		100.0%
PPA Energy Payments (additional 35% expected dispatch)	Fuel for 35% operations	68.3%
	Taxes on additional income	6.2%
	Contribution to profits	<u>25.4%</u>
Total		100.0%

* based on 1994 data, the year in which debt repayment commences.

Enron Power is seeking a twelve year non-recourse term loan equivalent to at least 75% of the \$95 million project cost, or approximately \$71.25 million. Senior lenders will rank *pari passu* and will share *pro rata* in a common security package which will include security interests in all real and personal property and on assignment of the borrower's rights under all material contracts. If the Project elects to hedge its exposure to rising interest rates with interest rate swaps, the swap counterparties will share *pro rata* in the Project's collateral. The Project intends to hedge at least 50% of its interest costs to mitigate the risk of increasing interest rates to the Project.

Turnkey Construction Contract

The Project is being built by Wärtsilä Diesel Inc. of Chestertown, Maryland ("Wärtsilä"), under the terms of \$77.4 million turnkey construction contract. Wärtsilä is a subsidiary of Wärtsilä Diesel Group of Finland, the world's largest medium-speed diesel engine manufacturer. The turnkey construction contract contains a certain and significant liquidated damages tied to guaranteed Project output, heat rate, and days in construction. These guaranteed heat rate and output levels are believed to be conservative and are the basis for the projections provided in Section VII. The contractor will provide a one year warranty on its work. Construction of the barges is currently underway and on schedule for an arrival of the barges in Guatemala during October and November 1992.

Environment

The key environmental issues for the Project are air emissions, cooling water effluent

temperature and noise. The Project has obtained all necessary Guatemalan environmental approvals and has also been designed to comply with all applicable local and World Bank standards. Third party consultants and environmental engineers have been retained to assure compliance with these standards.

Permits and Land Rights

The Project will have a long term lease from the Puerto Quetzal Port Authority for approximately 40,000 square meters of land and dock space to locate the substation, fuel tanks, parking, and (during construction) space for temporary staging and laydown. A utility corridor and cable trench will be required to install fuel and water lines as well as cables to transfer power from the barges to the substation. All permits required to begin on-site construction have been received.

The Project has received permission from EEGSA to use its import license to acquire fuel for the Project. This permission to use EEGSA's license has been approved by the Ministry of Energy and Mines as a temporary measure until the Project's own import license is approved. This final approval normally requires several months to process once fuel storage facilities have been constructed.

Minor permits will be acquired when needed during construction and prior to commercial operations in the ordinary course of business. No obstacles are anticipated in the acquisition of these remaining permits.

Risk Factors

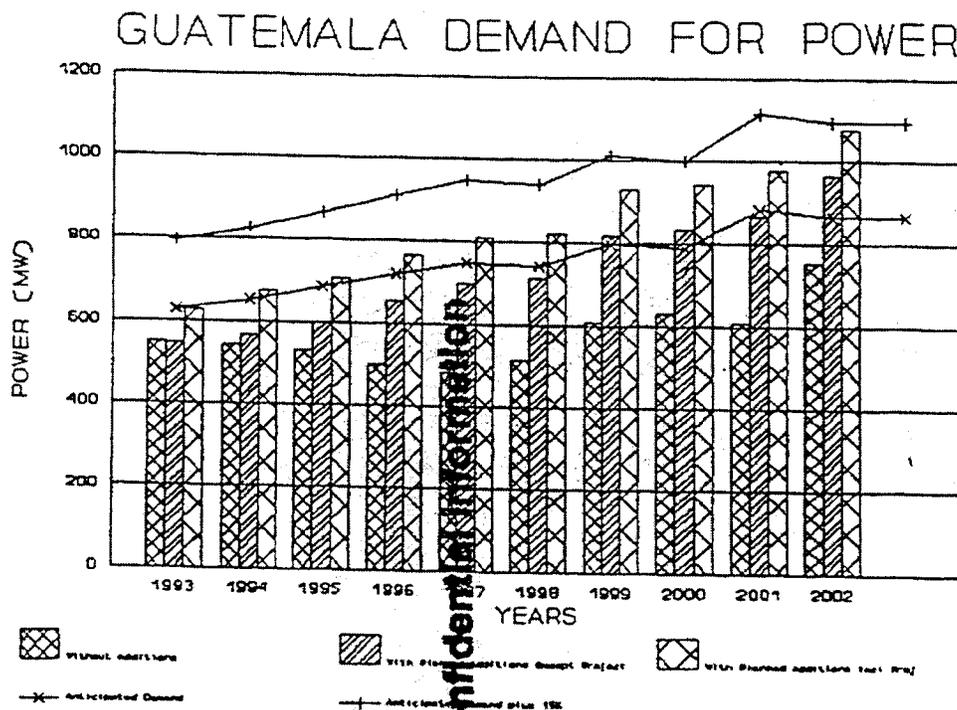
Enron Power has analyzed the Project risks and concluded that they are reasonable, can be mitigated through available contractual means and do not significantly threaten the viability of the Project. Pre-completion risks are being borne by the developers, as project completion is a condition precedent to non-recourse funding. Enron's view of the major post-completion risk factors are summarized below:

- **Electricity Market.** Increasing electric capacity is necessary for Guatemala's economy to continue to expand as is improved reliability and modernization of electric capacity sources. Increasing electric capacity is also a political objective, following power shortages and blackouts in 1991 and as a result of the Government's emphasis on infrastructure and economic development. The Project is integral to those objectives being achieved as highlighted by Figure I.I below showing projected Guatemalan electrical demand vs. capacity. Even if electric demand growth is below the current utility estimate of 6.7% per year, the Project's capacity is expected to be dispatched at baseload. The Project will be the most efficient plant among any of the generating facilities currently owned by EEGSA, and one of the most reliable sources of electricity in the country. While the projected electric demand is on a long term up-trend, the PPA mitigates the risk of downturns in demand through (i) fixed capacity payments, which fully amortize the Project's fixed costs and debt service, whether or not the associated energy is actually dispatched, and (ii) the 50% minimum energy purchase requirement.

Currency Conversion. EEGSA will provide payment under the PPA in U.S. dollars or Quetzales at the existing rate of exchange. The Project will need a maximum of \$400,000 per week to cover debt service and expected equity distributions, and up to another \$400,000 per week to cover dollar-based fuel and operating costs. The foreign exchange market in Guatemala is administered primarily by the Central Bank of Guatemala ("CBG"). Under the CBG's daily auction system, U.S. dollars are made available to the highest bidders, subject to CBG availability and a single day trading limit of up to \$250,000 per bidder. The current availability of U.S. dollars committed and confirmed by CBG, range between \$4 - \$8 million per day, which is more than adequate to meet the \$800,000 per week Project requirements. Weekly payments from EEGSA to the Project will help mitigate large single day currency conversions. As supply and demand for dollars fluctuate, the CBG injects or extracts currency. The CBG currently has a dollar reserve of approximately \$600 million. In addition, the Project expects to purchase OPIC insurance to cover currency

inconvertibility exposure. Taken collectively, these measures should adequately mitigate the currency conversion risk.

Figure 1.



Fuel Supply and Pricing. The PPA links the Project's energy revenues to its expected fuel expenses. Energy revenues received by the Project are indexed to the monthly price of low sulfur (1%) residual fuel oil. An affiliate of Enron will agree to supply fuel at this price for the term of the PPA. In addition, the Project has sufficient fuel storage for 35 days of operation. This mitigates any anticipated delivery or supply disruptions and provides an upside opportunity to purchase fuel at optimal prices and volumes.

Political Violence and Expropriation. OPIC has agreed to insure the Project against political violence and expropriation for the term of the financing. OPIC coverage provides for the repayment of debt in the event of confiscation of or damage to assets resulting from political violence or expropriation. Similar commercial insurance will be applied for if necessary.

- **Project Operations.** The Project is using highly efficient, reliable, low-technology equipment that is in use in power generation plants throughout the world. The track record of this equipment package, coupled with the warranty provided by Wärtsilä and its commitment to pay liquidated damages if performance tests are not satisfied, provide assurances that the Project will be able to meet the operating requirements of the PPA. Enron Power's experience in the successful operation of much larger and more complex plants will be utilized at this plant to properly maintain and operate the Project at a high availability level. Enron Power will provide comprehensive training for the local laborers and Wärtsilä has agreed to assist the Project in establishing these programs. Backstopping all of these measures is the Force Majeure language in the PPA which excuses the Project from performance during periods of equipment outages not resulting from improper maintenance. Normal project insurance, such as general liability, workmen's compensation and physical loss or damage will be in place prior to commercial operations.

Transmission. The 230 Kv line that links the Project to the national grid is presently under construction and scheduled for completion in November 1992. The financing for this \$4.5 million project was arranged for EEGSA and guaranteed by Enron Power, which has provided a full-time, on-site project manager to advise and monitor this effort. All equipment and supplies necessary for construction have either been obtained or identified. Construction contractors have the necessary equipment and experience to complete the transmission line on schedule. However, if for some unforeseen reason the transmission line is not completed prior to the scheduled commercial operation date, EEGSA is nevertheless obligated under the PPA to commence capacity payments to the Project and has provided a separate letter to the Project confirming this obligation. The commencement of such payments is a condition precedent to non-recourse funding of the Project.

- **Security of Payment.** EEGSA is responsible for providing electric service to 73% of Guatemala's electrical customers. EEGSA has a sound performance record, both operationally and financially, during its long history of service in Guatemala. This Project will enhance EEGSA's self sufficiency and will provide it energy below its current cost of production. It also will provide EEGSA with the ability to serve a 45 MW steel plant coming on line in October 1992 and to fulfill the government's commitment to eliminate power shortages in Guatemala and, to the extent possible, use marginal generating equipment to sell excess energy to El Salvador. As discussed earlier, the PPA provides significant measures designed to ensure the repayment obligations of EEGSA including the letter of credit, the cash advance of capacity payments, and the INDE support letter. In addition, as a creditor the Project would have recourse under Guatemalan law to garnish EEGSA's revenues to obtain payments should it become necessary, and as a last resort could relocate the transportable, U.S.-flag barges to another jurisdiction.

IV. PROJECT PARTICIPANTS

A Enron Corp.

Enron Corp, a Delaware corporation established in 1930, listed on the New York Stock Exchange and headquartered in Houston, Texas, is one of North America's leading independent natural gas companies. Through its subsidiaries, Enron:

operates the largest natural gas transmission network in the U.S.;

explores for and produces natural gas and crude oil in the United States and internationally through its 84% ownership of Enron Oil and Gas Company ("Enron Oil & Gas") which is one of the largest independent non-integrated producers of oil and gas in the U.S. in terms of both domestic proved reserves and production;

extracts, processes, transports and markets natural gas liquids, crude oil, and refined petroleum products worldwide; and

purchases and markets long-term natural gas supplies

produces and sells steam and electricity through its wholly-owned subsidiary, Enron Power.

Enron and its subsidiaries had \$10 billion of total assets as of December 31, 1991, had 1991 revenues of \$13.5 billion and net income of \$242 million. Enron employs approximately 7,400 people. For the first quarter of 1992, Enron had net income of \$115.8 million and revenues of \$3.3 billion.

Gas Transmission

Enron and its subsidiaries operate four U.S. interstate pipelines - Northern Natural Gas, Transwestern Pipeline, Florida Gas Transmission and Northern Border Pipeline. The pipeline network handles about 18% of the natural gas consumed in the U.S. and covers over 38,000 miles traveling from Texas to the Canadian border and across the southern United States from

Florida to the Arizona/California border, representing the largest natural gas transmission network in the U.S.

Oil and Gas Exploration

Enron's natural gas and crude oil exploration and production operations are conducted through Enron Oil & Gas, on New York Stock Exchange listed company 84%-owned by Enron.

Enron Oil & Gas is engaged in the exploration for, and development and production of, natural gas and crude oil reserves primarily in the United States and, to a lesser extent, in Canada and other countries.

As of December 31, 1991, Enron Oil & Gas had the following reserves of natural gas and crude oil, condensate and NGLs:

	Net Proved
Natural Gas (MMcf)	1,585,000
Liquids (thousand barrels)	20,300

Natural gas made up approximately 93% of net proved reserves (on a natural gas equivalent basis). Approximately 90% of net proved reserves (on a natural gas equivalent basis) were located in the United States and 10% in Canada. Domestic natural gas and crude oil producing properties are located primarily in Wyoming, onshore and off-shore Texas, New Mexico and Utah.

Liquid Fuels

Enron subsidiaries are engaged in the U.S. in the extraction of NGL's from natural gas in Enron's pipelines, and the processing, transportation, and wholesale marketing of natural gas

liquids (ethane, propane, butane and isobutane, and natural gasoline). Enron is among the five largest natural gas processors in the U.S. Enron also markets liquified petroleum gas (propane and butane) in Europe, Asia, Puerto Rico, Jamaica, and Central and South America, making Enron one of the largest non-government marketers of these liquid fuels in the world. In addition, Enron acquires, transports and markets crude oil for resale and among the largest independent companies in the U.S. involved in that business.

Enron's liquid fuels businesses have interests in 23 hydrocarbon extraction and fractionation facilities, 21 of which are operated by Enron, which generally are located along Enron's natural gas pipeline systems. Two of Enron's facilities, in Bushton, Kansas and Eunice, Louisiana, are among the five largest processing facilities in the U.S. Excluding ethane production, Enron's facilities are capable of producing approximately 1.5 billion gallons per year of natural gas liquids. Enron marketed approximately 3.9 billion gallons of natural gas liquids domestically and internationally during 1991. Enron also owns and operates a 1,600 mile interstate common carrier natural gas liquids pipeline in the Mid-Western U.S., which transported approximately 23 million barrels of liquid fuels in 1991.

Gas Marketing Group

Formed to compete for the merchant function relinquished by the regulated pipeline industry, Enron Gas Services ("EGS") is one of the largest non-price regulated merchants of medium and long-term supplies of natural gas. EGS, also owns Enron's intrastate pipeline, Houston Pipeline Company. In 1991, EGS's volume, excluding Houston Pipeline Company averaged about 2.2 billion cubic feet per day.

B. Enron Power

Enron's power generation business is conducted through Enron Power. Enron Power is a wholly-owned subsidiary of Enron and is one of the largest independent power production companies in the world with extensive experience in all aspects of power plant development (including design, engineering, financing, construction, procurement, operation, management and fuel supply arrangements).

Enron Power has extensive operations in the United States and is rapidly expanding its operation and development efforts internationally. In addition to the projects described below Enron Power is actively pursuing power generation and related projects in North and South America, Europe, the Pacific Rim, Eastern Europe and Russia.

Projects in Operation

Through a joint venture company owned 50% by Enron Power and 50% by a subsidiary of Dominion Resources, Inc. of Virginia, Enron Power has interests in four operating power plants. These are set out on the next page:

Business Confidential Information

Enron/Dominion Power Plants

Project	Nominal Capacity	Average Availability*	Net Enron Ownership	Electricity Customers	Steam Customer
Texas City Texas City, TX	450 MW	94.4%	50%	Texas Utilities Electric Company Union Carbide	Union Carbide
Clear Lake Pasadena, TX	377 MW	95.4%	50%	Texas-New Mexico Power Co., Houston Lighting and Power Co.	Celanese Corp.
Bayou Pasadena, TX	300 MW	96.1%	17%	Houston Lighting and Power Co.	Big Three Industries
Bayonne Bayonne, New Jersey	165 MW	93.9%	75%	Jersey Central Power and Light	International Matex Tank Terminals, Exxon, others

* Calculated based on the power contracts in each project; calculation base varies between Projects.

Enron Power subsidiaries operate the Texas City and Clear Lake Plants.

Texas City

The Texas City project, in service since May , 1987, is a 450 MW gas-fired cogeneration plant located on land leased from Union Carbide Corporation ("UCC"), adjacent to UCC's industrial solvents and coatings plant in Texas City, Texas. The plant is operated by a subsidiary of Enron Power. The electricity produced by the project is sold to Texas Utilities Electric Company ("TUEC"), and the steam produced (plus a small amount of electricity) is sold to UCC. The Texas-New Mexico Power Company and Houston Lighting & Power Company transmit the power produced from the plant to TUEC service areas in the central and northern parts of Texas. Enron subsidiaries provide the

natural gas supply requirements to the project under contracts running for a long-term matching the term of the power sales agreements. The plant was brought into service in May 1987, under budget, two months ahead of schedule and 15 months after site preparation began. Enron Power believes that the plant has the lowest installed cost per kilowatt of capacity of any similar plant installed in the United States since 1987.

Clear Lake

The Clear Lake project is a 377 MW gas-fired cogeneration project located in Pasadena, Texas, adjacent to a chemical plant owned by the Celanese Corp. ("Celanese"), a subsidiary of Hoechst AG. The plant has been in operation since 1984 and was acquired by Enron Power in May 1988. Since acquiring this project and taking over its operations and maintenance, Enron Power has upgraded the plant to achieve an operational standard equivalent to the Texas City Project. An Enron subsidiary currently supplies the natural gas supply requirements for the Plant. Electricity output is sold to Texas-New Mexico Power under the terms of a contract with an initial 11 year term. Steam is sold to Celanese, under the terms of a 10 year contract with steam prices tied to the project's fuel costs.

Bayou

The Bayou project is a 300 MW gas-fired cogeneration project located in Pasadena, Texas. The plant has been in operation since December 1984 and has consistently achieved an availability factor greater than 96%. Enron Power holds a 34% ownership interest in

the project through a limited partnership. A subsidiary of Enron currently supplies a portion of the natural gas requirements to the plant. Power from the plant is sold to Houston Lighting & Power Company while the steam is sold to an adjacent industrial project.

Bayonne

The Bayonne project is a 165 MW gas-fired cogeneration project located in Bayonne, New Jersey. The plant has been in operation since October 1988. A New Jersey utility, Public Service Electric & Gas, provides the project's natural gas requirements. Power from the project is sold to Jersey Central & Light while the bulk of the steam is sold to International-Matex Tank Terminals, Exxon and others.

Richmond

Enron Power recently acquired a 90.5% general and limited partner interest in a 250 MW gas-fired combined cycle plant in Richmond, Virginia. The project sells all of its output to Virginia Electric and Power Company under a long-term contract. Steam is sold under a long-term contract to Sonoco Products, Inc. Enron Power will operate and manage the plant while affiliates manage fuel supply and transportation arrangements.

Projects under Construction

In addition to the Puerto Quetzal Project, Enron Power has three other projects currently under construction.

Milford

The first of these, the Milford project, is a 149 MW gas-fired combined cycle power plant under construction in Milford, Massachusetts. Companies formed by Enron Power will act as the general partner, have a 50% limited partnership interest in the project and will also act as construction contractor, operator and manager. Approximately 56% of the power has been sold under a 15-year contract to New England Power Company ("NEP"), an affiliate of New England Electric System. Gas will be supplied under a 15-year contract with NEP. The remaining power will be marketed to other utilities in the New England area. Construction began on April 9, 1992 and commercial operation is expected to commence in July 1993.

Teesside

The second project under construction, the Teesside project is a 1725 MW gas-fired combined cycle power cogeneration plant located adjacent to the Wilton Works chemical plant of Imperial Chemicals Polymers Limited ("ICI") in Teesside, United Kingdom. The project will sell to four of England's regional electric distribution companies a total of 1300 MW of power, will sell 257 MW and an average of 689,000 thousand tonnes/hr of steam to ICI, and the remaining 168 MW to a power marketing affiliate of Enron Power. Through subsidiaries, Enron Power currently owns 50% of the Teesside project, is the turnkey construction contractor and will manage the plant operations. As part of the Teesside Project, Enron will construct a natural gas liquids extraction facility and will market the output of the plant. Enron Power also owns capacity rights in the pipeline being built to

deliver gas from the North Sea to Teesside. The Project is currently on budget and on schedule and is expected to be in commercial operation by April of 1993

Luzon

The third project is a 105 MW, oil-fired diesel engine power plant to be located south of Manila on the Philippines island of Luzon. Site preparation and equipment manufacture commenced in July 1992. Although land-based, it will be similar in conceptual design and configuration to the Puerto Quetzal project. The project will be constructed by Enron Power and Fluor-Daniel, with 8 large medium speed diesel engines being supplied by Wärtsilä. All of the project's power will be sold under a long-term contract to the Philippine's National Power Corp., which is also responsible for supplying fuel. The project is scheduled to begin commercial operation in April 1993.

Projects under Development

Enron Power currently has several projects in various stages of development throughout the world. The company intends to pursue both development and acquisition opportunities, and generally only consider projects where it has operating and management control, long-term ownership, and acts as turnkey contractor or construction manager. Enron Power expects to actively pursue development and acquisition activities to maintain its position as a world leader in independent power.

C. Empresa Eléctrica de Guatemala, S.A. ("EEGSA")

EEGSA is a private enterprise owned 92% by INDE, the Guatemalan national electric company. EEGSA has a well-deserved reputation as a professionally managed, efficient organization. The company provides service to 371,332 customers in Guatemala City and the neighboring provinces of Escuintla and Sacatepequez. These geographic areas include approximately 8% of Guatemala's geographic area but approximately 73% of the country's electricity customers. In addition to its distribution and transmission responsibilities, EEGSA operates oil-fired thermal generation equipment with a nominal capacity of 100 MW but very low availability levels due to age.

The history of EEGSA dates back to 1887 when the Government of Guatemala granted the first concession for electrical service to a German enterprise. By 1896, Empresa Eléctrica del Sud was in operation. In 1915, Empresa Eléctrica de Escuintla was also created. Three years later, during WWI, the German companies were confiscated. The following year the Guatemalan government transferred the shares of those companies to an American company, Electric Bond and Share Co. (EBASCO) as a war indemnification. The new company, called Empresa Guatemala de Electricidad Inc, was given a 50 year operating concession. In 1939, the name of the enterprise was changed to Empresa Eléctrica de Guatemala, S.A.

In 1947, EEGSA began construction of two steam units at its Laguna plant. By 1950 EEGSA had initiated construction of a series of hydroelectric projects. In 1972, after the fifty year concession had expired, the Government of Guatemala purchased 92% of the shares of EEGSA from EBASCO and transferred them to INDE. INDE had been created

in 1959 by Congressional decree to plan, execute and control all aspects of electricity service in Guatemala.

Both INDE's and EEGSA's board are appointed by various government entities; despite its ownership position, INDE does not have the right to appoint any members of EEGSA's board. The chairman and CEO of EEGSA, Alfonso Rodriguez Anker, is also the Chairman of INDE.

his cabinet-level rank and influence to support the Project before Congress, other government agencies and permitting authorities.

EEGSA is currently playing a lead role in the Government's privatization program. Because of its unique historic and legal structure as a private company, it provides an excellent vehicle for demonstrating the benefits of private sector participation without the potential de-stabilization and uncertainties that a full privatization of a major public sector company like INDE could cause. The Guatemalan Government believes that EEGSA's success with the Project will set the stage for a major shift toward the private sector in solving Guatemala's power needs.

EEGSA's financial data, as audited by Arthur Andersen & Co., reflects strong leadership and responsible decision making. With total assets of Q538 million (\$107 million at the prevailing exchange rate of Q5 = \$1) and total revenues for 1991 of Q465 million (\$93 million), EEGSA has been growing rapidly for several years. Since 1986, revenues in Quetzales have grown over 300%. This revenue increase is partly due to price increases from 1986-91; partly to a 28% increase in the number of customers; and partly to

a 17% increase in the average annual electric use per customer.

EEGSA's electricity sales are weighted heavily by commercial and industrial customers. When combined they account for 60% of the power sold and 68% of revenues. Residential consumption accounts for 31% of power sold with municipal and government entities accounting for 9%. EEGSA has enjoyed high collection rates from its customers. During 1991, over 95% of its receivables were collected within 60 days. A detailed breakout of these and other financial data are contained in EEGSA's Annual Report for 1991 at Appendix D.

Total electric volume sold by EEGSA increased 50% from 1986-91, to approximately 1.8 billion Kwh. About 84% of the volume of electricity sold in 1991 by EEGSA was purchased from INDE, with the remainder generated by EEGSA's own plants. INDE is, and thus INDE's sales to EEGSA are, subsidized by the government. However, the price of electricity sold to EEGSA by INDE has steadily risen from 2.7 ¢/Kwh in 1990 to 4.3 ¢/Kwh today. Since 1990 the prices charged to consumers have continued to rise, including a 47% average increase on August 1991 to 7.1¢/Kwh. A similar increase is planned for later this year. This approach appears consistent with the World Bank's recommendations on the subject. If the Project had been operational at 85% capacity levels throughout 1991, it would have supplied 50% of EEGSA's Kwh, enabling EEGSA to correspondingly decrease purchases from INDE or production from its own generation, or sell additional power at high per Kwh rates to El Salvador. INDE has informed EEGSA due to shortages in its own service territory, it cannot continue to supply power to EEGSA at 1991-92 levels. Purchases from INDE are expected to fall below 50% of EEGSA's total

sales after the Project becomes operational.

In addition to a growth in sales, EEGSA has been rapidly expanding its capital base, with a total net fixed capital in 1991 of Q223 million, with Q54 million invested in new plant and equipment in 1991 alone. At Q11.1 million, long-term bank debt represents only 2.2% of total capital. Since the next increase in generating capability will come from the Project, no associated debt will appear on EEGSA's balance sheet.

As EEGSA retires outdated generation units its average cost of generation will drop. This drop in average cost of production, coupled with increasing demand and rates, should lead to increasing operating margins for EEGSA.

Overall, EEGSA's service area has a strong demand for electricity, with little or no impact on demand from price increases. Average electric use per customer is increasing, as well as EEGSA's total customer base. A new steel plant will come on line in Escuintla in October 1992, with an expected steady demand of up to 45 MW. Guatemala is seeking to increase electricity exports to El Salvador to assist in that country's rebuilding process; El Salvador is currently purchasing all of what little excess power EEGSA can supply at rates significantly higher than EEGSA's domestic tariffs. The increasing demand, and the relatively low cost of the Project's electricity and reduced availability of electricity from INDE, will work together to ensure that the Project is dispatched at a high level. A more detailed discussion of the Guatemalan generating capacity is included in Appendix F.

The Guatemalan Government is expected to continue to implement its plan to completely eliminate subsidies to INDE through rate increases. EEGSA has informed the Borrower that by the end of 1993 it expects to implement rate increases effectively indexing

rates to changes in the dollar/quetzal exchange rate, as has been done already for telecommunications rates. This policy enables infrastructure industries which rely heavily on dollar-based capital goods and spare parts (and in EEGSA's case, fuel) to be insulated against major exchange rate fluctuations.

D. Royalty Participants

As described in the Executive Summary, the Project originated with a small group of Guatemalan businessmen representing sugar, coffee, and shipping interests, attempting to enhance Guatemala's economic growth prospects by solving its acute power shortages. This group ("Sun King"), together with a local electro-mechanical engineering firm, located Texas-Ohio Power, a small Houston based oil and gas company with some experience in power plant development, and assisted them in negotiations with EEGSA, Puerto Quetzal, and with engineering and financial entities.

Prior to the assignment of the PPA to Enron Power, TOP agreed to provide Sun King a monthly royalty payment in lieu of an equity interest in the Project in return for its role in developing the Project, negotiating the PPA with EEGSA, and ongoing assistance with permitting and port arrangements. Sun King originated, and, helped persuade convinced the Guatemalan government and EEGSA of the role and viability of privatized power in Guatemala, and provided initial development capital and services to TOP. Sun King is involved in other privatization activities in Guatemala, including power, ports, and telecommunications. In connection with the assignment of the PPA from TOP to Enron Power Corp, Enron Power Corp agreed to pay a total of \$1.7 million to TOP in cash and

expense reimbursements, and a monthly royalty equivalent to 6% of gross revenues to TOP. To satisfy its obligations to Sun King, TOP assigned the 6% royalty to Sun King. Sun King has continued to play an instrumental advisory role to Enron, particularly with respect to permitting and port relations.

E. Guatemala Overview

Background

Guatemala is the northernmost and most populous of the Central American countries. With approximately 10 million inhabitants in 1991, the population of Guatemala is growing by over 3% annually, and will reach about 13 million by the year 2000. The country is mountainous and consists of two main areas on the Caribbean and the Pacific.

Guatemala has the largest economy in Central America, and is dominated by its private sector which generates nearly 90% of Gross Domestic Product ("GDP"). Government expenditures are less than 10% of GDP (\$4 billion in 1990), and the public sector owns only a small share of the factors of production.

Agriculture accounts for 26% of GDP, employs 60% of the labor force, and generates two-thirds of exports. The principal exports are coffee, sugar, bananas, cotton, manufactured wearing apparel, cardamon, fruits and vegetables. Manufacturing accounts for 16% of GDP and centers on food processing and the production of beverages, tobacco, textiles, leather goods. The United States is by far Guatemala's largest trading partner, supplying about 39% of Guatemala's imports and purchasing 29% of its exports in 1990. Guatemala's drive to diversify export production has led the country to increase sales to Western Europe

and Canada, while imports from Asia (notably Japan and South Korea) and Latin America (principally Mexico and Venezuela) have increased. Traditional markets in El Salvador and Costa Rica remained strong in 1990. Fast growing, non-traditional exports -- textiles, chemicals, pharmaceuticals, cut flowers, winter fruits and vegetables are sold to other Central American nations and the United States.

Political Overview

In January 1991, Guatemala peacefully passed from one civilian democratically elected government to another. The new government, headed by President Jorge Serrano Elias, has marshalled a strong technical team to confront the challenges of economic stabilization and to improve public sector investment programs and social services. Economic development within a free market framework, promotion of democratic institutions and a negotiated end to the country's long-standing guerrilla insurgency are objectives of the Serrano administration. Guatemala has had a civilian government since January 1986, following 20 years of military rule. The transfer of power to President Serrano from one civilian government to another was the first in over 40 years.

President Serrano and his administration have undertaken reforms to bring the military more completely under civilian control and to boost economic growth. President Serrano is continuing strenuous efforts to end the 30 year-old guerrilla insurgency. March of 1991, the Commission of National Reconciliation has met on several occasions, bringing together at one table members of the various sectors of Guatemalan society, including the military and the umbrella organization of the guerrillas, the URNG.

government emphasizes that although the URNG occupies no territory, and with under 2,000 men at arms, poses only a minimal military threat, a negotiated settlement is a priority.

Economic Overview

The Serrano administration inherited a deeply indebted government and an economy facing accelerating inflation. By cutting government spending and increasing revenue through a number of emergency revenue measures, it reduced the overall deficit from 5% of GDP in 1990 to virtual equilibrium in 1991. Through the pursuit of a very tight monetary policy, inflation has been reduced from 60% in 1990 to an estimated 10% in 1991. As private sector confidence has improved, capital flight has been reversed, and dollar holdings of the Bank of Guatemala increased to over \$550 million. According to the Bank of Guatemala, these policies resulted in real economic growth of 3.2%, up slightly from in 1990, and is expected to exceed 4% in 1992. The trade and investment outlook is positive, and continuation of the uptrend began with the return of democratic civilian rule, is expected.

The Serrano government is a staunch proponent of free market economic policies, and includes privatization as a cornerstone of its platform. The best measure of the confidence generated by the Serrano government is the significant increase in private capital inflow which more than tripled in 1991 to \$987 million. Linked to capital inflows, interest rates dropped dramatically in 1991. Interest on short-term government bonds denominated in local currency dropped from 33% at the end of 1990 to 14% at the end of 1991.

bank lending rates on loans were down to 22% on average in 1991, versus 28% the prior year. Lower interest rates are intended to further promote private sector investment.

Guatemala has no history of socialist policies or experimentation. Guatemala's economy has historically been principally composed of the private sector, with government playing a role only in major infrastructure such as roads, water, electricity, telecommunications and ports. The economy generates significant foreign exchange via its diverse base of exports.

Guatemala has traditionally welcomed foreign investment, and few legal impediments confront foreign investors. There are no legal restrictions on repatriation of profits, and taxes and labor costs remain relatively low. Through the U.S. Caribbean Basin Initiative, Guatemala receives preferential access for exports to the U.S. market.

The exchange rate has stabilized at approximately five Quetzales per U.S. dollar. Foreign exchange is sold through an auction on a daily basis, currently between \$4 - \$8 million each day. There are no restrictions on the purchase, use or removal of foreign exchange available through the auction. Government policy is to keep exchange rate fluctuations within a plus or minus 5% range.

As the economy continues to grow, the demand for electric power for the next three to four years is estimated by INDE to increase by 6.7% per year, as described in Section VI.A. below. The Government has highlighted the Project as the first major step and cornerstone to meeting the country's present and future power needs.

The economic data in this section has been compiled from information compiled and published by the World Bank, the U.S. Commerce Department, U.S. Agency for International Development, INDE, EEGSA and the Central Bank of Guatemala.