

LOAN NUMBER 3103 EGT

Loan Agreement

(Fourth Power Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

EGYPTIAN ELECTRICITY AUTHORITY

Dated February 2, 1990

LOAN NUMBER 3103 EGT

AGREEMENT, dated February 2, 1990 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and EGYPTIAN ELECTRICITY AUTHORITY (the Borrower).

WHEREAS (A) Arab Republic of Egypt (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

(B) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan and to undertake such other obligations as set forth in the Guarantee Agreement;

(C) to assist in the financing of the Project, the Borrower: (i) has obtained under loan agreements (a) a loan in the amount of \$124,000,000 equivalent from the African Development Bank; (b) a loan in the amount of \$123,000,000 equivalent from the Arab Fund for Social and Economic Development; and (c) a loan in the amount of \$15,000,000 equivalent from the Islamic Development Bank; and (ii) intends to obtain under a loan agreement a loan in an amount of about \$57,000,000 equivalent from the European Investment Bank; and

WHEREAS the Bank has agreed, on the basis inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein not forth and the following additional terms have the following meanings:

(a) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "EDA" means the Electricity Distribution Authority of the Guarantor;

(c) "EDCs" means the Electricity Distribution Companies operating under the general supervision of EDA;

(d) "Regulation" means Law No. 12 of 1976 of the Guarantor, establishing the Borrower and governing its operations;

(e) "Co-Financiers" means the entities referred to in Recital (C) in the Preamble to this Agreement, namely, the African Development Bank, the Arab Fund for Social and Economic Development, the European Investment Bank and the Islamic Development Bank;

(f) "Co-Financiers Loan Agreements" means the loan agreements entered into, or to be entered into, between the Borrower and the Co-Financiers; and

(g) "Co-Financing Loans" means the loans provided under the Co-Financiers Loan Agreements.

ARTICLE 11

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of one hundred sixty-five million dollars (\$165,000,000) as the sum of withdrawals of the proceeds of the Loan with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special account on terms and conditions satisfactory to the Bank in a commercial bank to be selected by the Central Bank of the Guarantor. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1995 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per

annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on January 1 and July 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate engineering, financial and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. The Borrower shall:

(a) by December 31, 1990, prepare, on the basis of the study being carried out by the Borrower, a plan for implementation of measures to encourage the efficient use of electricity, and thereafter carry out such plan in conjunction with the concerned entities of the Guarantor, and taking into account the Bank's comments thereon; and

(b) assign the responsibility for the implementation of the environmental protection measures referred to in Part C (5) of the Project to a coordination committee to be established within the Borrower and ensure the completion of such measures, including the acquisition and installation of necessary equipment, by June 30, 1991.

Section 3.03. The Borrower shall prepare and furnish to the Bank, on a format acceptable to the Bank, semi-annual reports on progress in Project implementation.

Section 3.04. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan

shall be governed by the provisions of Schedule 4 to this Agreement.

ARTICLE IV

Management and Operations of the Borrower

Section 4.01. The Borrower shall continue to carry on its operations and conduct its affairs in accordance with sound engineering, administrative, financial and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 4.02. The Borrower shall at all times continue to operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and public utility practices.

Section 4.03. The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Guarantor and the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 4.04. (a) The Borrower shall not take any action to establish or acquire any subsidiary if, as a result thereof, the financial position of the Borrower would be materially and adversely affected.

(b) The Borrower shall cause any subsidiary established or acquired by the Borrower, to observe and to perform the obligations of the Borrower under the Loan Agreement to the extent such obligation would be applicable to such subsidiary.

Section 4.05. The Borrower shall take all measures required on its part to ensure that the account receivable of the Borrower for the sale of electricity will be settled within three months of the billing date.

ARTICLE V

Financial Covenants

Section 5.01. (a) The Borrower shall maintain records and accounts (including separate Project accounts) adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower shall:

(i) have the records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) of the Borrower and each of the EDCs and the records and accounts for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements of the Borrower and of each EDC for such year as so audited, (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested and (C) proforma consolidated accounts of the Borrower and the EDCs; and

(iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit

thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 5.02. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall take the measures required to achieve the financial objectives stated in Schedule 6 to this Agreement.

Section 5.03. The Borrower shall: (a) carry out, by June 30, 1991, a study of the structure and levels of its tariffs and, on the basis thereof, develop, in conjunction with the concerned authorities of the Guarantor, proposals for a new tariff structure; and (b) furnish to the Bank, for its review and comments, said study and proposals upon the completion thereof.

ARTICLE VI

Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) The Regulation shall have been amended, suspended or repealed so as to affect materially and adversely the Borrower's ability to carry out its obligations under this Agreement.

(b) (i) Subject to subparagraph (ii) of this paragraph:

- (A) The right of the Borrower to withdraw the proceeds of any of the Co-Financing Loans shall have been suspended, cancelled or terminated pursuant to the terms of the agreement providing therefor; or
- (B) any Co-Financing Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that (A) such suspension, cancellation or prematuring is not caused by the failure of the

Borrower to perform its obligations under the relevant Co-Financiers Loan Agreement; and (B) adequate funds for the Project are available to the Borrower on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely, that any event specified in paragraphs (a) and (b) (i) (B) of Section 6.01 of this Agreement shall occur.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Co-Financiers Loan Agreement between the Borrower and the European Investment Bank has been concluded.

Section 7.02. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. The Chairman of the Board of Directors of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Bank:

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

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

440098 (ITT),
248423 (RCA)

or

64145 (WUI)

For the Borrower:

Egyptian Electricity Authority
Nasr City, Abbassiah
Cairo, Arab Republic of Egypt

Cable address:

Telex:

ELECTROCOP

92097 POWER

UN

Cairo, Egypt

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names 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 /s/ A. Stoutjesdijk
Acting Regional Vice President
Europe, Middle East and North Africa

EGYPTIAN ELECTRICITY AUTHORITY

By /s/ E. El Reedy
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1 The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be
Finance		
(1) Works:		100% of foreign expenditures
(a) for Part A (2) of the Project	91,800,000	
(b) for Part B (2) of the Project	22,485,000	
(2) Goods:		
foreign (a) for Part A (2) of the Project	200,000	100% of expenditures
foreign (b) for Part B (1) and B (2) of the Project	38,480,000	100% of expenditures and 100% of
local (c) for Part C (1) of the Project	1,735,000	expenditures (ex- factory cost) 100% of expenditures
(3) Consultants' services foreign		100% of expenditures
(a) for Parts A (2) and B (1) and (2) of the Project	5,500,000	
(b) for Part C (1)	2,200,000	

of the Project	
(4) Unallocated	2,600,000

TOTAL	165,000,000
	=====

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor; and

(b) the term "local expenditures" means expenditures in the currency of the Guarantor or for goods or services supplied from the territory of the Guarantor.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$400,000, may be made, on account of payments made for expenditures under Category 3 (a) before that date but after June 1, 1987.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in the carrying out of investments for power generation, transmission and distribution to meet growing electric power demand, and in the establishment of improved operational and financial practices.

The Project consists of the following parts, subject to such modifications thereof as the Bank and the Borrower may agree upon from time to time to achieve such objectives:

Part A: Power Stations and Related Facilities

1. Construction of a combined cycle power plant with a total capacity of about 1080 KW at Faraskur in the Governorate of Damietta.

2. Construction of additional plants necessary for conversion to combined cycle operation the existing combustion turbines at Mahmoudia and Damanhour power stations, comprising heat recovery steam generators, steam turbines, associated piping, instrumentation and controls and electrical and mechanical equipment.

Part B: Transmission Lines and Sub-Stations

1. Construction of about 380 km of 220-KV transmission lines.

2. Supply and installation of equipment for the power sub-stations to provide 500 MVA of additional transformer capacity.

Part C: Institutional Development

1. Provision of instruments, equipment and technical services required for implementation of load management measures.

2. Completion of the Borrower's tower testing facilities.

3. The carrying out of a training program for staff of the Borrower.

4. Assistance to the Borrower in the operation of its data bank and management information system.

5. The implementation of measures to strengthen the Borrower's

environmental protection capability.

* * * *

The Project is expected to be completed by March 31, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
January 1, 1995	3,030,000.00
July 1, 1995	3,145,000.00
January 1, 1996	3,265,000.00
July 1, 1996	3,390,000.00
January 1, 1997	3,520,000.00
July 1, 1997	3,655,000.00
January 1, 1998	3,795,000.00
July 1, 1998	3,940,000.00
January 1, 1999	4,090,000.00
July 1, 1999	4,245,000.00
January 1, 2000	4,410,000.00
July 1, 2000	4,575,000.00
January 1, 2001	4,755,000.00
July 1, 2001	4,935,000.00
January 1, 2002	5,125,000.00
July 1, 2002	5,320,000.00
January 1, 2003	5,520,000.00
July 1, 2003	5,735,000.00
January 1, 2004	5,955,000.00
July 1, 2004	6,180,000.00
January 1, 2005	6,415,000.00
July 1, 2005	6,665,000.00
January 1, 2006	6,915,000.00
July 1, 2006	7,180,000.00
January 1, 2007	7,455,000.00
July 1, 2007	7,740,000.00
January 1, 2008	8,040,000.00
July 1, 2008	8,345,000.00
January 1, 2009	8,665,000.00
July 1, 2009	8,995,000.00

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment, multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30

More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section 1. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Egypt may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Items of small equipment such as measuring instruments, recorders and relays, estimated to cost the equivalent of not more than \$40,000 per contract and \$600,000 in the aggregate may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines in accordance with procedures acceptable to the Bank.

2. Items of equipment required to be procured from the original suppliers of the facilities referred to in Part A (2) and B (2) of the Project, estimated to cost the equivalent of not more than \$4,100,000 in the aggregate may be procured on the basis of contracts negotiated directly with such suppliers, on terms and conditions satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 5.01 (c) (ii) of this Agreement.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Contracting the Services of Consultants

In order to assist the Borrower in the supervision of construction under Part B of the Project and in the carrying out of such other tasks under Part C of the Project as the Borrower and the Bank shall agree, the Borrower shall contract the services of consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means the Categories set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$10,000,000 which may be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals

as the Bank shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) If, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or Justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be,

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Financial Objectives

1. In accordance with the Guarantor's energy policy, and to ensure the Borrower's sound financial position, the Borrower shall, except as may otherwise be agreed with the Bank: (a) produce funds from internal sources equivalent to not less than 20% for fiscal year 1991/1992, 30% for fiscal year 1992/1993 and 35% for each of the following fiscal years of the annual average of the Borrower's capital expenditures incurred (or expected to be incurred) during such year, the preceding fiscal year and the following fiscal year; and (b) not incur a debt, if after the incurrence of such debt the internal cash generation of the Borrower for the twelve-month period preceding the incurrence of such debt would be less than 1.5 times the estimated maximum debt service requirement for any succeeding fiscal year on the debt of the Borrower.

2. At the middle of each fiscal year, the Borrower shall review, on the basis of forecasts satisfactory to the Bank, its ability to meet the requirements stated in paragraph 1 above, and shall take, on the basis of such review, the measures, if any, required therefor.

3. For the purposes of paragraph 1 above:

(i) The term "funds from internal sources" means the difference between:

(A) the sum of revenues from all sources related to operations, consumer deposits and consumer contribution in aid of construction and net non-operating income; and

(B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt services requirements, changes in working capital, all cash dividends and other cash distributions of surplus and other cash outflows other than capital expenditures.

(ii) the term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(iii) The term "debt service requirements" means the aggregate amount of repayment (including sinking fund payments, if any) of, and interest and other charges on, debt.

(iv) The term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction related to operation.

(v) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the

Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable by the Borrower for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Guarantor and the Bank.

- (vi) The term "debt" means any indebtedness of the Borrower or any EDC maturing by its terms more than one year after the date on which it is originally incurred.
 - (vii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment, on the date of such contract, agreement or instrument, but only to the extent, the amount of such debt has become outstanding; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed debt is outstanding.
 - (viii) The term "internal cash generation" means gross revenues from all sources related to operations, less all expenses related to operations, including maintenance and administration and all taxes or payments in lieu of taxes, but before provision for depreciation of assets (including provisions not involving movement of cash but which are treated as operating expenses under the uniform system of account of the Guarantor) and interest and other charges on debt.
- 