



Territory of Guam
Territorio de Guam

OFFICE OF THE GOVERNOR
LESIAN TAA' A LAHI
AGANA, GUAM 96910 USA

JAN 24 1992

REFER TO
LEGISLATIVE SECRETARY
Jm

The Honorable Joe T. San Agustin
Speaker, Twenty-First Guam Legislature
155 Hesler Street
Agana, Guam 96910

Dear Mr. Speaker:

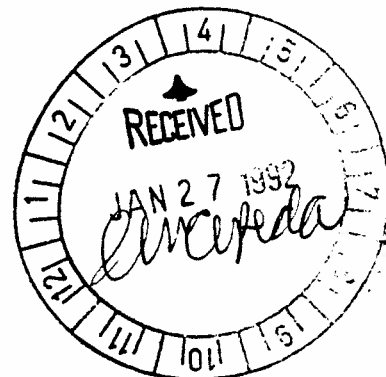
Transmitted herewith is Bill No. 677, which I have signed into
law this date as Public Law No. 21-74.

Sincerely,

Joseph F. Ada
JOSEPH F. ADA
Governor

Attachment

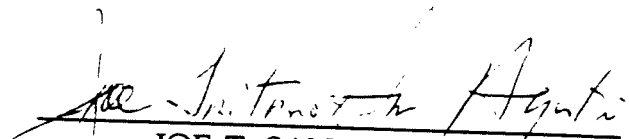
210603



TWENTY-FIRST GUAM LEGISLATURE
1992 (SECOND) Regular Session

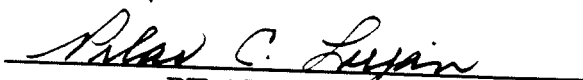
CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Substitute Bill No. 677 (COR), "AN ACT TO AUTHORIZE GUAM POWER AUTHORITY TO ARRANGE FOR THE PURCHASE, FINANCING AND DESIGN OF GENERATOR CAPACITY," was on the 10th day of January, 1992, duly and regularly passed.



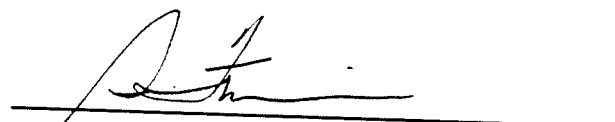
JOE T. SAN AGUSTIN
Speaker

Attested:



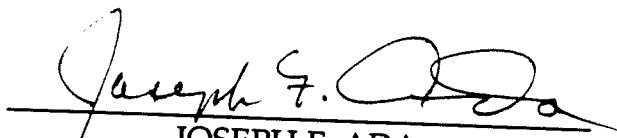
PILAR C. LUJAN
Senator and Legislative Secretary

This Act was received by the Governor this 15th day of January,
1992, at 5:05 o'clock p.m.



Assistant Staff Officer
Governor's Office

APPROVED:



JOSEPH F. ADA
Governor of Guam

Date: JAN 24 1992

Public Law No: 21-74

TWENTY-FIRST GUAM LEGISLATURE
(1992) SECOND Regular Session

Bill No. 677 (COR)
As substituted by the
Committee on Rules and as
further substituted on the
floor.

Introduced by:

D. Parkinson
J. P. Aguon
E. P. Arriola
J. G. Bamba
A. C. Blaz
M. Z. Bordallo
D. F. Brooks
H. D. Dierking
E. R. Dueñas
E. M. Espaldon
C. T. C. Gutierrez
P. C. Lujan
G. Mailloux
M. D. A. Manibusan
M. J. Reidy
M. C. Ruth
J. T. San Agustin
F. R. Santos
D. L. G. Shimizu
T. V. C. Tanaka
A. R. Unpingco

AN ACT TO AUTHORIZE GUAM POWER AUTHORITY
TO ARRANGE FOR THE PURCHASE, FINANCING
AND DESIGN OF GENERATOR CAPACITY.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:
2

Section 1. Guam Power Authority is hereby given authority for sole

1 source procurement to purchase from Turbotechnica a 23-megawatt
2 combustion turbine, as described in and on the terms and conditions contained
3 in attachment A of the Amendment to Purchase Order and New Purchase
4 Order dated December 3, 1991 between MDI Corporation and
5 Turbotechnica, for installation in the island-wide power system at a price not
6 to exceed \$9,500,000 U.S. Dollars, subject to final approval by the Public
7 Utilities Commission. If not disapproved, or modified, by the Public Utilities
8 Commission by 5:00 p.m. on January 29, 1992, said sole source procurement
9 shall be deemed approved.

10 **Section 2.** Guam Power Authority is hereby exempted from the Guam
11 Procurement Law in the selection of the design and engineering firm
12 necessary for the construction and installation of the combustion turbine,
13 provided that the Public Utilities Commission shall approve or disapprove
14 the contract therefore, looking at price, reasonableness, and whether local
15 firms and other interested firms were given a fair opportunity to submit
16 proposals and have those proposals objectively considered. At the very least,
17 GPA shall, at least 7 calendar days before closing the requests for proposals,
18 FAX requests for proposals to all Guam engineering firms and to
19 substantially all other engineering firms who have, anytime during the last
20 two years, submitted bids or proposals to GPA for similar services or shown
21 an interest therein to GPA. In the alternative, GPA may select the
22 engineering firm in accordance with the Guam Procurement Law without
23 PUC approval.

24 **Section 3.** The Guam Power Authority is hereby authorized to incur
25 new debt, as may be specifically authorized by the Public Utilities

1 Commission, that may be used only for the following:

2 (1) purchase the combustion turbine generator including
3 any associated shipping and letter of credit arrangement, and

4 (2) pay for design, construction, and other related costs to
5 install the generator, including, but not limited to, related site
6 preparation, building, fuel facilities, system interface, and

7 (3) pay interest costs and related lender fees on the debt
8 during the design and construction period.

9 The amount of the debt shall be as set by the Public Utilities
10 Commission, not to exceed \$26,000,000. All interest on the debt and all costs
11 of financing and all costs for the letter of credit shall be capitalized so there
12 are no associated demands on GPA cash and no impact on rates until
13 construction and installation of the new generator is complete and the new
14 generator is on line and providing power, revenue and benefits to GPA and
15 the people of Guam. This new debt is considered to be an interim debt which
16 is designed to ensure timely completion of the project. On behalf of the
17 government of Guam, the Governor may guarantee the repayment of the
18 interim debt. The term of this interim debt shall be 36 months during which
19 period long term financing to pay off this debt shall be obtained by the Guam
20 Power Authority. The interim debt terms shall allow for an early payoff with
21 no pre-payment penalty after 6 months, and the interest rate thereon shall
22 not exceed a reasonable rate to Guam Power Authority (taking into account
23 taxability to the lender of the interest), not to exceed an annual actual
24 percentage rate of 10%. The appropriateness, terms, conditions, fees, and
25 interest rates of the debt shall be approved by the Public Utilities Commission.

1 All expenses and costs involved in the origination of the debt and in the
2 issuance of the letter of credit shall be the responsibility of the Guam Power
3 Authority, to be paid from the proceeds of said debt.

4 **Section 4.** Guam Power Authority is hereby granted a conditional use
5 permit to install a second 23-megawatt combustion turbine, together with
6 related auxiliary equipment, in Dededo at the site of the present Dededo
7 Combustion Turbine.

8 **Section 5. Legislative intent.** The Public Utilities Commission is
9 requested to act rapidly in its decision making process in giving approvals or
10 disapprovals as required by this Act or as required to implement new
11 generation facilities.

12 **Section 6. Attachment.** Attached to this Act is that letter of November
13 25, 1991 to the General Manager of the Guam Power Authority from MDI
14 Guam Corporation on the 23-Megawatt Combustion Turbine Generator.



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JAN 24 1992

REFER TO
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Speaker, Twenty-First Guam Legislature
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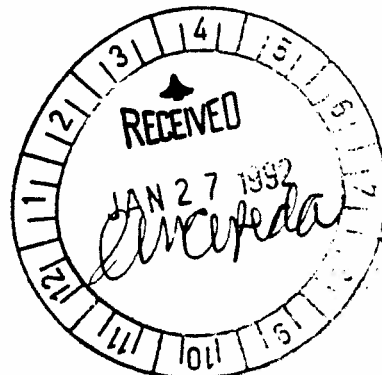
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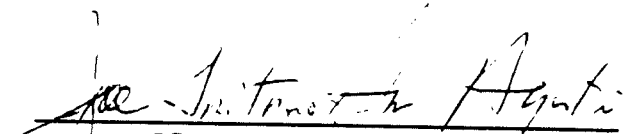
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TWENTY-FIRST GUAM LEGISLATURE
1992 (SECOND) Regular Session

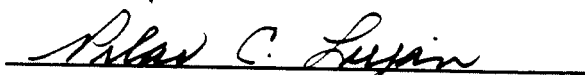
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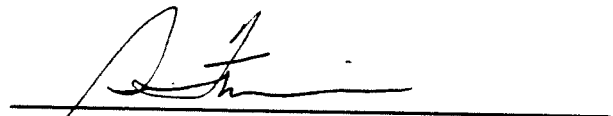
JOE T. SAN AGUSTIN
Speaker

Attested:



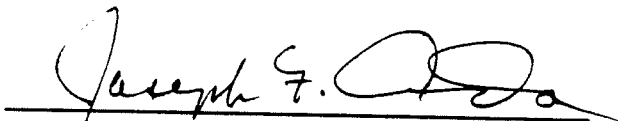
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Assistant Staff Officer
Governor's Office

APPROVED:



JOSEPH F. ADA
Governor of Guam

Date: JAN 24 1992

Public Law No: 21-74

TWENTY-FIRST GUAM LEGISLATURE
(1992) SECOND Regular Session

Bill No. 677 (COR)

As substituted by the
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13 25, 1991 to the General Manager of the Guam Power Authority from MDI
14 Guam Corporation on the 23-Megawatt Combustion Turbine Generator.



MDI Guam Corporation

November 25, 1991

Mr. John Benavente
General Manager
GUAM POWER AUTHORITY
Agana, Guam

RE: MANENGGON HILLS 23 MEGAWATT COMBUSTION TURBINE GENERATOR

Dear Mr. Benavente:

Thank you for your letter of November 19, 1991. MDI Guam Corporation appreciates your concern regarding the potential delay in placing the proposed 23 megawatt combustion turbine generator on-line for the Manenggon Hills Project. I believe it is appropriate and important that I explain MDI's position in this regard and examine for you the history of MDI's commitment to providing the combustion turbine generator.

At the outset, please be assured that MDI in no way desires to go back on any of its commitments which have been made to your agency or the people of Guam. It is our heartfelt desire that the Manenggon Hills Resort project go forward with all due speed and that it be a profitable operation which benefits not only MDI but the people on Guam in general, providing employment and recreational opportunities to thousands.

Nonetheless, MDI is in no different position than hundreds of corporations worldwide that have suffered the effects of continuing recessionary trends. You need only pick up a daily newspaper to see that development corporations such as MDI have been hard hit by declining economic trends. Indeed, Japanese companies have been even more adversely effected because of financial regulations presently in effect in Japan making it difficult, and often times impossible, to obtain financing for projects like the Manenggon Hills Resort.

Notwithstanding these problems, MDI intends to go forward and complete the project. But we must do so taking into account the current monetary constraints which effect MDI and many other companies. In short, we simply cannot spend money we do not have.

Letter to Mr. John Benavente
November 25, 1991
Re: Generator
Page 2

This in no way means cancellation or down-scaling of the Manenggon Hills Project. It simply means that we have had to schedule development of the project consistent with the availability of money. It is unfair to suggest that these economic realities are indicative of a failure of commitment on the part of MDI to the people of Guam.

In order to cope with monetary constraints we have revised our construction schedule so that the project will be constructed in phases. The initial phase will be smaller than originally planned and will certainly not demand the energy consumption reasonably anticipated by MDI and the Government of Guam at the outset of the project. During the construction of Phase I, MDI will not be in a position to expend the estimated \$22,000,000.00 necessary to purchase and construct the 23 megawatt power generation facility.

Our commitment to purchasing the combustion turbine and building the facility for GPA remains fully intact. However, it will have to be completed consistent with the availability of funds to the corporation. At this time we fully envision purchasing the generator and constructing the facility shortly after completion of Phase I of the project. Indeed, representatives from MDI will be meeting shortly with Turbotecnica officials in an effort to renegotiate the contract so that we will be able to delay purchase of the generator to a later time. It is not our intention to cancel the contract. We hope you understand our predicament.

In connection with the purchase of the generator, it is appropriate that we review the extent of MDI's commitment to the Government of Guam as well as your suggestion that power will not be available to the project upon completion of Phase I unless the generator is on line.

As you know, when we originally began negotiations in purchasing the power plant and turning it over to GPA, it was with the understanding that the generator would be used in an emergency capacity in times of complete power outages when the generator would be used to provide energy to the project. We agreed that we would minimize our power usage during critical outages to 16 megawatts and that the remaining power from the generator could be used by the people of Guam as GPA deemed appropriate. Quite frankly, your recent public and private statements would indicate that your expectations in this regard have changed. It appears now that GPA expects that the generator would be used on a regular basis as a peaking generator which may require operation of the facility 20% of the time. This is certainly not consistent with

Letter to Mr. John Benavente
November 25, 1991
Re: Generator
Page 3

what we believe to be our original discussions. Indeed, in a June 12 meeting last year, you indicated to MDI and others involved in the project that the generator would be used 5 to 10% of the time, during emergency situations.

Since MDI clearly desires to continue its commitment to purchasing the generator and constructing the necessary facilities for transfer to GPA, it is imperative that we agree on the extent and nature of the use of the facility. This is certainly reasonable in light of the substantial sums to be allocated to the facility which we originally planned only for use by the project.

MDI's position regarding the amount of usage to be made of the generation plant by GPA for non-MDI related requirements is negotiable but must be moderated by such considerations as the useable life of the facility and the noise and exhaust gasses associated with its operation so close to the residential units and golf courses. We believe the issue should be resolved promptly and we are willing to sit down and work with you on this issue. However, our willingness to go forward in this regard is certainly predicated on your willingness to assure us adequate power upon the completion of Phase I as well as an tolerant position by GPA regarding the necessary delay in purchasing and installing the generator.

I hope this addresses the concerns raised in your letter. I once again emphasize MDI's commitment to assisting GPA and the people of Guam with their power needs by purchasing the 23 megawatt combustion turbine, constructing the necessary facilities and turning them over to GPA. This commitment, of course, can only be accomplished through cooperation between both MDI and GPA and your understanding of the economic realities which face MDI and others in acquiring capital for development projects.

I propose that we meet immediately to discuss the following three (3) matters:

1. A reasonable delay on the purchase of the combustion turbine and construction of related facilities;
2. The usage time to be made of the generator by GPA and the purposes for such usage;
3. Assurances of power to MDI upon completion of Phase I of the project.

Letter to Mr. John Benavente
November 25, 1991
Re: Generator
Page 4

I look forward to resolving these issues promptly with you. I hope that our commitment toward assisting GPA will be met on your side by a cooperative and understanding attitude. A resolution of this matter can only help to serve the needs not only of MDI but all residents of the Territory of Guam.

Kindest Regards,


HAJIME HARADA

cc: Joseph F. Ada, Governor of Guam
Frank Blas, Lieutenant Governor of Guam
Joseph Duenas, PUC Chairman
David Sablan, GPA Board Chairman

SENATOR DON PARKINSON
21st GUAM LEGISLATURE
163 CHALAN SANTO PAPA STREET
AGANA, GUAM 96910

MAJORITY LEADER and CHAIRPERSON, COMMITTEE ON ENERGY, UTILITIES, AND CONSUMER PROTECTION

January 3, 1992

Honorable Joe T. San Agustin
Speaker, Twenty-First Guam Legislature
Temporary Building
155 Hesler St.
Agana, Guam 96910

Dear Mr. Speaker:

The Committee on Energy, Utilities and Consumer Protection wishes to report out its findings on **BILL NO. 677: (AS SUBSTITUTED BY THE COMMITTEE ON ENERGY, UTILITIES AND CONSUMER PROTECTION) AN ACT TO AUTHORIZE GUAM POWER AUTHORITY TO ARRANGE FOR THE PURCHASE, FINANCING AND DESIGN OF GENERATOR CAPACITY.**

The Committee's Voting Record is as follows:

TO PASS: 10
NOT TO PASS: 0
ABSTAIN: 1
TO PLACE IN
INACTIVE FILE: 0
Off-Island: 1

A copy of the Committee Report and other pertinent information are attached for your information.

Sincerely,



Senator Don Parkinson
Chairman, Committee on
Energy, Utilities and
Consumer Protection

COMMITTEE ON ENERGY, UTILITIES AND CONSUMER PROTECTION

VOTING SHEET ON:

BILL NO. 677: (AS SUBSTITUTED BY THE COMMITTEE ON ENERGY, UTILITIES AND CONSUMER PROTECTION) AN ACT TO AUTHORIZE GUAM POWER AUTHORITY TO ARRANGE FOR THE PURCHASE, FINANCING AND DESIGN OF GENERATOR CAPACITY.

<u>COMMITTEE ON MEMBERS:</u>	<u>INITIAL:</u>	<u>TO PASS:</u>	<u>NOT TO PASS:</u>	<u>ABSTAIN:</u>	<u>TO PLACE IN INACTIVE FILE</u>
Sen. Don Parkinson	<i>DP</i>	✓			
Sen. Herminia Dierking	<i>HD</i>	✓			
Sen. George Bamba	<i>GB</i>	✓			
Sen. Anthony Blaz	<i>AB</i>	✓			
Sen. Madeleine Bordallo	<i>MB</i>	✓			
Sen. Doris Brooks	<i>OFF-ISLAND</i>				
Sen. Gordon Mailloux	<i>G</i>	✓			
Sen. Marilyn Manibusan	<i>MM</i>	✓			
Sen. Martha Ruth	<i>Martha C. Ruth 1/16/92</i>				
Sen. Frank Santos	<i>FS</i>	✓			
Sen. Antonio Unpingco	<i>AU</i>			✓	
Spkr. Joe T. San Agustin	<i>JS</i>	✓			

REPORT OF THE COMMITTEE ON ENERGY,
UTILITIES AND CONSUMER PROTECTION ON BILL
NO. 677 (AS SUBSTITUTED BY THE COMMITTEE): AN
ACT TO AUTHORIZE GUAM POWER AUTHORITY TO
ARRANGE FOR THE PURCHASE, FINANCING AND
DESIGN OF GENERATOR CAPACITY.

PREFACE:

The Committee on Energy, Utilities and Consumer Protection conducted a public hearing on Thursday, December 19, 1991, at 10:00 a.m. in the Legislative Public Hearing Room on Bill No. 677 (As substituted by the Committee) AN ACT TO AUTHORIZE GUAM POWER AUTHORITY TO ARRANGE FOR THE PURCHASE, FINANCING AND DESIGN OF GENERATOR CAPACITY. The Committee Members present at the public hearing were: Senator Don Parkinson, Chairman; Senator Anthony Blaz, member; Senator George Bamba, member; and Senator Frank Santos, member.; Senator Martha Ruth, member.

TESTIMONY:

Mr David Sablan, Chairman, Guam Power Authority Board of Directors, appeared before the Committee to testify in favor of Bill No. 677, which is labeled Exhibit "A". Mr. Sablan testified in support of the passage of Bill No. 677 with some modification of Section 1 to read as follows: "Guam Power Authority is hereby authorized as sole source procurement to purchase from Turbotecnica a 23-megawatt combustion turbine for installation in the Island-Wide Power System at a price not to exceed \$10,500,000 to be negotiated by the Guam Power Authority." Mr. Sablan stated in his testimony that it is the Authority's intent to seek the \$10.5 million dollar loan in funds from a local bank for the purchase of the turbine with the letter of credit. Mr. Sablan pointed out that the design and construction costs for the installation should be recognized for this new turbine. Mr. Sablan said GPA's estimated costs for the project should be approximately \$20 million and that it would be needed by April 1, 1992, in order to assure the completion for the whole project. Furthermore, Bill 677 ensures no delays in the critically needed combustion turbine, but will provide authorization for long-term funding with which to retire short term loans. Mr. Sablan suggested that Bill 677 include a provision to either authorize an appropriation of \$20 million or the appropriate amount from the General Fund to repay the short term loan or authorize GPA to incur long-term debt of approximately \$30 million with the assumption that Revenue Bonds would be the

loan instrument used, and that the proceeds would include as a reserve fund, underwriter fees, enhancement costs (if any), bond counsel costs and all other costs normally associated with a bond issue. Mr. Sablan asked to clarify that Bill 677's references be made clear to any interested local banks that guarantee of the letter of credit should be revised to reference the loan being obtained to fund a letter of credit.

Mr. Carlos Taitano, Special Assistant, Office of the Governor, also submitted written testimony, which is labeled Exhibit "B". Mr. Taitano stated in his testimony that the Administration supports the efforts of the Guam Power Authority to expand its generation capacity, to supply the needs of the territory, although Bill 677 does not address the issue of financing the project to reduce impact on the customers of GPA. Mr. Taitano specified issues on the terms of Bill 677: 1. Bill 677 does not authorize interm financing in order to purchase the turbine, and that a line of credit would be needed to purchase a letter of credit that would be drawn down by the manufacturer as outlined in a purchase contract. As the drawdowns are made the bank would be repaid by the line of credit. A three year term is sufficient. 2. There is no provision for long-term financing to repay the interm financing. Long-term interest rates are currently very attractive. 3. There is no provision for financing the construction costs needed to install the turbine. Mr. Taitano stated that the Administration is willing to work with the Committee to address these issues.

COMMITTEE FINDINGS AND RECOMMENDATIONS:

The Committee on Energy, Utilities and Consumer Protection finds that Bill No. 677 (As substituted by the Committee on Energy, Utilities and Consumer Protection) will provide Guam Power Authority with the financial support needed to provide the rate payers of Guam with reliable power generation and rate stability they deserve. This reliability and stability will result from expanded generation capacity that will be provided by new generators purchased under Bill No. 677. Therefore, the Committee on Energy, Utilities and Consumer Protection of the 21st Guam Legislature recommends that Bill No. 677 be passed by the 21st Guam Legislature.

EXHIBITS:

- Exhibit "A" Written testimony from Mr. David Sablan,
Chairman, Guam Power Authority Board of
Directors
- Exhibit "B" Written testimony from Mr. Carlos Taitano,
Special Assistant, Office of the Governor
- Exhibit "C" Purchase Order/contract between Turbotecnica
and MDI Guam Corporation.
- Exhibit "D" Bill No. 21-677 As Introduced.
- Exhibit "E" Bill No. 21-677 As Substituted by the
Committee on Energy, Utilities and Consumer
Protection.
- Fiscal Note Pending.
- Exhibit "F" Witness Sign in Sheet Displayed during the
public hearing on December 19, 1991.

 **MDI** Guam Corporation

November 25, 1991

Mr. John Benavente
General Manager
GUAM POWER AUTHORITY
Agana, Guam

RE: MANENGGON HILLS 23 MEGAWATT COMBUSTION TURBINE GENERATOR

Dear Mr. Benavente:

Thank you for your letter of November 19, 1991. MDI Guam Corporation appreciates your concern regarding the potential delay in placing the proposed 23 megawatt combustion turbine generator on-line for the Manenggon Hills Project. I believe it is appropriate and important that I explain MDI's position in this regard and examine for you the history of MDI's commitment to providing the combustion turbine generator.

At the outset, please be assured that MDI in no way desires to go back on any of its commitments which have been made to your agency or the people of Guam. It is our heartfelt desire that the Manenggon Hills Resort project go forward with all due speed and that it be a profitable operation which benefits not only MDI but the people on Guam in general, providing employment and recreational opportunities to thousands.

Nonetheless, MDI is in no different position than hundreds of corporations worldwide that have suffered the effects of continuing recessionary trends. You need only pick up a daily newspaper to see that development corporations such as MDI have been hard hit by declining economic trends. Indeed, Japanese companies have been even more adversely effected because of financial regulations presently in effect in Japan making it difficult, and often times impossible, to obtain financing for projects like the Manenggon Hills Resort.

Notwithstanding these problems, MDI intends to go forward and complete the project. But we must do so taking into account the current monetary constraints which effect MDI and many other companies. In short, we simply cannot spend money we do not have.

Letter to Mr. John Benavente
November 25, 1991
Re: Generator
Page 2

This in no way means cancellation or down-scaling of the Manenggon Hills Project. It simply means that we have had to schedule development of the project consistent with the availability of money. It is unfair to suggest that these economic realities are indicative of a failure of commitment on the part of MDI to the people of Guam.

In order to cope with monetary constraints we have revised our construction schedule so that the project will be constructed in phases. The initial phase will be smaller than originally planned and will certainly not demand the energy consumption reasonably anticipated by MDI and the Government of Guam at the outset of the project. During the construction of Phase I, MDI will not be in a position to expend the estimated \$22,000,000.00 necessary to purchase and construct the 23 megawatt power generation facility.

Our commitment to purchasing the combustion turbine and building the facility for GPA remains fully intact. However, it will have to be completed consistent with the availability of funds to the corporation. At this time we fully envision purchasing the generator and constructing the facility shortly after completion of Phase I of the project. Indeed, representatives from MDI will be meeting shortly with Turbotecnica officials in an effort to renegotiate the contract so that we will be able to delay purchase of the generator to a later time. It is not our intention to cancel the contract. We hope you understand our predicament.

In connection with the purchase of the generator, it is appropriate that we review the extent of MDI's commitment to the Government of Guam as well as your suggestion that power will not be available to the project upon completion of Phase I unless the generator is on line.

As you know, when we originally began negotiations in purchasing the power plant and turning it over to GPA, it was with the understanding that the generator would be used in an emergency capacity in times of complete power outages when the generator would be used to provide energy to the project. We agreed that we would minimize our power usage during critical outages to 16 megawatts and that the remaining power from the generator could be used by the people of Guam as GPA deemed appropriate. Quite frankly, your recent public and private statements would indicate that your expectations in this regard have changed. It appears now that GPA expects that the generator would be used on a regular basis as a peaking generator which may require operation of the facility 20% of the time. This is certainly not consistent with

Letter to Mr. John Benavente
November 25, 1991
Re: Generator
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what we believe to be our original discussions. Indeed, in a June 12 meeting last year, you indicated to MDI and others involved in the project that the generator would be used 5 to 10% of the time, during emergency situations.

Since MDI clearly desires to continue its commitment to purchasing the generator and constructing the necessary facilities for transfer to GPA, it is imperative that we agree on the extent and nature of the use of the facility. This is certainly reasonable in light of the substantial sums to be allocated to the facility which we originally planned only for use by the project.

MDI's position regarding the amount of usage to be made of the generation plant by GPA for non-MDI related requirements is negotiable but must be moderated by such considerations as the useable life of the facility and the noise and exhaust gasses associated with its operation so close to the residential units and golf courses. We believe the issue should be resolved promptly and we are willing to sit down and work with you on this issue. However, our willingness to go forward in this regard is certainly predicated on your willingness to assure us adequate power upon the completion of Phase I as well as an tolerant position by GPA regarding the necessary delay in purchasing and installing the generator.

I hope this addresses the concerns raised in your letter. I once again emphasize MDI's commitment to assisting GPA and the people of Guam with their power needs by purchasing the 23 megawatt combustion turbine, constructing the necessary facilities and turning them over to GPA. This commitment, of course, can only be accomplished through cooperation between both MDI and GPA and your understanding of the economic realities which face MDI and others in acquiring capital for development projects.

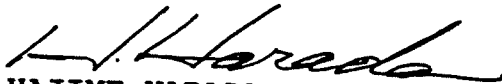
I propose that we meet immediately to discuss the following three (3) matters:

1. A reasonable delay on the purchase of the combustion turbine and construction of related facilities;
2. The usage time to be made of the generator by GPA and the purposes for such usage;
3. Assurances of power to MDI upon completion of Phase I of the project.

Letter to Mr. John Benavente
November 25, 1991
Re: Generator
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I look forward to resolving these issues promptly with you. I hope that our commitment toward assisting GPA will be met on your side by a cooperative and understanding attitude. A resolution of this matter can only help to serve the needs not only of MDI but all residents of the Territory of Guam.

Kindest Regards,



HAJIME HARADA

cc: Joseph F. Ada, Governor of Guam
Frank Blas, Lieutenant Governor of Guam
Joseph Duenas, PUC Chairman
David Sablan, GPA Board Chairman



Territory of Guam
Territorion Guam

OFFICE OF THE GOVERNOR
UFISINAN I MAGA'LAHI
AGANA, GUAM 96910 U.S.A.

JAN 08 1992

The Honorable William Don Parkinson
Chairman, Committee on Energy, Utilities
and Consumer Protection
Twenty-First Guam Legislature
155 Hesler Street
Agana, Guam 96910

Dear Mr. Chairman:

Thank you for advising me about the Committee of the Whole meeting today.

As you are aware, we now have an opportunity to obtain a 23 megawatt combustion turbine, which will serve the power generation needs of our people of Guam. As you are also aware, these needs have grown tremendously over the past year, to the point that it is vital that we take whatever steps are necessary to ensure sufficient power generation for the needs of our people.

Accordingly, I am in support of Substitute Bill No. 677 with the following change:

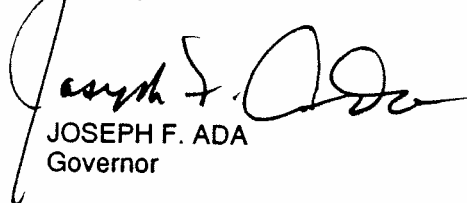
On page 3 at line 15 insert the following sentence: "On behalf of the Government of Guam, the Governor may guarantee the repayment of the interim debt."

I have asked Mr. John Benavente, General Manager of the Guam Power Authority, to present the administration's viewpoint at the session hall today. Mr. Benavente will also be prepared to address any other concerns related to this bill which GPA may have.

Mr. Chairman, your immediate attention to this vital matter is most appreciated. Let me assure you that if passed, I will be pleased to sign this bill swiftly into law in order that the immediate needs of our people may be addressed. To that end, I would urge you and your colleagues to please refrain from adding anything to this vital bill which may prevent me from judging it on its own individual merits.

Thank you again and Si Yu'os Ma'ase.

Cordially,


JOSEPH F. ADA
Governor

URGENT

PIGNONE INC. FAX #: (212) 246-0009

DATE: January 8/1992

TELECOPIER #: 011-671-472 1987

TO: M.J. BENAVENTE

OF (COMPANY NAME): G.P.A.

LOCATION: GUAM (AGANA)

FROM: PIGNONE INC. M. SONCINI

REF. NO: 92/21

NUMBER OF PAGES: Cover Sheet + -9-

Subject: Purchase order between Turbotecnica and M.D.I. M5 5001,22 MW,
Gasturbibe Generator Set.

Dear Sirs,
Following your fax dated January 8,1992, we confirm that nobody is
getting a commission out of the purchase order signed between Turbo-
tecnicca and M.O.I. on May 31,1991.

Best regards,

Mario Soncini

Mario Soncini
E.V.P.

McCULLY, LANNEN, BEGGS & MELANCON, P.C.
ATTORNEYS AT LAW

DUNCAN G. McCULLY
THOMAS J. LANNEN
MARK S. BEGGS
JEAN MELANCON
KEVIN J. FOWLER
MELINDA C. SWAVELY, OF COUNSEL

SUITE 1004 PACIFIC NEWS BUILDING
238 ARCHBISHOP FLORES STREET.
AGANA, GUAM 96910

TELEPHONE:
(671) 477-7418/7283

TELECOPIER:
(671) 472-1201

January 8, 1992

Mr. John Benavente
General Manager
GUAM POWER AUTHORITY
Agana, Guam

RE: MDI/TURBOTECHNICA CONTRACT

Dear Mr. Benavente:

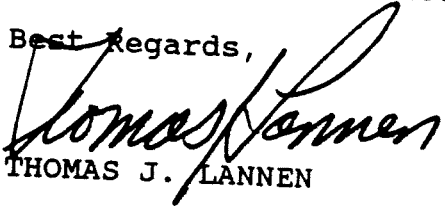
As you know, this office represents MDI Guam Corporation. Mr. Harada received your memorandum of January 8, 1992 in connection with whether any commissions were paid arising out of the purchase order between Turbotechnica and MDI, and he has asked that I respond to it.

This office was involved in the negotiation and drafting of both the initial contract with Turbotechnica and the subsequent agreement allowing assignment of the generator to GPA. All negotiations occurred directly with Turbotechnica. There were no intermediaries.

No one has received any commission, bonus, payment or other incentive of any form arising out of either the original Turbotechnica/MDI Purchase Order or the agreement executed in December, 1991, regarding the assignment of the generator to GPA.

Please don't hesitate to contact me if I can be of any further assistance in this matter.

Best Regards,


THOMAS J. LANNEN

cc: Don Parkinson, Majority Leader
and Chairperson, Committee on
Energy, Utilities and Consumer
Protection
Mr. Hajime Harada

TJL:dac F#1895-
1/tjl/ltr.jbenav.gpa

GOVERNMENT OF GUAM
OFFICE OF THE GOVERNOR

QUALIFYING CERTIFICATE

No. 209

PREAMBLE

THIS IS TO CERTIFY that MIYAMA GUAM INCORPORATED (the "Corporation") a corporation created and existing under and by virtue of the laws of the Territory of Guam, has qualified for and is hereby GRANTED the following tax rebates and abatements payable to the Government of Guam, pursuant to Sections 2414-2417 of Chapter 2, Title 12 of the Guam Code Annotated.

TAX REBATES

The following tax rebate and abatement are issued subject to the Conditions and limitations set forth in this Certificate:

- 1) A Seventy-Five Percent (75%) Corporate Income Tax Rebate for a period of twenty (20) years from the effective date of this Certificate.
- 2) A One Hundred Percent (100%) Real Property Tax Abatement on Lot No. 177-4-1-NEW, Municipality of Yona, Guam and Lot No. 5052-6-NEW, Tumon/Tamuning, Municipality of Dededo, Guam for a period of ten (10) years from the effective date of this Certificate.

AUTHORITY FOR ISSUANCE

This Certificate is issued upon the recommendation of the Board of Directors of the Guam Economic Development Authority (the "Authority") in accordance with the provisions of Chapter 2, Title 12 of the Guam Code Annotated. Neither this Qualifying Certificate nor its benefits may be transferred, assigned, or conveyed to another person, firm, partnership, or corporation without the written permission of the Guam Economic Development Authority and the approval of the Governor of Guam being first obtained. For purposes of this Certificate, a "transfer" of benefits shall have occurred at any time that there is a transfer of a majority of the voting stock of the Corporation resulting in a change in the identity of the shareholders who control the Corporation, a transfer of a majority of the voting stock of a parent corporation which results in an effective change in the control of the Corporation or a transfer of a substantial part of the assets of the Corporation.

CONDITIONS

This Certificate is issued with the conditions that, at all times, the Corporation strictly comply with the following terms and limitations and fulfill the representations set forth in its application for this Certificate. This Certificate is further issued in reliance upon the truth and accuracy of the representations of the Corporation's application:

- 1) COMPLIANCE WITH LAWS, RULES, AND REGULATIONS: Strict compliance by the Corporation with the laws of Guam and the rules and regulations of its various agencies including those provided at 12 GCA 2401-2425 and the rules and regulations of the Authority. The Authority reserves the right to, from time to time, adopt additional rules and regulations which will supplement and clarify the purpose and intent of this Certificate.

- 2) DESCRIPTION OF THE DEVELOPMENT:

The Corporation shall construct the following improvements (collectively referred to as "the Development") within the Territory:

- a) A resort facility consisting of a Two Hundred (200) room first class hotel, with a total area of approximately 5,438,630 square feet, with a water amusement park, golf course, various sports facilities, convention center, retail shops and other related tourist and recreation facilities as set forth in Exhibit A, all to be located on the following real property and to be consistent with the description set forth in the Corporation's application:

Lot No. 177-4-1-NEW, Municipality of Yona, Guam with an area of 5,205,256 square meters.

- b) A Three Hundred Eighty-Two (382) room first class hotel, with a total area of approximately 650,000 square feet, with related tourist and recreation facilities to be located on the following real property and to be consistent with the

description set forth in the Corporation's application:

Lot No. 5052-6-NEW, Tumon/Tamuning, Municipality of Dededo, Guam with an area of 20,582 square meters.

The Lots described in Condition 2(a) and 2(b) shall be further referred to as "the Property".

3) INCOME SUBJECT TO THIS CERTIFICATE:

- a) The tax rebate established by this Certificate shall only apply to the tax paid on income received by the Corporation from the operation of the Development, however, it shall not apply to the income received from the operation of the golf course. A minimum fee will be accrued as income for each round of golf played equal to the minimum local user charge.
- b) The tax rebate established by this Certificate shall not apply to the tax paid on income received from the passive investment of retained earnings, the sale of capital stock, gain from the sale of real or personal property outside of the ordinary and regular operation of the hotel and resort facility, gain from the operation of golf courses, litigation gain, the operation of the type of facilities not described in Condition 2 and identified on the plans and specifications referred to in Condition 4, capital gains, or the operation of facilities not located on the Property.
- c) The real property tax abatement granted by this Certificate shall be limited to taxes assessed against the Property.
- d) The tax rebate established by this Certificate shall only apply to the income received from the sale of housing units if, at the time of sale, the housing units are to be used exclusively for transient tourist rental for a minimum of ten years or otherwise irrevocably committed by the owner to a rental-pool arrangement. The income from the sale

of housing units not immediately placed in a rental pool shall not be subject to rebates. The Corporation shall offer for sale a minimum of Twenty percent (20%) of the housing units to local residents at a conditional reduced price.

4) SUBMISSION OF SCHEDULE OF CONSTRUCTION AND PLANS AND SPECIFICATIONS:

a) Within Sixty (60) days of the issuance of this Certificate, the Corporation shall submit to the Authority for its approval a schedule of the construction of the Development which shall include dates for the following for each phase or element of the Development:

- i. Completion of the plans and specifications.
- ii. Completion of financing agreements.
- iii. Selection of construction contractor.
- iv. Issuance of a building permit.
- v. Completion of site preparation.
- vi. Commencement of construction.
- vii. Substantial completion.
- viii. Commencement of operations.

b) Prior to the commencement of construction, the Corporation shall submit to the Authority for its approval final plans and specifications for the Development which shall be substantially consistent with the description contained in the application.

5) EFFECTIVE DATE OF THIS CERTIFICATE: The tax rebate and abatement created by this Certificate shall commence on its effective date. The effective date shall be the date of the certification by the Authority that the Development has been completed in substantial compliance with the plans and specifications and that the Corporation has commenced the operation of the two hotels referred in Condition 2. In no event shall this certification of completion and the commencement of operations be issued by the Authority more than thirty-six (36) months from the issuance of this Certificate.

- 6) **COMMENCEMENT OF OPERATIONS:** The Corporation shall commence operations of the two hotels at each of the sites on the Property within thirty-six (36) months from the date of issuance of this Certificate. Failure to commence operations within thirty-six (36) months shall be cause for this Certificate to be void and of no force and effect. The Corporation shall have substantially completed and have commenced the operations of all of the other elements and facilities of the Development as set forth in Condition 2, within seventy-two (72) months of the issuance date. The Authority shall consider requests for extensions from the Corporation for delays over which the Corporation has no control.
- 7) **EMPLOYMENT OBLIGATIONS:**
- a) At the time of the effective date of this Certificate and at all times thereafter, the Corporation shall maintain a minimum work force of no less than Eight hundred (800) full-time equivalent employees and within three years of the effective date of this Certificate the minimum work force shall increase to One Thousand Five Hundred (1500) full time equivalent employees of which no less than seventy-five percent (75%) shall be citizens or permanent resident aliens of the United States.
 - b) The percentage of employees which shall be citizens or permanent resident aliens of the United States shall increase at the end of the fifth year following the effective date to eighty-five percent (85%) of the workforce and at the end of the tenth year shall be ninety percent (90%) until the expiration of the terms of this Certificate.
 - c) The percentage of workers which shall be citizens or permanent residents shall apply to each level or hierarchy of employees within the Corporation including management. The percentage requirements shall apply with equal force to any independent management company with whom the Corporation may contract to run part or all of the Development and such requirements shall be part of any such contract between the Corporation and a management company.

The Authority shall, in the exercise of its reasonable good faith judgement, be the sole judge of what constitutes the various labor and management levels within the Corporation.

- d) Prior to the effective date of this Certificate, the Corporation shall submit for the Authority's approval a plan showing the various employee positions of the Corporation and whether the positions shall be held by citizens or permanent residents of the United States or any foreign nationals. Upon a showing of cause, the Authority shall have the power to modify or suspend the percentage requirements applicable to the highest management positions of the Corporation, but only for the first four years following the effective date, after which the Corporation shall have the required percentage of its highest management positions (including those filled by an independent management company) be citizens or permanent residents of the United States.
 - e) The Corporation acknowledges that at the time of the issuance of this Certificate a projected shortage of U.S. citizens and permanent resident employees is anticipated. The burden of training and otherwise creating a qualified local work force is with the Corporation and the future unavailability of qualified employees, management or otherwise, may in the Authority's discretion result in the cancellation of this Certificate and a loss of benefits.
- 8) CONSTRUCTION OF AFFORDABLE HOMES:
- a) The Corporation shall, design, plan and construct Two hundred (200) houses (further referred to as "the Housing Development") on public land to be sold, at no profit to the Corporation, by the Authority. The Corporation shall be responsible for all necessary government approvals, for the completion of all necessary civil work and for the installation of all infrastructure; such as, roads, side walks, curbs, parkways, landscaping, traffic signs, water, power, telephone and sewage disposal. The Authority shall

assist with all internal Government of Guam regulations and approvals to the completion of the Housing Development.

- b) Prior to the effective date of this Certificate, the Authority shall identify public land suitable for the development of Two hundred (200) single family dwellings. The Corporation shall provide to the Authority a general and basic concept and site plan for the housing development subject to approval by the Authority.
 - c) After approval of the general concept by the Authority, the Corporation shall promptly provide the Authority with preliminary drawings setting forth the floor plans, elevations and site layout, as well as its estimated construction cost for the approval by the Authority.
 - d) Prior to the effective date, the Corporation and the Authority shall have negotiated a mutually agreeable construction cost, completion date and other terms. Notwithstanding the effective date, the Corporation shall receive no tax benefits until this Condition is met.
 - e) Prior to the commencement of construction, the Corporation shall submit to the Authority, for its approval, final working plans and specifications for the housing development.
 - f) The Authority shall arrange for the sale of each house to a qualified buyer. The construction of the house shall be on a turn-key basis and the Corporation shall not be entitled to any payment until the time of closing of the sale to the qualified buyer.
- 9) INVESTMENT OF TAXABLE INCOME ON GUAM:
- a) For all periods for which this Certificate is in effect the Corporation shall invest and/or retain within the Territory of Guam Seventy-five percent

(75%) of its taxable income, net of income tax paid to the Government of Guam.

- b)
 - i) For purposes of this Condition the "Taxable income" of the Corporation shall be that amount which appears on the corporation's filed income tax form 1120.
 - ii) For purposes of this Condition the phrase ". . . retain within the Territory of Guam" shall mean the deposit of and retention of money with a financial institution doing business on Guam.
 - iii) For purposes of this Condition, the phrase "invest . . . within the Territory of Guam" shall mean the acquisition, construction, improvement or maintenance of real or personal property placed into service within the Territory of Guam; the payment of dividends to shareholders who are citizens or permanent residents of the United States and who are residents of Guam; or such other investment into a commercial activity licensed to do business within the Territory of Guam which employs Guam residents and provides goods or services to the Territory.
- c) The Corporation shall have the burden of proving the qualified investment of taxable income consistent with this Condition. Annually, as part of the financial information submitted to the Authority under Condition 15, the Corporation shall set forth and describe the qualified retention or investment of its taxable income.
- d) The purpose of this Condition is to prevent the expatriation of profits by the Corporation outside of the Territory of Guam. In exchange for the substantial tax benefits granted by this Certificate, the Corporation agrees to further promote the

economic development of the Territory of Guam by investing or retaining Seventy-five (75%) of its taxable income within the Territory, for all periods for which this Certificate is in effect.

10) CONCESSION LEASES: Prior to the effective date, the Corporation shall identify to the Authority which areas of the Development it intends to lease for the operation of stores and other facilities and which services it intends to have provided under independent contract, such as cleaning services, security, grounds maintenance and other services. The Corporation shall use its best efforts to lease concession space to and to contract for services with local businesses. In any event, the Corporation shall lease no less than Sixty percent (60%) of its concession space and contract for no less than Sixty percent (60%) of its services with local businesses. In no event shall any one individual or businesses (including subsidiaries and affiliates) lease or control more than Fifty percent (50%) of the concession space which the Corporation has for lease. For purposes of this section "local business" shall mean businesses which are owned at least Sixty percent (60%) by U.S. citizens or permanent residents of the United States who are also residents of Guam. Annually, the Corporation shall identify to the Authority to whom it has leased concession space and with whom it has contracted. The Corporation shall have the burden of establishing that its lessees and contractees are local businesses.

11) LOCAL ACCESS AND RULES:

a) At all times the Development shall be open, available and accessible to all residents of Guam. The Corporation shall facilitate and encourage residents of Guam to use all of the facilities referred to in Condition 2, including golf. The Corporation shall establish, with the approval of the Authority, a reservation and use policy which assures that all residents who wish to use any of the facilities of the Development have a reasonable opportunity to do so on a day-use basis. This policy shall apply to all

independent concession lessees or contractees, such as restaurants or sports facility operators, and shall be included within the lease or contract.

- b) At all reasonable times the Corporation shall allow public passage through its Tumon hotel facility to allow transit between the beach area and Pale San Vitores Road. The Corporation shall not charge a fee for this passage and shall at all times allow, at no cost, public use of its sandy beach areas.
 - c) The Corporation shall at all times assure that in exchange for the substantial tax benefits granted by this Certificate, the residents of Guam are able to use and enjoy all of the facilities at the Development and to assure that they are not excluded because of price or unavailability, due to off-island tourist use. Additionally a special reduced local rate for the purchase of residential units shall be offered by the Corporation to residents of Guam.
- 12) **PROGRESS REPORTS:** No later than the 15th day of each month the Corporation shall submit to the Authority a progress report, as described in the Application's Master Certificate at Section K (GEDA Form-45), which shall cover the Corporation's operations for the previous month. The Authority may, from time to time modify or expand the information required in the monthly progress report.
- 13) **ACCESS TO THE DEVELOPMENT:** The Authority shall at all reasonable times have access to the Development including its books, records, financial statements and tax returns as well as to the facilities and all other aspects of its operations, as may from time to time be requested by the Authority.

- 14) **AVOIDANCE OF EXISTING INCOME TAX:** No part of the Corporation's operation shall serve as a device for the elimination or reduction of any existing income tax liability due or to be due to the United States or to Guam.
- 15) **SUBMISSION OF FINANCIAL STATEMENTS:** At all times complete and accurate financial records shall be maintained by the Corporation at the property and shall be available to the Authority. Within one hundred twenty (120) days after the end of its fiscal year, the Corporation shall submit to the Authority audited financial statements. Certified copies of the Corporation's income tax return for that period shall be submitted after timely filing. On a showing of cause, the Authority may accept unaudited annual financial statements which have been certified to as true and accurate by the President and Treasurer of the Corporation.
- 16) **EMPLOYEE TRAINING:**
 - a) The Corporation shall participate in the Hotel/Restaurant Industry Apprenticeship Program administered by the Guam Community College or such other agency of the Government of Guam, as provided in 12 GCA 2408.1. The Corporation shall also participate in and support hotel management education programs established by the University of Guam. The Corporation shall give preference to employing graduates of the Apprenticeship Program and the University of Guam program.
 - b) Within six (6) months of the effective date of this Certificate and annually thereafter, the Corporation shall submit to the Authority for its approval a plan and specifications for an in-house employee and management training program to be administered by the Corporation to the end that U.S. Citizens and

Permanent Resident employees are taught new skills to be used in the hotel/restaurant industry and shall within a reasonable period of time replace the manager and other officers and employees of the Corporation who are not U.S. Citizens or Permanent Resident, as provided by 12 GCA 2408. The plan shall be submitted for review to the Department of Labor and such other Government of Guam agencies as shall, from time to time, be designated by the Authority.

- 17) ACCESS TO HANDICAPPED: The Corporation shall make its premises structurally accessible to the handicapped, and the Corporation shall undertake an affirmative action program to hire the disabled. A copy of the Corporation's Affirmative Action Plan shall be submitted to the Authority before the effective date and annually thereafter.
- 18) PROFIT SHARING/RETIREMENT PLAN: The Corporation shall develop a Profit Sharing/Retirement Plan for the benefit of all employees to be implemented after approval by the Authority, but before commencement of operations. The Authority shall adopt by Board Resolution a policy statement describing the general requirements of a Profit Sharing/Retirement Plan that will be acceptable to the Authority. The Plan shall conform to such requirements as are adopted by the Authority. The Corporation shall submit such Plan to the Authority at least One Hundred Eighty (180) days prior to the commencement date of the operation of the Development. The Authority shall have Eighty (80) days to review and approve/disapprove such Plan.
- 19) ADOPT A "PARK" PROGRAM: The Corporation shall participate in the Authority's Adopt a Park Program by constructing and maintaining improvements in a public park at the Corporation's expense of not less than One Million dollars (\$1,000,000.00) over the term of the Certificate as follows:
 - a) Within thirty (30) days of the issuance date of this Certificate the Corporation shall adopt "Puntan dos

Amantes" park which requires improvements and shall communicate to the Authority the general scope of improvements proposed for the park.

- b) Within ninety (90) days of receipt of the Authority's approval of the improvements, the Corporation shall submit to the Authority, for its approval, preliminary drawings setting forth the design, layout and scope of the proposed park improvement in satisfactory detail including the determination of day to day maintenance versus major park upkeep.
 - c) Within ninety (90) days of the Corporation's receipt of the Authority's written approval of the preliminary layout and design, the Corporation shall submit to the Authority final working plans and specifications for the improvement which include shop drawings or manufacturer's brochures of all park fixtures being installed.
 - d) Within ninety (90) days of the receipt of the Authority's written approval of the final plans and specifications, the Corporation shall deliver to the Authority an executed construction contract for the completion of the improvement and it shall commence the construction of the improvements. In no event shall the contract provide for a construction period of more than one hundred eighty (180) days and the Corporation shall require its contractor to provide it with performance and payment bonds in a form satisfactory to the Authority.
 - e) The Corporation may, as part of its improvement of the park, construct an appropriate sign or plaque, to be approved by the Authority, announcing that the park was improved and maintained by the Corporation.
- 20) USE OF SPORTS FACILITIES: The Corporation shall on a regular basis make all of its sports facilities as set forth in Condition 2, except golf and bowling facilities, available for the use of non-profit sports

associations and schools for championship tournaments, at no cost.

21) LOCAL PURCHASES:

- a) In its procurement of the goods and services necessary to operate the Development, the Corporation shall at all times give preference to those goods and services which are available from local businesses. The Corporation shall purchase from a local business any goods or services for which they expend more than Thirty Thousand dollars (\$30,000.00) per annum, unless the Corporation proves to the Authority that the goods or services are not available from a local business. A "local business" is defined as one whose ownership is at least Sixty Percent (60%) comprised of U.S. citizens or Permanent resident aliens who are residents of Guam. Any representative of a local business may submit to the Authority it's written complaint that the Corporation is not complying with this provision. The Corporation shall then have the burden of proving to the Authority that the aggrieved local business cannot provide the necessary goods or services at a price within Fifteen percent (15%) that provided from the off-island source. The Authority shall have the final discretion in determining whether or not the Corporation shall have complied with the intent of this Condition. The Corporation shall provide for an outlet for the sale, display, and promotions of locally manufactured goods bearing the Guam Product Seal.
- b) The purpose and intent of this Condition is to allow U.S. citizens and permanent residents who are residents of Guam to regularly do business with the Corporation. The Corporation shall not discriminate against any business based upon race, nationality or religion. The fact that a good or service is familiar to the patrons of the Development or that the off-island business has previously provided the good or service shall not be a valid basis for

refusing to purchase a relatively comparable good or service from a local business.

22) CHAMORRO HERITAGE FOUNDATION:

- a) Annually on the anniversary of the effective date of this Certificate the Corporation shall pay to the Authority an amount equal to one half of one percent (0.5%) of its gross income not to exceed One Hundred Thousand dollars (\$100,000.00) for the previous one year period to be deposited into the Chamorro Heritage Foundation and to be used to promote and to preserve the Chamorro culture. The maximum set forth above shall increase by One Hundred Thousand dollars (\$100,000.00) each five (5) year period following the effective date.
- b) Prior to the first anniversary of the effective date the Authority shall establish, by rule, procedures for the administration and use of the Chamorro Heritage Foundation. The administrator of the Foundation shall be selected by the Board of the Authority.
- c) The Foundation shall only be used to promote and preserve the Chamorro culture though, as examples, contributions to various programs of the University of Guam, the promotion and preservation of the Chamorro language, food, dance and music, the promotion of various art forms within the Territory, the preservation of historical artifacts and sites and the improvement of the various public parks within the Territory. Contributions in excess of the percentage above may be applied against future year contributions.

23) ARTIFACT PRESERVATION: The Corporation shall comply with all laws, rules and regulations established by the Government of Guam, all of its agencies, relative to the preservation of historical artifacts and sites.

24) USE OF CONVENTION CENTER: At least four times each year the Corporation shall make the Convention Center available for use by non-profit or Government of Guam

organizations to produce and stage various presentations, conventions, or programs, to raise funds or otherwise. Any use of the Development shall be reasonable. The Corporation shall not charge rent for the use of the Convention Center but may recover any reasonable expenses incurred by it in the holding of the presentation or convention, such as the time of its employees, damage to the facilities, power used or other expenses incurred. The Corporation shall have final control and supervision over the use of the Development, but the selection of appropriate non-profit or Government of Guam organizations and the presentations shall be mutually agreed upon by the Corporation and the Authority.

- 25) **CERTIFICATION OF PERFORMANCE:** The Authority shall certify to Department of Revenue and Taxation the performance by the Corporation of the terms and conditions of this Certificate. The Authority's certification must accompany any request for tax rebate made to the Department of Revenue and Taxation by the Corporation.
- 26) **DEFAULT AND FALSE REPRESENTATIONS:**
- a) In the event that any representation contained in the Corporation's application shall be subsequently determined by the Authority to have been materially false then this Certificate shall be void ab initio.
 - b) In the event that the Corporation shall fail to comply with any of the terms and conditions of this Certificate, as determined by the Authority, then the Corporation shall lose the tax benefits of this Certificate for the offending calendar year only, unless the Corporation shall fail to promptly correct its non-conformance after notice from the Authority or shall fail to comply with these terms in two or more calendar years. In which case the Certificate shall be void and of no further force or effect.
- 27) **MERGER PROVISIONS:** This Certificate, when properly executed, shall be a contract between the Government of

Guam and the Corporation. All of its terms and provisions are set forth herein and all understandings and agreements between the Corporation and the Authority are merged herein. Any amendment or modification of this Certificate must be in writing and in full compliance with law and regulations of the Authority.

ADDITIONAL CONDITIONS

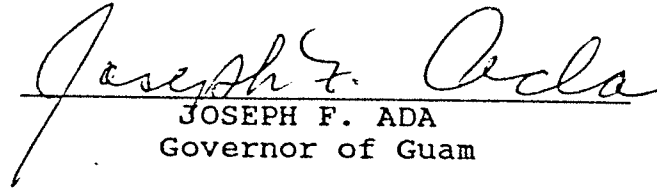
This Certificate is further conditioned upon the strict observance by the Corporation of all requirements of Chapter 2, Title 12 of the Guam Code Annotated and the Rules and Regulations promulgated thereunder, and upon substantial compliance by the Corporation with all representations made in the Corporation's application, Case No. 1140, filed with the Authority.

GROUND FOR REVOCATION


Failure by the Corporation to comply with any of the foregoing conditions shall be grounds for revocation of this Certificate.

EXECUTION

IN WITNESS WHEREOF, I have hereunto subscribed my name officially as Governor of Guam, at the City of Agana, in the Territory of Guam, this 13th day of April, 1990, A.D.


JOSEPH F. ADA
Governor of Guam

APPROVED AS TO FORM:


ELIZABETH BARRETT-ANDERSON
Attorney General

Date: 4/10/90

EXHIBIT A

1. The hotel will include: first class restaurants, coffee shops, athletic gyms, meeting facilities, banquet facilities, pools, tennis courts, parking, retail shops, and other related facilities.
2. Golf courses with clubhouse, lockers etc. 27 holes designed by Jack Nicklas, 18 holes designed by Arnold Palmer.
3. Village center including markets, stores, bank, gas station, medical facilities, laundry, etc.
4. Convention center with capacity for 3,000 people.
5. Swimming club - 50 meter olympic pool, diving pool, restaurant, lockers other facilities.
6. Tennis club - 2 center courts, 18 practice courts, lights for night play, restaurant, lockers other facilities.
7. Bowling facility - 36 lanes, restaurant, lockers.
8. Baseball stadium with lights, larger than the Paseo field with lockers, food concessions, others.
9. Multipurpose field with lights for softball, soccer, etc.
10. Treehouse village - "Robinson Crusoe" hotel accommodations built in trees.
11. School site - property available on site to be used free by Gov. Guam for future school site.
12. Paintball field - Recreational use.
13. Horse stables and trails.
14. Water Amusement park
 - Lake with wave making machine
 - Water slides
 - Scuba pools
15. Latte park picnic area.
16. Lake for fishing and water recreation.
17. Chapel for religious services.
18. Aviary and botanical gardens.
19. Train.



GUAM POWER AUTHORITY

Board of Directors



December 19, 1991

Senator Don Parkinson
Chairman, Committee on Energy,
Utilities & Consumer Protection
21st Guam legislature
Agana, Guam m 96910

RE: BILL NO. 677

Dear Senator Parkinson:

GPA has reviewed Bill No. 677 and supports its passage as soon as possible. Attached is a copy of my letter to the Turbotecnica representative and as you will note, Turbotecnica will require a letter of credit for \$9.5 million (\$1.425 Million to be paid out at signing of contract) to be in place at the end of January 1992. This turbine is extremely important to the Island Wide Power System, especially since the Manenggon project has been delayed by approximately one year.

I will note, however, that Section 1 should be modified to read as follows:

Guam Power Authority is hereby authorized as sole source procurement to purchase from Turbotecnica a 23-megawatt combustion turbine for installation in the island-Wide Power System at a price not to exceed \$10,500,000 to be negotiated by Guam Power Authority.

Although the Authority will seek the \$10.5 million in loan funds from a local bank to purchase the turbine under the letter of credit, it is necessary to also recognize the design and construction costs to actually install this new turbine. GPA estimates that the project cost should be approximately \$20 million and will be needed by April 1, 1992. We suggest that the General Fund guarantee be increased to at least \$20 million so that funding for the whole project will be available and its completion will be assured. [NOTE: This amount does not include any interest to be paid during the construction phase. GPA typically includes such interest costs as part of the loan amount. The actual loan amount needed for this short term loan will be dependent on the drawdown timetable and the bank's interest rate and payment terms.]

Further, Bill 677 is designed primarily to ensure no delays in getting this next critically needed combustion turbine, but should provide for at least the authorization for long term funding with which to retire these short term loans. We would suggest that the Bill include provisions to either authorize an appropriation of \$20

Exhibit "A"

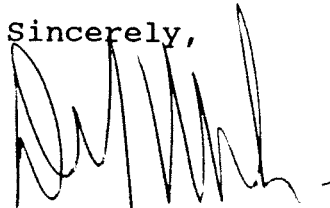
DECEMBER 19, 1991

million (or the appropriate amount) from the General Fund to repay the short term loan or authorize GPA to incur long term debt of approximately \$30 million. This \$30 million assumes that Revenue Bonds would be the loan instrument used, and that the bond proceeds would include such items as a reserve fund, underwriter fees, enhancement costs (if any), bond counsel costs and all other costs normally associated with a bond issue.

For clarity, Bill 677's references to a guarantee of the letter of credit should be revised to reference the loan being obtained to fund the letter of credit. This would ensure that the bill's intent to guarantee the loan needed to purchase the letter of credit is made clear to any interested local banks.

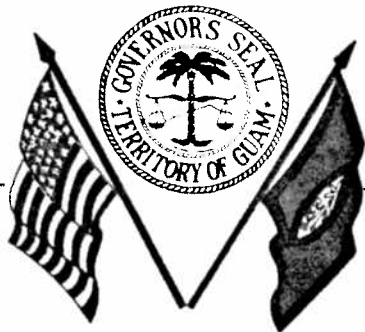
We appreciate your support in introducing this legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "David J. Sablan", with a horizontal line extending to the right.

DAVID J. SABLAN
CHAIRMAN

ATTACHMENT



Territory of Guam
Territorio Guam

OFFICE OF THE GOVERNOR
UFISINAN I MAGA'LAHI
AGANA, GUAM 96910 U.S.A

Testimony for Bill 677

Senator Parkinson & Members of the Committee on Energy, Utilities, and Consumer Protection

I would like to submit Testimony on Bill 677 An Act to Authorize Guam Power Authority to Arrange for the Purchase, Financing and Design of Generator Capacity.

The Administration supports the efforts of the Guam Power Authority to expand its generation capacity to supply the needs of the Territory. However Bill 677 does not fully address the issue of financing the project to reduce the impact to the customers of GPA.

Specifically:

1. The Bill does not authorize interm financing in order to purchase the turbine. A line of credit would be needed to purchase a letter of credit that would be drawn down by the manufacturer as outlined in a purchase contract. As the drawdowns are made the bank would be repayed by the line of credit. A three year term is sufficient.

2. There is no provision for long-term financing to repay the interm financing. Long-term interest rates are currently very attractive.

3. There is no provision for financing the construction costs needed to install the turbine.

We stand willing to work with the Committee to address these issues.

A handwritten signature in black ink, appearing to read 'Carl W. Taitano'.

CARL W. TAITANO
Special Assistant
Office of the Governor

A second handwritten signature in black ink, which is more stylized and less legible than the first.

Exhibit "B"





21-74
B-677

GUAM POWER AUTHORITY

P. O. BOX 2977, AGANA, GUAM, USA 96910-2977

December 23, 1991


Senator Don Parkinson
Chairman, Committee on Energy,
Utilities & Consumer Protection
21st Guam Legislature
Agana, Guam 96910

Dear Senator Parkinson:

As requested, attached is the Purchase Order/contract between Turbotecnica and MDI dated May 31, 1991 together with the amendment ("Agreement") dated December 3, 1991 which assigns to GPA all rights and responsibilities of the Buyer ("MDI") under the existing purchase order for Turbotecnica's MS5001 22-MW Gas Turbine Generator Set ("Turbine") as referenced on the attached letter of intent which I signed on December 4, 1991.

Should you have any further questions, please do not hesitate to call me.

Sincerely,


John M. Benavente
General Manager

attachments

/yac



Date/Time Rec'd	12-23-91 3:43
Received by	
Executed by	
SLN. TOR	
Checked by	
Orig. Filed	
Originated by	
Other notes	SAM HLT File

Exhibit 11A



GUAM POWER AUTHORITY
P. O. BOX 2977, AGANA, GUAM, USA 96910-2977

December 4, 1991

TURBOTECNICA
Mr. Ing. Mario Soncini
C/O Fax: (617) 589-6810

RE: LETTER OF INTENT RE: ASSIGNMENT OF GPA/MDI PURCHASE ORDER

Dear Mr. Soncini:

This will confirm the Guam Power Authority's ("GPA") intention to purchase from Turbotecnica a MS5001 22-MW Gas Turbine Generator Set ("Turbine"). Such purchase will be made pursuant to an assignment of the existing Purchase Order between Turbotecnica and MDI Guam Corporation. The Purchase Order will be modified so as to provide an extended delivery date to GPA in light of the delay caused by MDI Guam Corporation's stop order issued to Turbotecnica dated October 10, 1991. It is GPA's understanding that the revised delivery date, FOB at your facility, will be on or before August 31, 1992.

The Purchase Order may also have to be modified to conform with Guam's procurement law. The purchase price, however, will not be changed from the Purchase Order price of 9.5 million U.S. dollars.

GPA will effect the assignment by paying to Turbotecnica the sum of 1.425 million U.S. dollars for down payment (which constitutes 15% of the Purchase Order price) and at the same time place an irrevocable letter of credit for the remaining 85% of the purchase price of the Turbine not later than January 31, 1992.

Please understand that GPA believes at this time that it will be able to accept assignment of the Purchase Order as stated herein. However, this Letter of Intent is conditioned on available funding to facilitate the assignment and the ability and all other applicable laws and approvals required in connection with this procurement of the Turbine under the terms stated herein.

Sincerely,


John M. Benavente
General Manager

cc: Hajime Harada, General Manager, MDI Guam Corporation

/yac

110027

AMENDMENT TO PURCHASE ORDER AND NEW PURCHASE ORDER

This Agreement ("Agreement") is made this 3rd day of December, 1991, by and between MDI GUAM CORPORATION (hereinafter "Buyer"), and TURBOTECNICA (hereinafter "Supplier").

W I T N E S S E T H

WHEREAS, Supplier and Buyer entered into a Purchase Order whereby Supplier agreed to manufacture and deliver to Buyer an MS5001 22 MW Gas Turbine Generator Set (hereinafter "Turbine"). A copy of the Purchase Order is attached hereto as Exhibit "A";

WHEREAS, Buyer desires to delay the manufacture and delivery of the Turbine which could result in the imposition of delay expenses to be incurred by Supplier;

WHEREAS, Buyer has already paid to Supplier the sum of 1.425 Million U.S. Dollars toward the purchase price of the Turbine;

WHEREAS, the Guam Power Authority (hereinafter "GPA") is in need of the Turbine and has indicated a willingness to accept assignment of the Purchase Order between Buyer and Supplier and Buyer and Supplier are agreeable to such an assignment;

WHEREAS, in the event that Supplier assigns the Purchase Order to GPA, Buyer desires to enter into a new Purchase Order for a new and different MS5001 23 MW Gas Turbine Generator Set under the same terms and conditions as the Purchase Order but subject to a different manufacture and delivery schedule and a modified purchase price as agreed to herein.

ACCORDINGLY, FOR AND IN CONSIDERATION of the mutual covenants contained herein and other good and valuable consideration, the sufficiency and adequacy of which is hereby acknowledged, the parties agree as follows:

1. Buyer and Supplier Agree to Assignment.

1.1 Buyer and Supplier agree that the GPA may assume all rights and responsibilities of Buyer under the Purchase Order, as seen from the Letter of Intent attached hereto as Exhibit "B", at the same price and under similar terms and conditions as set forth in the Purchase Order, provided, however, that such assignment is subject to Supplier and GPA agreeing on a mutually acceptable modification of the delivery date of the Turbine in light of the delay caused by Buyer in requesting Supplier to stop continued manufacture of the Turbine on October 10, 1991.

1.2 The assignment of the Purchase Order to GPA shall become effective upon GPA paying to Supplier the sum of 1.425 Million U.S. Dollars for work in progress completed to date (which constitutes 15% of the Purchase Order price) and at the same time putting in place an irrevocable letter of credit for the remaining 85% of the purchase price of the Turbine not later than January 31, 1991.

1.3 In the event that GPA accepts the assignment of the Purchase Order, pays Supplier 1.425 Million U.S. Dollars and puts in place the required irrevocable letter of credit for the remaining purchase price, then at such time all rights and responsibilities of Buyer under the Purchase Order shall cease and

neither Supplier or Buyer shall have any additional rights or liabilities to each other under the Purchase Order.

2. New Purchase Order to Be Effective Upon Assignment Subject to Then Existing Currency Exchange Rate.

2.1 Supplier and Buyer agree that upon the effective date of the Assignment, Supplier and Buyer shall be deemed to have entered into a new purchase order for an MS5001 23 MW Gas Turbine Generator Set under the same terms and conditions as the Purchase Order but subject to the following additional terms, conditions and modifications:

2.1.1 The purchase price for such turbine shall be the sum of Thirteen Billion (13,000,000,000.00) Italian Lire; provided, however, that on the effective date of the new purchase order the maximum amount to be paid by Buyer shall not exceed 10.2 Million U.S. Dollars equivalent to an exchange rate of 1,275 Italian Lire to the U.S. Dollar. In the event that the exchange rate is less than 1,275 Italian Lire to the U. S. Dollar, Supplier shall have the right to cancel and terminate this purchase order. Cancellation of this purchase order shall not effect Buyer's right to assign the existing Purchase Order to GPA.

2.1.2 The Supplier shall accept U.S. Dollars for payment of the purchase price and on the effective date of the new purchase order, the purchase price shall be set in U.S. Dollars at the prevailing exchange rate of the Italian Lire to the U.S. Dollar.

2.1.3 The delivery date for such turbine, FOB at Supplier's location, shall be June 30, 1993.

2.1.4 All other dates set forth in the Purchase Order shall be modified consistent with the revised delivery date set forth in the preceding Section.

2.2 The purchase price of the turbine will include the Black Start diesel generator which was included in the original Purchase Order and which shall be transferred from the assigned GPA Purchase Order but at no reduced price to GPA.

2.3 Supplier acknowledges that it has received from Buyer 1.425 Million U.S. dollars toward the purchase of the Turbine. In the event that GPA accepts the assignment, Supplier shall be allowed to retain Buyer's 1.425 Million dollars which shall be applied toward the purchase price of the new turbine under the revised terms and conditions of this Section 2.

3. Procedures if GPA Fails to Accept Assignment.
In the event that GPA fails to accept assignment of the Purchase Order by January 31, 1992, then Supplier and Buyer shall immediately initiate discussions to delay the manufacture and delivery date of the Turbine under the Purchase Order and cooperate in assessing delay damages due to Supplier from Buyer as a result of such delay.

4. Miscellaneous Provisions:

4.1 Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto and supersedes all oral or written agreements and understandings made and entered into

by the parties prior to the date hereof. Except as otherwise provided herein, subsequent alteration, amendment, change or addition to this Agreement shall not be binding upon the parties unless reduced to a writing signed by each of them.

4.2 Headings. The section headings are merely for convenience and are not to be construed as part of this Agreement or in any way affecting its interpretation.

4.3 Successors. The covenants, conditions and agreements contained in this Agreement shall be binding on and inure to the benefit of the parties and their assignees, transferees, sublessees, licensees, and other successors in interest.

4.4 Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of Guam.

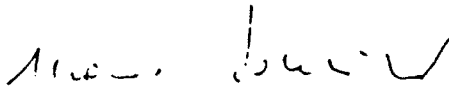
4.5 Construction. Each party has cooperated in the drafting and preparation of this agreement. Hence, in any construction to be made of this Agreement, the same shall not be construed against an party on the basis of that party being the "drafter."

4.6 Execution in Counterparts. This Agreement is being executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Photographic or facsimile copies of such signed counterparts may be used in lieu of the originals for any purpose.

IN WITNESS WHEREOF, the parties hereto have executed
this Agreement on the date and year first above-written.

SUPPLIER:

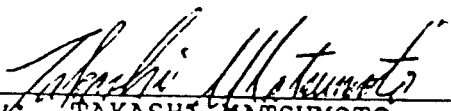
TURBOTECHNICA



By: ING. MARIO SONCINI
Its Authorized Representative

BUYER:

MDI GUAM CORPORATION



By: TAKASHI MATSUMOTO
Its Authorized Representative

S E C T I O N I

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PRICING SUMMARY

For the equipment and services as described in Turbotecnica proposal letter dated May 28, 1991.

Price for the supply of 1 PG 5361 gas turbine generating set, delivery jobsite not unloaded, in accordance with the attached Scope of Supply (points 1.1 to 1.11).

US Dollars 9,500,000,000 (Nine million five hundred dollars)

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1 SCOPE OF SUPPLY

This proposal includes the design, manufacture, shop test, ocean packing for shipment, job site delivery not unloaded for N. 1 Gas Turbine Generating Set PG 5361 suitable for indoor installation and consisting of the following major components:

1.1 GAS TURBINE

Ms 5001 type Nuovo Pignone- General Electric Gas Turbine with the following features:

- simple cycle, single shaft, heavy duty type gas turbine and axial compressor
- ten chamber combustion system with individual fuel nozzles
- double ignition system
- fabricated structural basement, supporting the gas turbine and its own auxiliaries
- starting system with electric motor
- multi shafts, heavy duty, accessory gear located between the starting system and the gas turbine/axial compressor shaft
- base mounted junction boxes
- vibration detector, seismic type
- thermocouple for measuring the gas turbine critical temperatures
- water washing type compressor cleaning system
- integral mounted gauge board installed on the turbine skid, accessory compartment side, with indication of the main turbine pressure parameters
- barring gear device
- inlet and exhaust plenums
- load coupling, diaphragm dry type, between the gas turbine shaft and the speed reduction gear
- closed forced-feed lube oil system common for the gas turbine and driven equipment, complete with:
 - a) internally epoxy painted lube oil tank located in the gas turbine base
 - b) shaft driven main lube oil pump
 - c) A.C. motor driven auxiliary lube oil pump
 - d) D.C. motor driven auxiliary lube oil pump
 - e) twin main lube oil filter with transfer valve
 - f) stainless steel (AISI 304L) lube oil piping
 - g) lube oil to air cooler located outside the GT baseplate
- liquid fuel system, with fuel oil atomizing system, able to receive distillate oil in accordance with GEI 41047-H specification, at pressures between 3 and 5.5 barg and complete with:
 - a) twin main filter cartr. type with transf. valve
 - b) fuel oil stop valve
 - c) accessory gear driven fuel oil booster pump
 - d) booster pump by-pass/flow control valve

- e) pressure control valve
- f) single high pressure fuel oil secondary filter
- g) flow divider and header to nozzles

1.2 ACOUSTICAL ENCLOSURE

Acoustical Enclosure for outdoor installation, anchored on the turbine baseplate and expected to provide an average sound attenuation to 88 dB(A) pressure level at one meter from the enclosure, complete with:

- fire detection system with thermal type detectors
- HALON fire extinguishing system
- gas detection system
- internal A.C. and D.C. emergency lighting
- depressurized type ventilation system

1.3 G. T. COMBUSTION AIR INLET SYSTEM

Gas Turbine Combustion Air Inlet System, for an up and forward arrangement, consisting of:

- first stage Dust Separator Inertial type
- second stage Prefilter pad type filter
- third stage High Efficiency pocket type filter
- air inlet duct from the filter chamber to the gas turbine inlet plenum with relevant silencing, in galvanized carbon steel with internal supports in stainless steel
- blow-in door
- steel supporting structure
- corrosion resistant epoxy painted carbon steel weather-proof filters chamber

1.4 EXHAUST GAS SYSTEM

The Gas Turbine Exhaust Gas System is provided laterally to the machine and complete with:

- exhaust expansion joints
- exhaust transition duct, between the plenum and the silencer
- exhaust silencer
- exhaust stack including:
 - transition "T" duct
 - final stack up to 32m from unit base bottom
 - structural support

13/2

1.5 SPEED REDUCTION GEAR

Speed Reduction Gear, installed on the generator baseplate, with 5100/3600 rpm ratio, and equipped with the following auxiliary facilities:

- acoustical enclosure anchored on the generator baseplate and separate from the gas turbine and generator ones
- fire detection system connected to the G.T. system
- fire extinguished system connected to the G.T. system
- seismic type vibration detector connected to the gas turbine monitoring and protection system
- bearing RTD's for the bearings temperature control
- acoustical enclosure ventilation system with A.C. motor driven fan

1.6 ELECTRICAL GENERATOR

13.8 kv/60Hz/ cos.0 0.9 Synchronous Electrical Generator, ventilated in closed air-circuit, with the following characteristics:

- fabricated structural basement supporting the generator and the speed reduction gear
- generator enclosure anchored on the generator baseplate
- cooling air and stator windings RTD's and relevant terminal junction boxes
- bearing embedded RTD's for bearings temperature control
- seismic vibration probes connected with the gas turbine monitoring and protection system
- brushless excitation type with the necessary equipment suitable for the excitation control
- ventilation fans on the generator shaft ends
- air to water cooler mounted on generator top
- water cooler circulating pumps, skid mounted
- water to ambient air cooler located outside (common with G.T. lube oil cooler)
- generator circuit breaker vacuum, draw-out type.

1.7 CONTROL PANELS

The following control panels are to be located in the control and switchgear rooms:

- SPEEDTRONIC Mark IV type G.T. control board
- Generator Control and Protection board
- Automatic/manual Voltage Regulator (A.V.R.)
- Fire and Gas detection system Control board
- Motor Control Center for the G.T. unit auxiliaries

Handwritten signature/initials

- D.C. distribution panel
- battery charger
- Pb battery set to be located in a separate room from the L.V. boards
- dry type transformer for the lighting system
- 480 v unit substation load center including:
 - a) Transformer 13.8/0.48kv, to feed the 480 V G.T. generator unit motor control center. The supply consists of N 1 transformer rated for 1600 KVA with ONAN cooling type, and suitable for indoor installation. The transformer is equipped with a neutral grounding system.
 - b) L.V. power center with incomings from transformer and from diesel generator set and following outgoings:
 - 3x100 KVA for plant loads
 - 1x250 KVA for unit auxiliaries MCC
 - 1x370 KW gas turbine starting motor
 - 1 cubicle for future circuit breaker unit
 - 1 empty cubicle
 - Generator circuit breaker
 - Current and Potential transformers (CTs & PTs) for metering and protection
 - Neutral grounding system
 - Surge arresters and lightning protection
- one remote control panel to be located at max. 20 miles from the power station.

1.8 WATER INJECTION SYSTEM

The water injection cabinet for NOx abatement includes following components:

- water filters
- water circulation pumps
- water flow meter
- necessary valves and piping

1.9 FUEL FORWARDING SYSTEM

The fuel forwarding system is able to stay outdoor and mainly includes:

- strainer type filters
- main pump driven by A.C. electric motor
- emergency pump driven by D.C. electric motor
- fuel meter
- pressure switches

Plan
142

- piping and wiring
- skid lodging above equipment

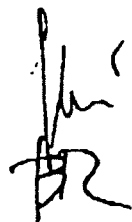
1.10 DIESEL ENGINE GENERATOR SET

The 1000 kw diesel engine generator set skid mounted, will be equipped with the following components:

- diesel engine
- fuel oil system
- oil pressure lubricating system
- water cooling system
- air filter
- starting load batteries
- 480 V, 60 Hz, electric generator
- electronic governor
- skid lodging above equipment

1.11 MISCELLANEOUS

- foundation bolts and plates
- ocean packing
- No. 1 set of fire fighting mean bottles for the fire extinguishing system to be installed outside the package, adjacent to the unit
- power and control cables, interconnecting the gas turbine generating set skids and equipment supplied by Turbotecnica
- 4 sets of instruction manuals for maintenance and operation
- special tools for the Gas Turbine Generating Set erection and maintenance
- theoretical and practical training course at Turbotecnica workshop for Employer's personnel, according to Turbotecnica training plan
- Piping interconnecting the equipment supplied by Turbotecnica
- Transportation of equipment to jobsite not unloaded
- Supervisory personnel for a total of 120 man days



2 LIMIT OF SUPPLY

2.1 GAS TURBINE AND MECHANICAL EQUIPMENT

- inlet face of filter house
- exhaust stack flange to atmosphere
- oil vapor discharge flange to atmosphere
- drain flange on lube oil reservoir
- filling flange on lube oil reservoir
- filling flange on water cooler expansion tank
- ventilation fresh air suction flange to atmosphere
- ventilation hot air discharge flange to atmosphere

2.2 GENERATOR AND ELECTRICAL EQUIPMENT

- generator circuit breaker outgoing terminals
- neutral grounding system earthing terminal box
- 480V load center panel outgoing terminals to customer's plant utilities
- PT's outgoing terminals to customer's electrical substation

2.3 PLANT AUXILIARIES

- demineralized water inlet flange to water injection skid for NOx abatement
- liquid fuel forwarding system feeding line flange at skid
- liquid fuel feeding flange at diesel engine generator set reservoir
- Mark IV G.T. control panel modem outgoing terminals to remote control
- smart remote control panel modem incoming terminals from G.T. control panel

*Ph
BR*

3 PURCHASER'S RESPONSIBILITY

Equipment not listed in the Scope of Supply as per point 1. are the responsibility of the Purchaser and will include but not limited to:

- inland transportation permits and all the road/bridge reinforcement works to allow the equipment supplied to reach the site
- unloading of the equipment at site
- any kind of taxes, duties and fees required to be paid out of the country of origin
- import taxes, custom duties, import licenses
- foundation and civil works
- erection of the plant
- operating force, oils and supplies for period of storage, starting and preliminary runs
- temporary light, electric power/compressed air for tools
- electric power and equipment to dry out armature and field coils, if necessary
- necessary drains, sumps and relevant piping
- plant lighting
- plant lighting protection
- earthing and ground network
- all lubricating oils including first filling
- fuel for starting, preliminary runs and normal operation
- fuel connecting piping upstream the forwarding skid
- fuel storage system, if required
- delivery of fuel at the required conditions
- control buildings
- M.V. electrical substation and distribution system
- H.V. electrical substation and distribution system
- Bridge cranes and the necessary maintenance lifting system
- cars, ambulances and service vehicles
- daily allowance, accommodation, local transportation and medical assistance of our Supervision Personnel

Whatever not expressly Indicated In our Scope of Supply

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GAS TURBINE PERFORMANCE AND CURVES

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GENERAL ELECTRIC MODEL PG 5361 GAS TURBINE

P

ESTIMATED PERFORMANCE - NAT. GAS AND/OR DISTILLATE FUELS CONFIGURATION
 COMPRESSOR INLET TEMPERATURE 59°F (15°C)
 ATMOSPHERIC PRESSURE 14.7 PSIA (1.013 BAR)

FUEL

DESIGN OUTPUT	KW	NATURAL GAS	DISTILLATE OIL
DESIGN HEAT RATE (LHV) BTU/KW HR (KJ/KW HR)	25280	12300 (12980)	24800
DESIGN HEAT CONS. (LHV) BTU/HR (KJ/HR)	310.9 x 10 ⁶ (328.0 x 10 ⁶)	310.9 x 10 ⁶ (328.0 x 10 ⁶)	308.8 x 10 ⁶ (325.8 x 10 ⁶)
DESIGN AIR FLOW LB/HR (KG/HR)	961,000 (436,000)	961,000 (436,000)	961,000 (436,000)
MODE: BASE LOAD			

PPB121382

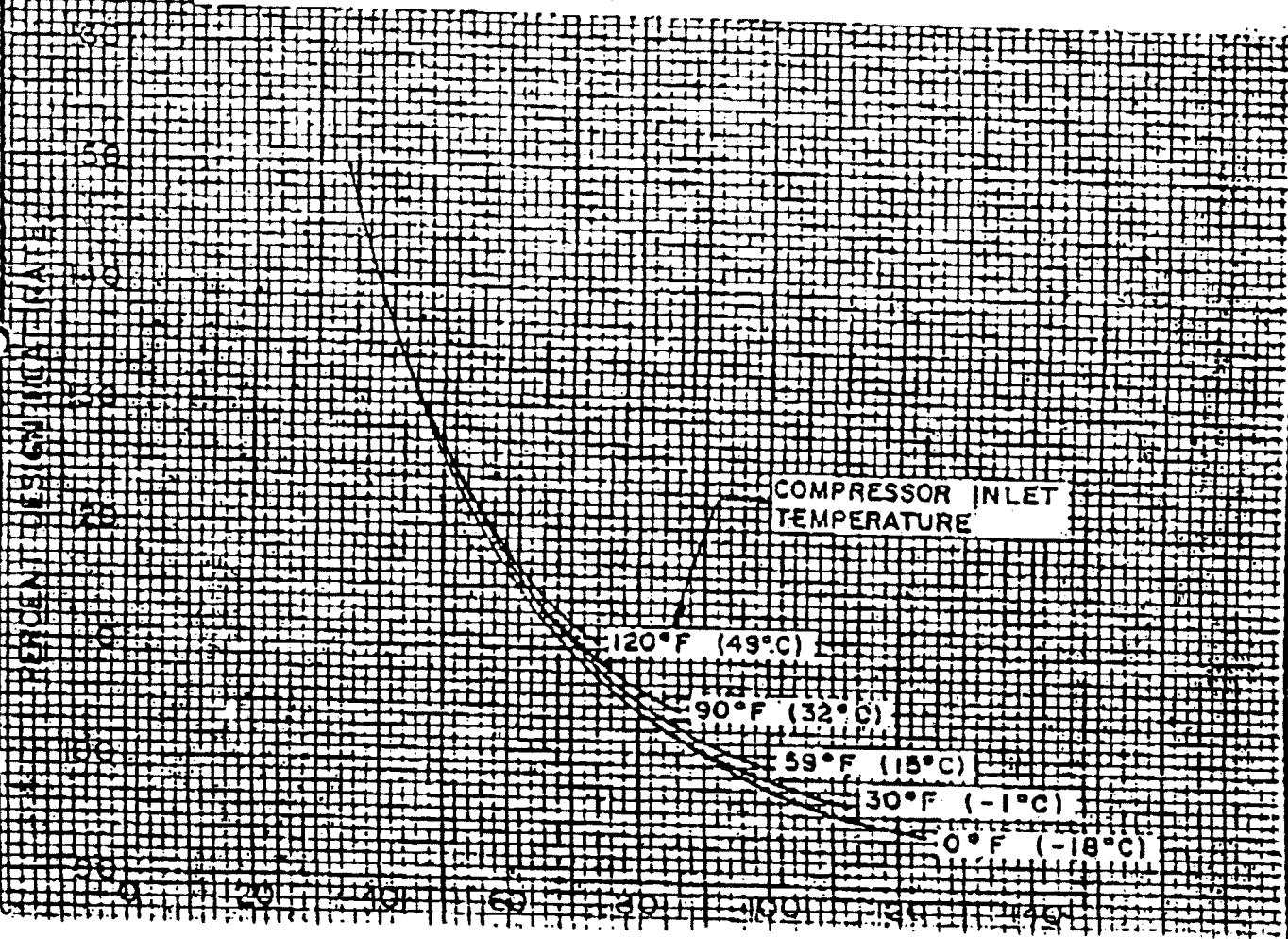
NOTES:

1. ALTITUDE CORRECTION ON CURVE 416HA662.
2. AMBIENT TEMPERATURE CORRECTION ON CURVE 495HA209.
3. PLANT PERFORMANCE IS MEASURED AT THE GENERATOR TERMINALS AND INCLUDES ALLOWANCES FOR EXCITATION POWER AND 3.5" H₂O (0.7 MBAR) INLET AND 2.5" H₂O (0.2 MBAR) EXHAUST PRESSURE DROPS.
4. ADDITIONAL PRESSURE DROP EFFECTS

	% EFFECT ON OUTPUT	HEAT RATE	Δ EFFECT ON EXHAUST TEMP.
4" H ₂ O (10 MBAR) INLET	-1.75	+0.75	+2.4°F (+1.3°C)
4" H ₂ O (10 MBAR) EXHAUST	-0.75	+0.75	+2.4°F (+1.3°C)

5. MAXIMUM LOAD LIMIT 29,400 KW.

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GENERAL ELECTRIC MODEL PG5361 GAS TURBINE

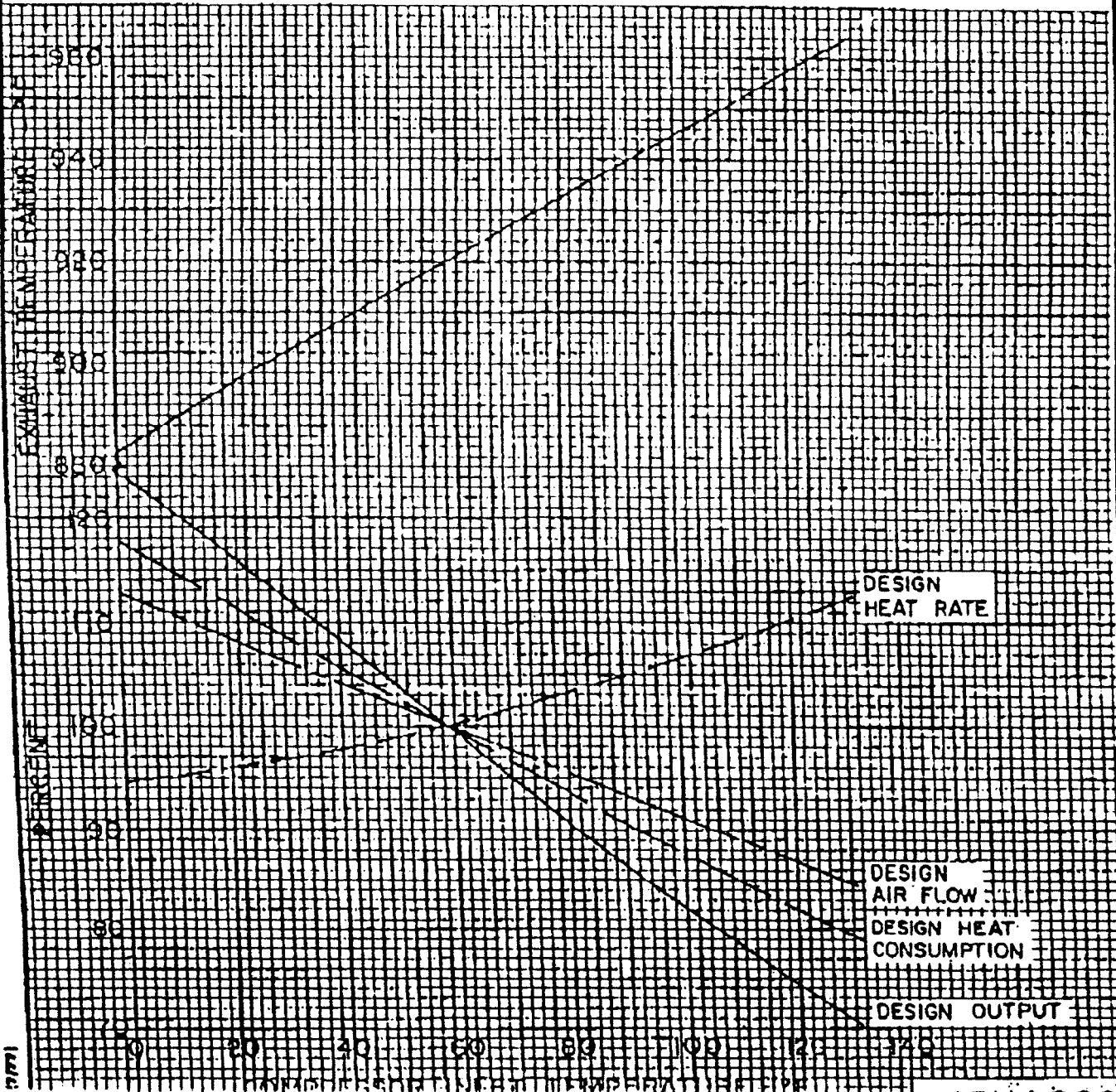
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EFFECT OF COMPRESSOR INLET TEMPERATURE ON
 MAXIMUM OUTPUT, AIR FLOW, HEAT RATE, HEAT CONSUMPTION AND EXHAUST
 TEMPERATURE AT 100% SPEED

FUELS: NATURAL GAS
 DISTILLATE OIL
 HEAVY OIL

MODE: BASE
 LOAD

PPB050181



SECTION II

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TERMS AND CONDITIONS OF THE
PURCHASE ORDER

1. DEFINITIONS
2. TERMS OF PAYMENT
3. DELIVERY TERMS
4. TERMINATION COST
5. LIQUIDATED DAMAGES FOR DELAY IN DELIVERY
6. DEFAULT
7. PRICES
8. NOTIFICATION OF INSPECTION
9. DRAWING AND DATA REQUIREMENTS
10. MANUFACTURING PROGRAM/PRODUCTION SCHEDULE
11. CONFIDENTIAL AND PROPRIETARY INFORMATION
12. EXPEDITING
13. SHIPPING INFORMATION
14. PROCUREMENT CONTRACT
15. ACKNOWLEDGMENT
16. INVOICING
17. TECHNICAL FIELD SERVICE (INSTALLATION AND START-UP)
18. CORRESPONDENCE
19. TITLE TO GOODS; RISK OF LOSS
20. SUPPLIER RESPONSIBILITY
21. WARRANTY
22. CHANGES
23. ARBITRATION
24. GOVERNING LAW

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25. LIMITATION OF LIABILITY

26. ENTIRETY OF AGREEMENT

27. FORCE MAJEURE

28. TAXES

29. BONUS

30. BANK GUARANTEE

1. DEFINITIONS

Wherever used in these terms and conditions, the following terms have the meanings indicated which are applicable to both the singular and plural thereof.

1.1 CHANGE ORDER

A written instrument to Supplier signed by Buyer authorizing an addition, deletion, or revision in the goods or special services, or an adjustment in the purchase order price or the delivery time, issued after the effective date of the purchase order.

1.2 DAY

A calendar day of twenty-four (24) hours measured from midnight to the next midnight.

1.3 DELIVERY TIME

The total number of days or the dates stated in the Purchase Order for furnishing the Goods and/or Special Services.

1.4 DRAWINGS

The drawings which show the character and scope of the Goods to be furnished and which have been prepared by Supplier and approved by Engineer, where required by the Purchase Order.

1.5 EFFECTIVE DATE OF THE PURCHASE ORDER

The effective date of the Purchase Order shall be June 1, 1991, provided the down payment is received by the Supplier no

later than June 15, 1991, and opening of the letter of credit as provided for in Clause 2.

1.6 ENGINEER

Wherever the words "ENGINEER" or "ENGINEERS" appear in the Procurement Documents, it shall mean Stone and Webster Engineering Corporation.

1.7 ENGINEER'S INSTRUCTIONS

Written instruction issued by ENGINEER which clarify or interpret the Procurement Documents or order minor changes or alterations in the Goods or Special Services to be furnished but which do not involve a change in the Purchase Price or the Delivery Time.

1.8 GOODS

All personal property required to be furnished by Supplier under the Procurement Documents.

1.9 POINT OF DELIVERY

The place at which property in the goods shall pass to the Buyer shall be rendered at jobsite, Guam, not unloaded (free on track).

1.10 PROJECT

The plant, facilities, or works the Goods are to be used for or incorporated into.

1.11 BUYER

The public body, authority, corporation, association, partnership or individual, including its agent(s) or successors in interest, with whom Supplier has entered into the Purchase Order.

1.12 PURCHASE ORDER

The written agreement between Buyer and Supplier covering the furnishing of the Goods, Special Services, and other services in connection therewith evidencing what is contemplated and

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agreed to between the parties including any other Procurement Documents either attached to the Purchase Order or made a part thereof by reference therein.

1.13 SPECIFICATIONS

Technical specification issued by Stone and Webster No. 17108/P101R for the Guam Power Authority power plant with relevant agreed amendments.

1.14 PROCUREMENT DOCUMENTS

The Purchase Order, any Supplementary Conditions, the Specifications, the Drawings and any other documents specifically identified in the Purchase Order, together with all Modifications issued after execution of the Purchase Order.

1.15 SUPPLIER

The person, firm, or corporation with whom Buyer has entered into the Purchase Order.

1.16 SITE

The area where the Project is to be constructed or executed.

1.17 FOB

Freight on board vessel at Supplier's location, all freight and handling charges to site prepaid and all risk insurance for the replacement value of the goods in place.

2. TERMS OF PAYMENT

The contract amount set forth in the price summary shall be paid in accordance to the following schedule:

- 15% cash no later than June 15, 1991.
- 85% pro quota at delivery, FOB through irrevocable and confirmed documentary letter of credit to be opened within six (6) months from the effective date of the Purchase Order payable against shipping documents and permitting partial shipping of goods.

3. DELIVERY TERMS

The gas turbine generator set will be delivered FOB within eleven (11) months from the effective date of the Purchase Order.

If, through the request or fault of Buyer, shipment cannot be made, Supplier's notice that the goods are ready for shipment shall serve as substitute for the shipping documents. The above clause is to be included in the text of the letter of credit.

4. TERMINATION COSTS

Buyer has the right to terminate this order in whole or in part at any time by written notice to Supplier. In such event, termination charges will be paid by Buyer as follows:

\$150,000.00 within 30 days from the effective date of the Purchase Order.

After 30 days from the effective date of the Purchase Order, in addition to the above charge of \$150,000.00 Supplier may claim only properly out-of-pocket costs plus a reasonable amount of demonstrable related charges for the work already performed plus ten percent (10%) profit, all to be determined in accordance with generally accepted accounting procedures.

For specially prepared products, unique to Buyer's order, any partially completed work or raw materials whose full costs are included in the termination charges shall be identified in writing and held by Supplier for disposition in accordance with Buyer's written instructions. Notwithstanding the foregoing, Buyer reserves the right to cancel all or any part of the undelivered portion of this order, without liability, in addition to Buyer's other rights and remedies, if Supplier breaches main terms and conditions herein.

5. LIQUIDATED DAMAGES FOR DELAY IN DELIVERY

Buyer reasonably believes that Buyer will suffer damages in the event that Supplier fails to provide the Goods within the time periods set forth in this contract but that such damages would be difficult to ascertain. Accordingly, Supplier and Buyer agree as "agreed and liquidated damages" for any such delay, Supplier will pay one-half (1/2) of one (1) percent (0.5%) per full week "liquidated damages" on the value of the items delayed beginning the third (3rd) week after Supplier fails to meet the agreed delivery date.

*PLS
BTR*