

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Power - Argentina - Servicios Electricos del Gran Buenos Aires [SEGBA]

Folder ID: 30248815

Subseries: Early special evaluation studies working files

Series: Special Evaluation Studies

Dates: 07/27/1965 – 11/05/1971

Fonds: Records of the Office of Operations Evaluation

ISAD Reference Code: WB IBRD/IDA OPE-09-01

Digitized: 05/09/2023

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK

Washington, D.C.

© International Bank for Reconstruction and Development / International Development Association or

The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

OED SPECIAL STUDIES

85035--003

Power - Argentina SEGBA



30248815

A1994-141 Other #: 13

205085B

Power - Argentina - Servicios Electricos del Gran Buenos Aires [SEGBA]

DECLASSIFIED
WBG Archives

Very little discussion on Middle West problems

U — Pineda Plan was Argentine initiative completely overturning Knapp's proposals.
(see President's Report to Exec. Director pp. 1, 2, & 6)

- Feb. 4, 1964 Memo A.D. Knox to O.A. Schmidt on history of privatization clause
- Blanco letter to Woods of Feb., 1964 asking for removal of privatization clause.
- Knapp's position on p. 2 of March 5, 1964 during B.A. negotiations
 - modification might be considered if it were merely intended to prevent sale of shares to foreign interests.

- * — Knapp's memo to Woods March 6, 1964
- Knox memo of March 13, 1964
- Knapp states Bank will not press for sale to private investors in any specified time
- June 9, 1964 Knox memo

- U
- A Mr. Motter said to SEGRA Solicitor that Bank ready to discuss privatization changes at a future date.
 - Nov 26, 1965 Knox Memo
 - seriously questions usefulness of privatization covenants.
 - Tajans Memo Dec. 23, 1965
 - Working Party agrees to stop privatization if Argentines push for it.

Loan 525

- 1) April 20, 1965 Letter to A.L. Fararon indicating need for competitive bidding not "loan key"
- 2) May 14, 1965 Loftos Memo discussed Bank's misgivings on Sobga program
- 3) June 18, 1965 Rovani & Sheehan Memo on issues relating to SEGBA
- 4) July 6, 1965 Rovani & Sheehan Memo on outstanding issues
 - a) need for Govt. approval of SEGBA expansion plan
 - b) procurement procedures for P. Nuevo Mar T
 - c) " " " transmission & distribution
 - d) submit terms of reference for consultants
 - e) adequate staff at top levels
 - f) labor reduction
 - g) rate issue framed up.
- 5) July 27, 1965 Letter to SEGBA on major points holding up loan
- 6) Oct. 1, 1965 Letter to SEGBA re-iterating above points
(Fararon's reply Oct. 21, 1965)
- 7) Nov. 9, 1965 Fajans Memo on major issues raised with SEGBA meeting in D.C. with Fararon
- 8) Nov. 15, 1965 Working Party Discussion (Fajans Memo) a main issue now is procurement procedures
- 9) Fajans Nov. 26, 1965 a meeting with Minister of Econ. in B.A.

- 10) Rovani & Sheehan Memo Jan. 20, 1966
 - states their opposition to letting Arg. Bank off the hook for not allowing full concession rate due to anti-inflationary measures.
- 11) Sheehan, Scales & Rovani Back-to-Offra Report of May 25, 1966 & Fajans Memo on it of June 2, 1966
 - cash balance situation & tariff rates
 - labor problem
 - management replacement for Pavaor
 - Ifo-SEGBA coordination
- 12) Fajans Memos of June 10, 1966 & June 15, 1966
 - a. Woods meeting with Elizalde & Storani takes hard line on labor situation, firm line on Ifo-SEGBA coordination
- * 13) Fajans Memo June 17, 1966
 - a. meeting with Elizalde & Storani
 - b. Bank emphasizes labor problem; SEGBA say that not the only problem, SEGBA investments high, but to cut back on distribution because of salary in Bank loan.
- 14) June 23, 1966 Rovani-Chadonet
- * 15) August 3, 1966 letter from Knapp to Costelli summarizing current position of IBRD vs SEGBA.
- * 16) Nov. 16, 1966 Fajans Memo
 - states that major problem now is Arg. Eco. Mission recommendation that no further loan be made to Argentina until eco. is in order.
- * 17) Fajans Memo on Working Party March 7, 1967

Anderson

5412

- * 18) Tajan Memo Aug. 7, 1967
 - Meeting with Chapin & Meoli & discussion of current status of loan, in particular the procurement problem
- * 19) Final position on "Political Clause" Sept. 19, '67
Memo Skillings
- * 20) Chodent to Burke Oct. 11, 1967
 - a) recommends easing up on local currency limits by favoring f.x. component of locally produced goods.

Emphasize Bank's institutional objectives

- a)
- 2) emphasize initial pressure Bank put on production & back off
- 3) indicate Puerto plan & Bank's role in that
- 4) indicate problems are beginning now
- 5) summarize main features of Middle West recommendations
- 6) emphasize change from emphasis on rates to labor costs
- 7) emphasize Chris's point on timing of 2nd loan (p. 211) & SDCBA's statement to this effect

CONTROL

④32212

SOURCE OF SUPPLY - POWER SECTION ON A SELECTIVE BASIS

ACCOUNTS

DESCRIPTION-	REFERENCE-DATE	U.S. DOLLARS OR EQUIVALENT	CURRENCIES										G/L	SUB				
			a	b	c	d	e											
ARGENTINA 1969					*													
FOREIGN EXCHANGE					*							0						
CONSTRUCTION EQUIPMENT					*							0						
		17146358											108			525		
		17146358 *																
MECHANICAL EQUIPMENT					*							0						
		88527887											111			525		
		88527887 *																
ELECTRICAL EQUIPMENT					*							0						
		1660185816											119			525		
		1660185816 *																
AUTOMOTIVE MACHINERY AND EQUIPMENT					*							0						
		3025432											121			525		
		3025432 *																
CONSULTANTS SERVICES □MANAG. ENG. ETC.					*							0						
		64969570											133			525		
		64969570 *																
FREIGHT AND INSURANCE					*							0						
		36296051											136			525		
		36296051 *																
LOAN CHARGES					*							0						
		128547931											139			525		
		128547931 *																
		1998699045																
UNDETERMINED EXPENDITURE					*							0						
CIVIL WORKS					*							0						
		382233831											231			525		
		382233831 *																
		382233831																
LOCAL EXPENDITURE					*							0						
ELECTRICAL EQUIPMENT					*							0						
		621952550											319			525		
		621952550 *																
FREIGHT AND INSURANCE					*							0						
		52181361											336			525		
		52181361 *																
		674133911																
*** GRAND TOTAL ***																		
		3055066787																
		3055066787 *																
		3055066787																

⑤32212

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Mr. R. H. Sheehan

DATE: November 20, 1970

FROM: R. Ribí and V. Nercissiantz

SUBJECT: ARGENTINA - Loan 644-AR
SEGBA, 1970-72 Investment Program
Full Supervision Report

1. In accordance with our terms of reference of September 10, 1970, we carried out a project supervision mission in connection with the above loan. We stayed in Argentina between September 23 and October 6, 1970.

Project Data

2. Borrower	Servicios Electricos del Gran Buenos Aires S.A. (SEGBA)
Amount of Loan	US\$60 million
Amount disbursed by October 15, 1970	US\$4.8 million
Amount uncommitted by October 15, 1970	US\$36 million
Date of Loan Agreement	November 14, 1969
Effective Date	February 9, 1970
Closing Date	September 30, 1973
Date of Last Supervision Mission	December 1969 (for Loan 525-AR)
Current Exchange Rate	US\$ 1.00 = NP\$ 4.00

3. The Bank Project is SEGBA's 1970-72 investment program as planned in 1969. It includes (a) the completion of the 250 MW steam unit No. 9 of Puerto Nuevo, (b) the completion of the modification of two boilers at Puerto Nuevo for coal firing, (c) 119 km of 220 kV line, 136 km of 132 kV lines and cables, two 220 kV substations, 10 new 132 kV substations and the extension of ten existing 132 kV substations, (d) 850 km of 13.2 kV cables, 1,200 km of 13.2 kV lines, over 6,200 km of low voltage lines and cables, 2,500 transformers and 350,000 meters. This program was estimated to cost US\$247 million (US\$167 million in local currency and US\$80 million in foreign exchange). 26% (US\$64 million) of the financing was planned to be covered by loans 525-AR and 644-AR, 4% (US\$9 million) by suppliers' credits, 18% (US\$45 million) by borrowing on the capital markets and 52% (US\$129 million) by internal cash generation.

Summary

4. Progress on the Bank Project is satisfactory. Construction of transmission lines is about six weeks late. While the rest of the original program is essentially on schedule. The installation of the peaking units

November 20, 1970

which were added to the program, but will not be financed by the Bank, is about three months behind schedule. However, this should not have serious consequences. Additions to the program (especially the gas turbines) and inflation are the main factors that have increased the estimated cost of the 1970-72 investment program by 19% to US\$293 million. Secretariat of Energy, SEGBA and the Bank have agreed that SEGBA would not install further peaking units in 1972 and 1973 if by end of 1970 work on the El Chocon hydro development is still on schedule.

5. SEGBA's present financial position is also satisfactory. However, the 1970 return on net fixed assets in operation is expected to be only about 5.3%. SEGBA will request for January 1971 the 15% rate increase to which it will be entitled, in order to make up for the 1970 deficit in revenues and to earn a return of 8% in 1971. Optimal financing of the balance of the 1970-72 program can be attained if the Government will allow SEGBA to borrow in 1971-72 at least US\$35 million from the capital markets on a long term basis as previously planned. Otherwise, SEGBA will have to rely increasingly on high cost medium term bank loans - as it had to do in 1970 - and perhaps not pay cash dividends.

6. A first estimate of the cost of the 1973-75 investment program shows that it would amount to about US\$300 million, of which about US\$145 million would have to be financed externally by suppliers, by borrowing in the market, and by the Bank.

Action Recommended

7. Since, according to its present financial plan, SEGBA will have to borrow substantial amounts from the international capital markets in the future, it is important that the Government clearly define SEGBA's place in Argentina's foreign borrowing program. We recommend that the Bank follow up on this matter with the Government. The first opportunity to do so would come with Mr. Skilling's next mission to Argentina in December 1970. By about March 1971 SEGBA should have the financing for the 1971 part of the program assured. If the Government does not permit SEGBA to borrow externally, it would have to rely increasingly on high cost medium term bank loans and perhaps not pay cash dividends.

8. The next full supervision mission should be scheduled for about October 1971.

Execution of the Project

9. Progress on the generating facilities is satisfactory. The 250 MW steam unit at the Puerto Nuevo plant was commissioned in June 1970, as planned, and has now worked for four months without unscheduled shutdowns. The change-over of two boilers at the Puerto Nuevo plant to coal firing is about one month late. The installation of the units of the third group of peaking units which will be financed through suppliers' credits is about three months behind schedule, mainly because the delivery times are longer than anticipated in early 1970. This delay is not expected to have serious consequences.

10. While work on distribution is essentially on schedule, construction of new transmission facilities is about six weeks late. This is due to the lengthy negotiations for the loan, which forced SEGBA to postpone equipment orders. Presently, work in this field is progressing at the pace planned in 1969.

11. SEGBA has revised the cost estimate for its 1970-72 investment program taking into account the additions that have become necessary and the contract prices for the equipment already ordered. This revision has resulted in a 19% increase of the total cost of the program from US\$247 million to US\$293 million. The increase is due to (a) a US\$5 million carry-over from the previous program, (b) US\$27 million and US\$5 million for peaking plant and transmission facilities not included before, and (c) US\$14 million in increases of equipment costs, partly compensated by a US\$5 million decrease in contingencies. The new cost estimate is reasonable.

12. Progress on procurement is good. SEGBA has almost made up for the delay in the placing of the orders.

Planning

13. SEGBA's planning is satisfactory. In cooperation with the Secretariat of Energy it has carried out a probability study to determine the required system generation and the possible deficits in capacity which might occur in the Buenos Aires-Litoral system between 1970 and 1977 under different assumptions for the growth of demand and for the date of commissioning of the El Chocon development. The study also takes into account the fact that the 313 MW nuclear plant at Atucha cannot be commissioned before 1973 and it assumes that, once in operation, this plant will not reach its full reliability before 1977.

14. SEGBA has requested the Secretariat of Energy to approve the installation of another 200 MW of peaking units, which would bring the total capacity of such plants in the Gran Buenos Aires-Litoral system to an exceedingly high 725 MW (about 20% of total installed capacity) distributed over about 35 units, which would be unreasonable. The probability study shows conclusively that the risk SEGBA would incur in 1973 if it did not install the proposed peaking units, would not be greater than the risk it had to incur in late 1969 and early 1970 before the 250 MW unit at Puerto Nuevo was in operation. This holds true even in the event the commissioning of the first unit at El Chocon is up to about one year late. In the light of the above results, the Secretariat of Energy, SEGBA and we agreed that no additional gas turbines should be installed in 1972 and 1973, if by end of 1970 work at the El Chocon development was still essentially on schedule. In any event, the Secretariat of Energy and SEGBA will explore measures to reduce the peak load in the next few years from the levels presently projected. Such measures could be: instituting again (i.e. as done in 1969/1970) daylight saving time, and/or reaching agreements with large consumers that they will not use more than a certain amount of power during the peak hours of the critical months.

15. For its transmission and distribution system SEGBA has contracted two specialists of SOFRELEC, who arrived in Buenos Aires in mid September

November 20, 1970

and who will assist it in introducing modern concepts in distribution design and in resuming longer term planning.

Past Operations

16. During 1969 and 1970 the service SEGBA provided continued to improve due to the increased reliability of the subtransmission and distribution systems. However, it is still far from satisfactory. During the summer season of 1970 SEGBA's clients suffered several severe interruptions and long periods of low voltage.

17. The Central dispatching contract between SEGBA and CIAE expired on December 31, 1969. In 1970 dispatching was done on the basis of short term ad hoc arrangements. Negotiations for a new contract are underway. AyEE is expected to join the dispatching arrangement in 1971.

18. In 1969 the peak load at SEGBA's plants was 1,244 MW (against 1,330 MW in 1968) i.e. 80% (against 95% in 1968) of the maximum load of the Gran Buenos Aires-Litoral system. Energy sales in 1969 were 6,160 GWh (i.e. 13.5% more than in 1968).

19. In 1969, the rate of return on average net plant in service was 8.2% i.e. 0.2% above the minimum return defined in the 1962 concession. Net income was about NP\$129 million, of which about NP\$20 million was paid as cash dividends to preferred and common stockholders. The 1969 income was 35% lower than in 1968 mainly due to rate reductions implemented by early 1969 in line with the concession. These reductions produced a 7.9% decrease in average revenue per kWh (excluding taxes) from NP\$0.123 in 1968 to NP\$0.113 in 1969. The lower income is also reflected in a rather high operating ratio of 70%. 1969 capital expenditure amounts to NP\$277 million, about half of which was financed by net internal cash generation. Highlights of 1969 operation and the more important indicators concerning SEGBA are shown in Annexes 1 and 2.

Current Position

20. Working capital is adequate. Current assets at the end of the first half of 1970 were about NP\$387 million, as compared with current liabilities of NP\$224 million, giving a current ratio of 1.7:1. Cash was about NP\$14 million, equivalent to about 4 days of billings, which is adequate for SEGBA's working needs.

21. Accounts receivable from Government authorities and agencies remain at about the 1968 level of NP\$45 million, which is an improvement in view of the increased sales. SEGBA expects to improve further the situation of these accounts.

1970 Operations and Investment

22. Energy sales in the first half of 1970 were 3,353 GWh which is 15.6% more than in the same period of 1969. SEGBA estimates its total energy sales for this year at about 7,025 GWh, which would represent an increase of 14%

over 1969. This figure is considerably higher than the forecast made at the time of the appraisal (6,620 GWh), mainly due to increasing industrialization and higher per capita consumption induced by a generally optimistic outlook towards the future of the Argentine economy. The recent political changes have somewhat dampened this optimism. However, a consequent reduction of the demand increase is not likely to occur before 1971. SEGBA's projections which foresee an increase in sales of about 10% per year for the period 1971-72 appear reasonable.

23. In 1970 SEGBA expects to earn a return of only 5.3%. This is mainly due to the effect of the June 1970 devaluation of the Peso and to some extent to an unexpected wage increase in September 1970. The Government and SEGBA agreed for political reasons to postpone the rate increase which SEGBA would have been entitled to in October 1970 under its concession. SEGBA now expects to be granted in January 1971 a rate increase of about 15%, which will allow it to make up for the lower revenues in 1970 and to earn an 8% return in 1971.

24. Capital expenditures in the first half of 1970 were about NP\$115 million which is about NP\$19 million below the budget. Total capital expenditure for 1970 is now expected to reach about NP\$312 million as compared with the original forecast of NP\$356 million.

Borrowing From The Capital Market

25. During the negotiations of Loan 644-AR, the Government and SEGBA agreed that in 1970 SEGBA would start borrowing on the capital market and would continue borrowing through the construction period of the project, in order to prepare itself to finance its expansion beyond 1972 with a minimum of further help from the Bank and without contributions from the Government. Thus, SEGBA's financing plan assumes annual borrowings from the market of US\$10 million in 1970, US\$15 million in 1971 and US\$20 million in 1972. It was expected that the first issue would be placed prior to July 31, 1970, market conditions permitting.

26. Accordingly, early this year SEGBA approached some investment banks, and in April it received an offer from Baring Brothers of London. Baring proposed to undertake in 1970 a bond issue for SEGBA in the European market for a US\$10 million loan in Eurodollars with a term of 10 years plus one year of grace and an interest coupon of $9\frac{1}{4}\%$. The bonds were to be issued at a discount rate such as to give a yield to the investor of approximately 9.6% to final date or 9.75% over the average life of $5\frac{1}{2}$ years. Moreover, the bonds were to be guaranteed by the Government as to principal and interest.

27. The Government, however, would not allow SEGBA to proceed with issue of such bonds in 1970. Subsequently, SEGBA had to resort to a Bank of America dollar loan for the same amount but for only a five year term with a floating interest rate of 1.625% over the London Interbank Offering Rate. The interest rate calculated on this basis is presently about 10-1/16%.

28. As mentioned in paragraph 11, the present estimate of SEGBA's investment program is US\$46 million more than foreseen in the appraisal report for Loan 644-AR. Optimal financing of the balance of the present program can be attained if the Government will allow SEGBA to borrow in 1971-72 at least US\$35 million from the capital market on a long term basis as planned previously. Otherwise, SEGBA will have to rely increasingly on high cost medium term bank loans, - as it had to do in 1970 - and perhaps not pay cash dividends.

29. Since local market conditions continue to be very unfavorable for long term borrowing and the raising of public equity capital, it is important that the Government clearly define SEGBA's place in Argentina's foreign borrowing program, which it has not done up to now. We recommend that both the South America and the Public Utilities Projects Departments follow up on this matter with the Government. For a first step, we suggest that Mr. Skillings take up this issue with the new Minister of Economy during his December mission to Argentina. A brief follow up mission from Public Utilities might be necessary early next year, preferably in March, when 1970 accounts have been finalized and 1971 capital expenditures more accurately forecast, but before 1970 dividends are declared.

Personnel

30. Progress in reducing personnel is continuing. By August 31, 1970 the total number of employees was 23,744 (against 24,135 at end of 1969), which is about 250 and 50 better than the 1970 and 1971 targets, respectively. The ratio of employees to customers improved from 1:89 at the end of 1969 to about 1:93. This ratio is expected to be as low as about 1:96 by end of 1970 when SEGBA should have reduced its number of employees to 23,500, which would correspond to the 1972 target.

31. While there is still a large excess in administrative personnel to be reduced during the next few years, SEGBA's management feels that in 1971 it will not be able to further reduce the technical personnel. Therefore the decrease of the total number of employees will slow down next year and possibly come to a standstill in 1972 or 1973.

32. SEGBA intends to recruit a substantial number of qualified professionals. This is necessary because the positions immediately below the top management are poorly staffed. This increase in professional staff, which might amount to 20 or 30 persons, has practically no bearing on the overall figure discussed above.

33. Training of lower echelon personnel appears satisfactory. At higher echelons it is not. For this level SEGBA intends to begin systematic training both in Argentina and abroad in 1971.

Organization and Management

34. Decentralization of SEGBA's commercial and technical departments is proceeding satisfactorily. The responsibility for customer service, meter reading, collections not handled centrally by mail, construction of low voltage lines, installations of transformers, connection of new customers and

November 20, 1970

repairs are now being delegated to the district offices without referral to the higher levels of management. Ten district branch offices have been set up and five more are expected to be set up in 1971.

35. The five working parties, which have been set up with the help of SEGBA's consultants (Middle West of the US) to propose and implement improved systems for financial control and management information, started working about a year ago. They have been mainly engaged in defining projects, preparing job descriptions, and training staff. The groups have recently started to produce proposals, some of which - improved customer accounting, computerizing the payroll and the financial statements - are expected to be completed next year. The budget control system which is presently being used and improved, was also devised by these parties during the past year.

36. SEGBA's top management continues to form a reasonably efficient team. However, its balance could be endangered by the changes in the Board that took place at the beginning of October 1970. Mr. Jorge Sabato, the new president of the company appears to have a personality that could easily clash with that of Mr. Meoli, who has been confirmed as executive vice president. Mr. Meoli told us openly that, while he was ready to cooperate with the new president, he would resign if Mr. Sabato or the new Board (see Annex 3) tried to restrict his prerogatives.

Future Program

37. The 1973-75 preliminary investment program requires about US\$300 million, of which about US\$145 million may require external financing. SEGBA intends to ask the Bank for a part of the needed financing; the balance will have to be financed by suppliers and borrowing in the market.

RRibi/VNercissiantz:jr
IBRD

cc: Mr. Chadenet
Mr. Baum
Mr. Piccagli
Mr. Rovani
Mr. John King
Mr. Engelmann
Mr. Weiner
Mr. Armstrong
Mr. Howell
Mr. Berrie
Mr. Jennings
Mr. White
Mr. Saeed/Ducker
Mr. Skillings/Fajans (6) (South America)

Central Files (2)
Department Files
Chronological Files

ANNEX 1

ARGENTINA

SERVICIOS ELECTRICOS DEL GRAN BUENOS AIRES S.A. (SEGBA)

Highlights of 1969 Operations

	<u>1969</u>	<u>Increase Over 1968</u>
Installed Capacity	1,573 MW	15.9%
Energy Generation	6,309 GWh	0.1%
Energy Sales	6,160 GWh	13.5%
Number of Consumers (in '000)	2,149	3.9%
Number of Employees	24,135	-4.3%
Average Revenue/kWh (excluding taxes)	NP\$0.1132	-7.9%
Total Operating Revenue	NP\$706 million	-3.8%
Operation and Maintenance Expenses	NP\$398 million	12.3%
Depreciation	NP\$ 94 million	6.3%
Interest Expense	NP\$ 35 million	-24.5%
Net Income	NP\$129 million	-35.1%
Capital Expenditure	NP\$277 million	46.2%

ARGENTINASERVICIOS ELECTRICOS DEL GRAN BUENOS AIRES S.A. (SEGBA)Some Important Indicators - 1969PART IReflecting Characteristics of the Utility

Thermal generation as % of total energy generation	100%
Average growth rate of energy sales in the last 4 years	9.4%
Annual load factor	58%
Industrial energy sales as % of total energy sales	31%
Average Consumption per consumer in kWh	2,866
Average fuel cost per million Btu	US\$33
Total Investments per kW installed capacity	US\$529
Debts as % of total capitalization	44%

PART IIReflecting Efficiency of the Management

System loss as % of total energy sent out	14.4%
Average thermal efficiency of plants	30.5%
Average revenue per kWh sold to all consumers	US\$2.8
Average revenue per kWh sold to residential consumers	US\$3.1
Average revenue per kWh sold to industrial consumers	US\$2.5
Average overall O&M expenses per kWh sold	US\$1.6
Operating ratio	70%
Return on average net plant in service	8.2%
Net internal cash generation as % of capital expenditure	49.8%
Consumers per employee	89
Energy sales per employee ('000)	255

ARGENTINASERVICIOS ELECTRICOS DEL GRAN BUENOS AIRES S.A. (SEGBA)SEGBA's Board

<u>Name</u>	<u>Office</u>	<u>Mandate expires at following stock- holders meeting:</u>
Sr. Jorge A. Sabato	President	1972
Sr. Gabriel A. Meoli	Executive Vice President	1972
Srta. Carmen Ana Hrubisko	Secretary	1972
Sr. Augusto M. Andreu	Director	1972
Sr. Raul O. Bianco	Director	1970
Sr. Enrique O. Canepa	Director	1970
Sr. Orlando Mattei	Director	1971
Sr. Rodolfo Pio Otero	Director	1972
Sr. Basilio Serrano	Alternate Director	1971
Sr. Sabas L. Gracia Nunez	Alternate Director	1971
Sr. Julio Gonzalez del Solar	Syndic	1970
Sr. Enrique L. Bladco Garma	Alternate Syndic	1970

ARGENTINA

SERVICIOS ELECTRICOS DEL GRAN BUENOS AIRES S.A. (SEGBA)

Places Visited and Officials Met In Connection with the Mission

1. Mr. Ribí was in Argentina from September 13 to October 2, 1970. During the first week he supervised Loan 577-AR (see Report of October 16, 1970) and he spent the last two weeks on the supervision of Loan 644-AR. Mr. Nercissiantz was in Argentina between September 19 and October 6, 1970 in connection with the supervision of Loan 644-AR. Except for a visit to the Atucha nuclear plant on September 19 and to El Chocon on September 21 and 22, 1970, the mission was in Buenos Aires.

2. Senior officials dealt with included:

- the Minister of Economy: Dr. A. Moyano Llenera
- the Secretary for Energy and Fuels: Dr. D. Fernandez
- the Subsecretary for Energy (for technical matters): Ing. E. Chayla
- the Subsecretary for Energy (for economic and financial matters):
Lic. L. Anidjar
- Ing. J. C. Altmann, director of the office for sector studies in the
Secretariat of Energy
- from SEGBA: Ing. G. Meoli, executive vice president
Ing. O. Briozzo, technical manager
Ing. B. Bronstein, planning manager
Ing. A. Blanco, commercial manager
Dr. H. Rabinovich, administrative and financial manager
- from CIAE: Ing. A. Kurlat, administrative manager
- from AyEE: Ing. J. Pegoraro, executive vice president

December 1969

ARGENTINA

List of Rate Covenants:

Power*

<u>Borrower</u>	<u>Project</u>	<u>Loan No.</u>	<u>Loan Amount US\$ Million</u>	<u>Date Signed</u>
SEGBA	- Buenos Aires Power Project	308-AR	95	Jan. 19, 1962
	- 2nd B.A. Power Project	525-AR	55	Jan. 25, 1968
	- 3rd B.A. Power Project	644-AR	60	Nov. 14, 1969
HIDRONOR	- El Chocon Power Project	577-AR	82	Dec. 19, 1968

* No loans or credits for telecommunication, water, railways or ports.

ARGENTINA

Power - Segba

1. Description of Rate Provisions

Covenants in Loan Agreement (1969)

- 5.13 " The Borrower shall from time to time take all steps which shall be necessary or desirable, as permitted under the Concession, to obtain such adjustments in its rates for the sale of electricity as may be necessary to provide revenues sufficient to: (a) cover all operating expenses including taxes and adequate maintenance, and provide for straight-line depreciation of assets based on realistic valuations of such assets and on their estimated useful lives but in any case at an average rate of not less than 3%; and (b) provide a reasonable return on the Borrower's net investment. "
- 6.02 A substantial change in the Concession shall be an event of default.

Covenant in Guarantee Agreement (1969)

- 3.08 The Guarantor will grant or cause to be granted to the Borrower rates as provided in Concession and Loan Agreement.

Conditions of Effectiveness

There was no need for conditions of effectiveness on rates for any of the three loans. The granting of the 1962 concession, described below, was a condition of effectiveness of Loan 308-AR.

Summary of Concession (February 1, 1962)

The concession provides that rates should generate revenues sufficient to produce a return of 8% on the average value, expressed in dollars, of net plant in service plus a notional value of working capital equal to 5% of the average value of net plant in service. This is after covering all operating expenses, taxes and adequate straight-line depreciation (at a rate or rates not defined) computed on the value, also expressed in dollars, of gross fixed assets in service at year end. In lieu of income and all other taxes, Segba pays taxes to municipalities and to the Province of Buenos Aires on all sales, except to railways and for public lighting. In addition, Segba collects taxes, not shown in its income statement, for the account of the Federal, Provincial and Municipal authorities, most of which are for electrification purposes.

Power rates are revised annually, effective with the first meter reading of January, on the basis of a detailed application submitted by Segba to the Secretaria de Estado de Energia y Minería (SEEM) before December 1 of the previous year. If the 8% return has not been achieved (or has been exceeded), the revenues of the year immediately succeeding must compensate the difference. Changes arising in labor and fuel costs during the year are to be automatically compensated for by interim rate adjustments. Furthermore, if changes in economic circumstances, such as lower sales, devaluation of the currency, etc. could be expected to result in an insufficient net income for the current year, Segba can adjust its rates proportionally after informing the Secretaria.

Segba maintains for rate purposes two dollar accounts, of gross fixed assets in service and of accrued depreciation.* The original values were recorded in the concession. Additions to fixed assets are translated into dollars at the average free exchange rate in effect during the year in which the assets are put in service. The free exchange rate on the last working day of the year is used to convert into pesos the dollar values of net income and depreciation charges.

Specific delays are provided for the submission and approval of rate applications and rate "liquidations" (the verification of the final results of the completed fiscal year). In case of a dispute, rates are to be implemented provisionally while the matter is being decided by the Executive or the Courts.

* These accounts are for rate making purposes only; Segba's own books are presented on an historic cost basis.

ARGENTINA

Power - Segba

2. Reasons for existing rate provisions

The existing rate covenants in the Loan and Guarantee Agreements (644 AR) are identical to the covenants for the two earlier loans except for the specific definition of depreciation as straightline depreciation, based on the estimated useful lines of assets but in any case at an average rate of not less than 3%. This specific definition was first introduced in a side letter to the agreements of 1968 (525 AR) to fill a gap in the concession provisions, which made possible inadequate depreciation policies to be followed in 1964 and 1965. It was introduced in the covenants in connection with the last loan as part of the more recent policy to limit the use of side letters.

Lack of funds was one of the primary causes for severe power shortage in Buenos Aires in the fifties and early sixties. The rate provisions in the 1962 concession were part of a series of measures evolved in cooperation with the Bank and intended to enable Segba to mobilize the resources necessary to restore and maintain an adequate power supply in Buenos Aires without burdening the national budget. Segba was reorganized and recapitalized as a stock corporation whose shares, wholly owned by Government, would in due course be sold to the public.

The purpose of the rate provisions in the concessions was thus to enable Segba to:

- (a) achieve such level of earnings as would enable it to attract new debt and new equity from the public; Segba had initially little debt (22% of total capitalization); to increase leverage, 40% of the Government owned share capital was converted into 5% preferred stock; to result in future annual returns on common shares and surplus of about 12% (after interest on debt and dividends on preferred).
- (b) finance from net internal cash generation a reasonable proportion of its expansion requirements; about 45% was needed in the first three years through 1964, assuming no cash dividends and no sale of new shares, to complete the financing plans that could be arranged. (Bank loan and mostly suppliers' credits); this was high considering that assets would increase 84% in the three years.

A rate of return (of 8%) on the dollar value of assets was used as it constituted:

- (a) a clear, objective and almost automatic criterion for setting rates, which would limit political influence to the minimum;
- (b) a relatively simple method for maintaining the level of revenues in constant terms of despite inflation;

- (c) one of the most commonly accepted techniques for expressing the earnings goals described above, and for testing performance after the fact;
- (d) an indirect but effective technique for specifying the earnings level necessary to achieve the underlying cash generation goals sought.

ARGENTINA

Power - Segba

3. Performance

a. Performance under concession

2 The real test of Segba's performance under the rate covenant is not whether it has achieved the 8% return in the concession (which is not a minimum return as in many covenants), but whether Segba has complied with the terms of the concession, taking in due course all the steps necessary to achieve the 8% return and to recover any shortfall out of the subsequent years revenues. There were two instances, in the eight-year period, when the Government did not allow Segba to apply the concession:

3 (a) At the end of 1963, the Illia Government having recently taken office, turned down Segba's routine application for a relatively modest rate increase, using this as an opportunity to challenge the 1962 reorganization of Segba and its autonomy. It arbitrarily reduced Segba's depreciation charges and consequently its revenue requirements for 1964 and 1965 to inadequate levels, thus making it appear that no rate increase was needed in 1964 and a smaller rate increase was justified in 1965. Since no minimum depreciation charges were spelled out in the concession or loan agreement, the Government was able to claim compliance with the letter of the concession. Neither the Bank nor Segba challenged the Government in court. The same Government reversed itself in 1966 partly as a condition for further Bank lending, partly also because it was able to verify the serious consequences of its inadequate policies of 1964 and 1965 on the power supply in Buenos Aires and on the national budget.

4 (b) At the end of 1967, the Government allowed rates for 1968 which would enable Segba to achieve an 8% return in 1968 but would not enable it to recover out of 1968 revenues the shortfall accumulated at the end of 1967. Prior agreement was obtained from the Bank, and confirmed by a side letter to loan 525 AR, on the basis of an exceptional measure made necessary by economic circumstances.

5 Except for these two instances, Segba complied strictly with the terms of the concession, increasing power rates 9 times over the 6 years through January 1968, to a level which was then about 4.7 times what it was at the end of 1961. The combination of increased sales, reduced labor costs and stability of the exchange rate of the peso made it possible to reduce rates slightly in 1969. Another modest reduction is expected for 1970 despite a planned increase in fuel costs and wages. As a result, the average revenues per kwh sold would be, in pesos, less in 1970 than in 1967. It was in 1969 about US cents 3.25 equivalent.

b. Actual Results

(i) Annual financial returns

A summary of the returns experienced since the first loan was made is

shown below. The first line shows the returns as recorded for purposes of the concession. The second line shows what returns would have been achieved if (a) Segba's depreciation policies in 1964 and 1965 had been consistent with earlier and subsequent practice and if (b) the exceptional Government contribution of 1968 already mentioned had been treated as a capital contribution rather than as revenues, as then provided by the Government and agreed by the Bank. The third line shows the cumulative amounts in billions of pesos by which revenues exceeded (or fell short of) the level provided for in the concession. The fourth line shows the exchange rate, in pesos per US\$, applying at the end of each year reviewed:

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Average returns %		8.2	6.4	3.8	7.1	8.6	6.8	12.5
Average returns adjusted %		8.2	6.4	2.4	5.6	8.6	6.8	9.3
Cumul. Surpl. or (defic.) Billions of M\$N		-	(0.6)	(3.3)	(4.1)	(3.2)	(5.5)	3.5
Year end Exchange rate M\$N per \$	83.0	134.1	132.5	150.9	188.5	247.3	350.0	350.0

Considering the difficult circumstances, Segba's performance measured in returns on a dollar rate base was rather remarkable.

The corrective mechanisms in the concession, which had been conceived at a time of relative currency stability and free exchange rates, imposed on Segba a particularly hard discipline during this period of inflation: under the concession, a devaluation in the course of a year increases Segba's revenue requirements from the first of the year, since the dollar values of depreciation charges and net income for that year are translated into pesos at the rate of exchange in effect at the end of the year. When the devaluation takes place, Segba should increase its power rates so as to earn in the balance of the year the full amount of additional revenue requirements. If the return is not achieved, the shortfall must be fully recovered in the next year.

In 1962, Segba was able to achieve the permitted return because: (a) the power rates in effect at the beginning of 1962 included a contingency in excess of calculated revenue requirements and (b) the devaluation of the currency took place early in 1962 (from 83 pesos per dollar) and additional corrective rate action could be taken in time.

in 1964/67, a modest contingency against devaluation was included only in one year, 1966. Devaluations, however, were frequent and considerable, causing shortfalls in earnings to snowball to M\$N 5.5 billion at the end of 1967. To recover this amount would have required a larger rate increase in 1968 than would have been consistent with the Government stabilization policies at the time, and it would have been unrealistic for the Bank not to allow the exceptional departure from the concession already referred to.

The net income for 1968 exceeded by M\$N 3.5 billion the requirements of the concession, which included the recovery of the 1967 shortfall. Despite an average rate reduction of 5% at the beginning of the year, the net income requirements for 1969 are expected to be exceeded also.

(ii) Financing of expansion

In the seven year period through 1968, Segba's assets increased by almost 150% from US\$ 351 million to US\$ 856 million. This increase of US\$ 505 million, was not evenly distributed in the period: about 55% took place in the three years 1962-64 and the balance in the four years 1965-68. The financing of this increase in fixed assets and working capital was approximately as follows:

	Millions of US\$	%
Government contributions	52	10
Net cash generation	252	50
Amortization of debt (<i>Reserve</i>)	105	21
Net additions to debt	96	19
Increase in assets	505	100

In the period, Segba was able to finance from internally generated cash a slightly higher proportion of the expansion needs than originally expected. This was due to a slow down of the expansion in 1965-67 caused by adverse political and economic circumstances. As far as outside financing was concerned, the pattern was quite different from expectations: short term borrowings and government contributions substituted for the long term borrowings which were not available; dividends could not be paid in cash.

(iii) Rate structure and efficiency of operations

The rate provisions in the concession as reflected in the rate covenants did not pursue any specific economic objective as such, other than removing the financial causes of acute past power shortages and avoiding to burden the national budget with financial requirements for power. Significant improvements in the rate structure have been obtained independently by persuasion rather than legal agreements. The Bank has also applied pressure to reduce labor costs, as a condition to making a second loan and in discussions not reflected in any of the agreements. As a result, while operations were expanding, personnel has been reduced in the 2½ years through January 31, 1969 by about 1,200, with a further reduction of 500, to about 24,000, expected by the end of 1969. The number of consumers per employee would then be about 89, as compared with about 71 at the end of 1965. Also some personnel was transferred to construction leading to additional savings in operating expenses.

ARGENTINA

Power - Segba

Conclusions

In their form the rate agreements with the Government and Segba are excellent to the extent that they merely confirm self-imposed objective criteria of financial performance, and detailed mechanisms of implementation written into the concession by the Government and Segba themselves with informal help by the Bank prior to and during the appraisal of the first loan. These detailed mechanisms and very precise criteria were of particular importance since, when the first loan was made Segba had not built up any record that would have warranted a US\$ 95 million loan.

An evaluation of Segba's performance over the seven-year period since the concession was made effective and the first Bank loan was signed is of particular interest in view of the difficult challenges of the period. These challenges were weathered by Segba and its satisfactory performance is due in the Government to apply the concession.

The political argument of 1964-65 did considerable damage to Segba's management and efficiency and slowed down its expansion program. As far as power rates are concerned, however, the adverse effects were only temporary. In the end lack of funds confirmed the need for rate policies of the kind provided for in the concession.

The real and major challenge of the period, however, was the fast depreciation of the peso. This challenge, which is evidenced by the fact that in one year, 1962, the exchange deteriorated from 83 to 134 pesos per dollar, and in three years, 1964/1967, from about that level to 350 pesos per dollar, was met remarkably well.

The internal cash generation was maintained at a high level in constant terms due to the corrective mechanisms, tied to the dollar, of the concession. Only relatively small amounts had to be contributed from the Government budget to assist in financing expansion in 1964/1967, during which no Bank loan and practically no outside financing could be obtained. At the end of the period Segba is in an excellent financial position which, in more favorable market conditions, would enable it to borrow substantial amounts of funds.

WIP (11) It cannot be said that the guaranteed rate of return in Segba's concession lead to inefficiency. Inefficiency long pre-existed the adoption of the present concession and actually increased only in the period when the concession was challenged. If anything, the guaranteed rate of return did help in the recent period, along with Bank pressure, in bringing about an improvement in efficiency, as reduction in costs was the only way of containing rates to levels acceptable to the public.

G. Rovani

Debt Service Coverage

	<u>60</u>	<u>61</u>	<u>62</u>	<u>63</u>	<u>64</u>
Operating Income	29.22	7.38	24.09	26.07	24.38
Depreciation	<u>10.52</u>	<u>11.55</u>	<u>14.43</u>	<u>21.98</u>	<u>17.78</u>
Interest Cash	19.74	18.93	38.52	48.05	42.08
Net Int.	<u> </u>	<u> </u>	<u>35.93</u>	<u>31.48</u>	<u>20.63</u>
Debt Service			<u>2.59</u>	<u>16.57</u>	<u>21.45</u>
Debt Service			<u>14.9</u>	<u>2.9</u>	<u>2.0</u>
	<u>65</u>	<u>66</u>	<u>67</u>	<u>68</u>	<u>69</u>
Operating Income	65.18	112.71	130.05	249.80	167.28
Depreciation	<u>24.69</u>	<u>55.84</u>	<u>83.13</u>	<u>88.41</u>	<u>93.96</u>
Interest Cash	89.87	168.55	213.18	338.21	261.24
Net. Int.	<u>19.61</u>	<u>81.25</u>	<u>100.25</u>	<u>180.03</u>	<u>129.61</u>
Debt Service	70.26	87.30	112.93	158.18	131.63
	<u>1.3</u>	<u>1.9</u>	<u>1.9</u>	<u>2.1</u>	<u>2.0</u>
78					
	135.36				
	<u>116.99</u>				
	252.35				
	<u>105.31</u>				
	<u>147.04</u>				
	<u>1.7</u>				

13.41

Financial Rate of Return Data

	'62	'63	'64	'65	'66
Sales Rev.	127.11	175.69	203.93	318.04	470.57
+ FNE					
- Taxes	8.75	9.60	11.45	22.93	28.19
Operating Rev.	118.36	166.09	192.48	295.11	442.38
Costs	<u>94.27</u>	<u>140.02</u>	<u>168.10</u>	<u>229.93</u>	<u>329.67</u>
	24.09	26.07	24.38	65.18	112.71
	'67	'68	'69	'70	
Sales Rev.	619.68	715.31	788.59	860.31	
+ FNE		62.59			
- Taxes	35.55	44.32	82.38	85.97	
Operating Rev.	584.13	733.58	706.21	774.34	
Costs	<u>454.08</u>	<u>483.78</u>	<u>538.93</u>	<u>638.98</u>	
	130.05	249.80	167.28	135.36	

2nd page →
for index by which above multiplied to
obtain comparative figures with forecasts

Loan 308

62	63	64	65	66
<u>.83</u>	<u>.83</u>	<u>.83</u>	<u>.83</u>	<u>.83</u>
1.341	1.325	1.509	1.815	2.473
.619	.626	.550	.440	.336

Loan 525

67	67	68	69	70
<u>.83</u>	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>
3.5	3.5	3.5	3.5	4.0
.237	1	1	1	.875

~~92.46~~

~~20.00~~

~~37.87~~

~~30.91~~

118.44

Financial Rate of Return

	1959	1960	1961
Sales Revenues	63.09	67.67	74.77
- Sales Pay	- 13.68	- 3.55	- 5.79
+ FNE funds			
Total Operating Rev.	49.41	64.12	68.98
Costs	38.75	55.86	56.58
Direct Taxes	6.76	4.84	5.02
Total Costs	45.51	54.90	61.60
Net Rev.	3.90	9.22	7.38
\$	4.74	11.15	8.89

SEGBA

Gross Fixed Asset
Depreciation

<u>59</u>	<u>60</u>	<u>61</u>	<u>62</u>
209.75	217.61	263.23	340.46
<u>79.28</u>	<u>87.63</u>	<u>98.05</u>	<u>124.32</u>
130.47	129.98	165.18	216.14

<u>63</u>	<u>64</u>	<u>65</u>	<u>66</u>
504.27	589.13	654.94	702.42
<u>139.80</u>	<u>149.51</u>	<u>159.87</u>	<u>179.79</u>
364.47	439.62	495.07	522.63

<u>67</u>	<u>68</u>	<u>69</u>	<u>70</u>
740.08	787.57	831.74	904.01
<u>201.55</u>	<u>220.89</u>	<u>245.74</u>	<u>257.98</u>
538.53	566.68	586.00	646.03

+

Av. Net Fixed Asset

Loan 301

<u>1962</u>	<u>63</u>	<u>64</u>	<u>65</u>
16,372	16,372	27,659	36,388
<u>12,752</u>	<u>27,659</u>	<u>36,388</u>	<u>36,699</u>

14,562	22,016	32,024	36,544
145.62	220.16	320.24	365.44

66

67

36,699	39,749
<u>36,827</u>	<u>36,827</u>
36,763	38,288
367.63	382.88

Loan 525

67

68

69

70

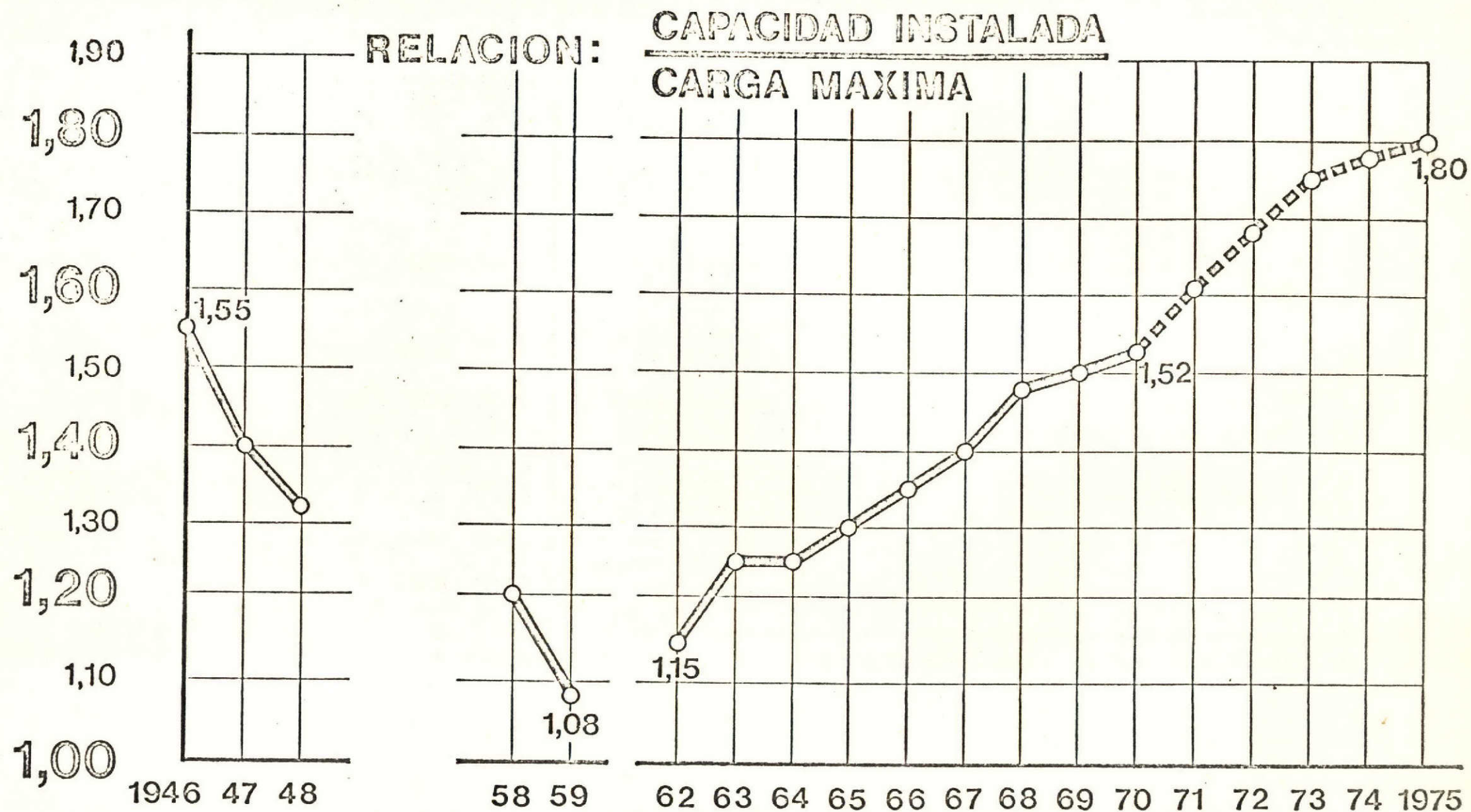
71229	92,136	110,960	129,810
<u>92,136</u>	<u>110,960</u>	<u>129,810</u>	<u>152,450</u>
81,683	101,548	120,385	141,130
816.83	1015.48	1203.85	1411.30

M&N

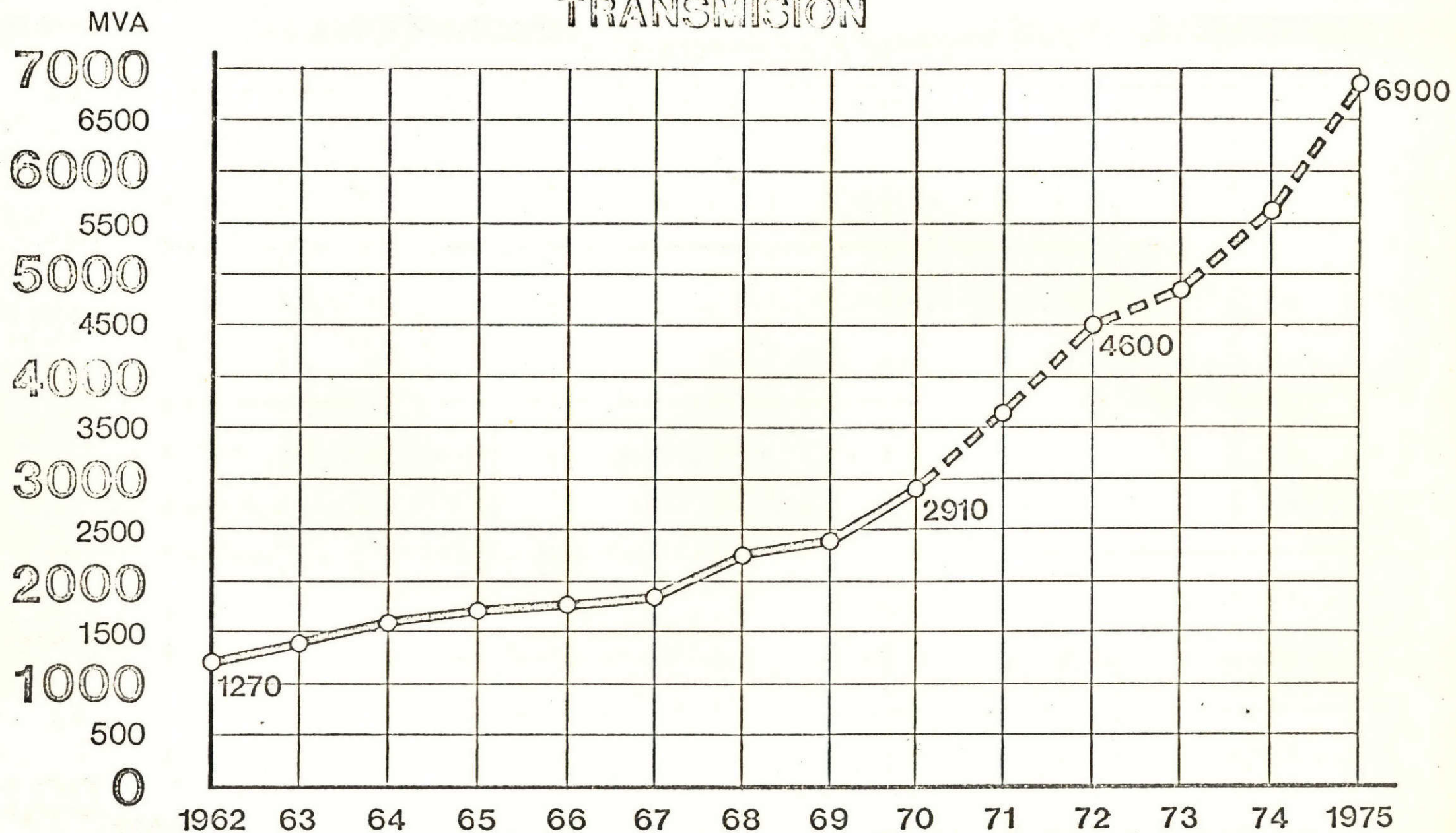
\$

516.2	544.1	598.1	715.0
<u>544.1</u>	<u>598.1</u>	<u>651.3</u>	<u>651.3</u>
530.15	571.1	624.7	683.15

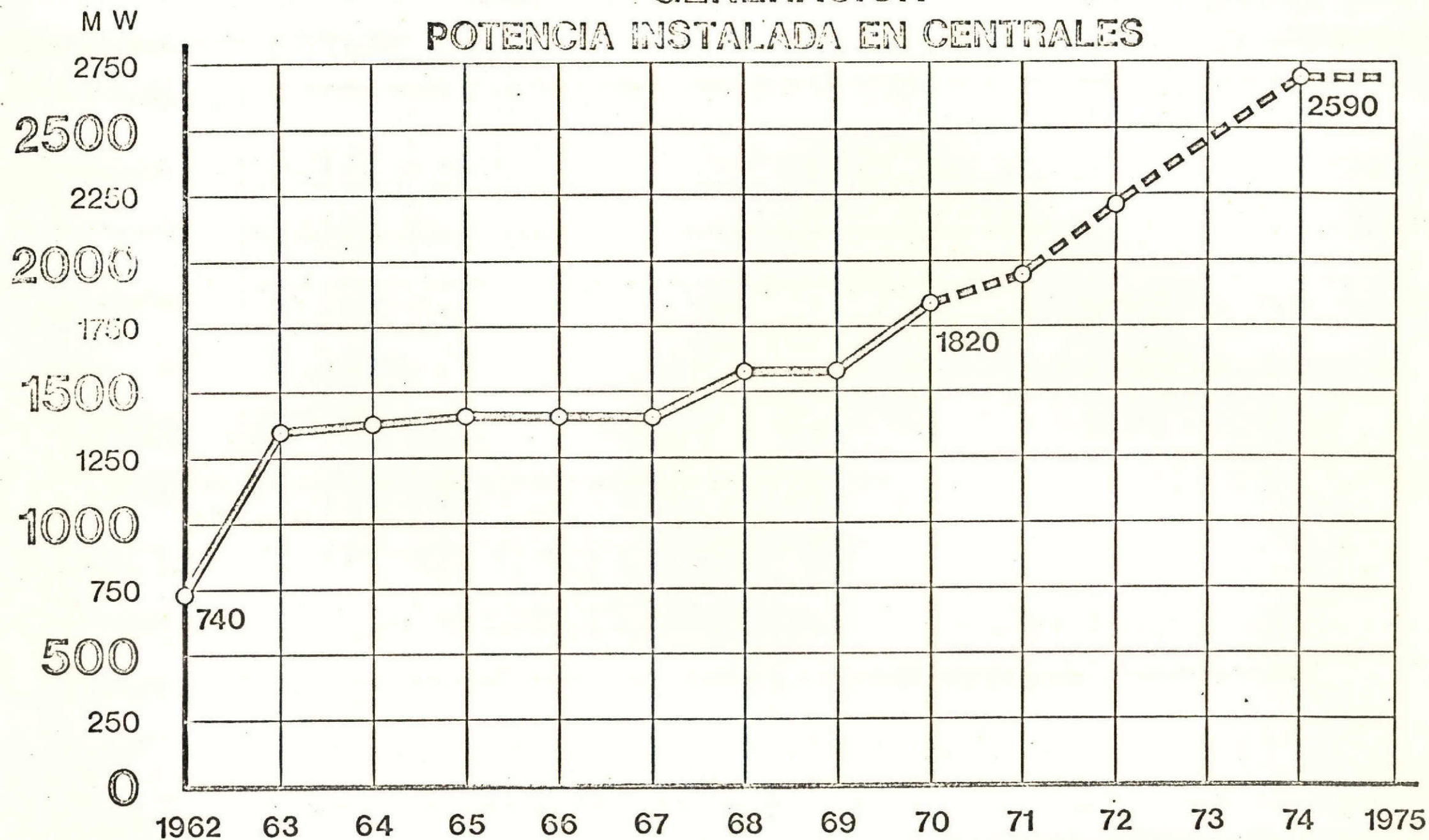
DISTRIBUCION



TRANSMISSION



GENERACION POTENCIA INSTALADA EN CENTRALES



PLAN DE OBRAS - FINANCIACION

(en millones de dólares)

	Período 71-72			Período 73-75		
	Plan propiamente dicho	Equipamiento adicional	TOTAL	Plan propiamente dicho	Equipamiento adicional	TOTAL
PLAN 1970-72	223		223			
Turbinas gas 150 MW		18	18			
Turbogrupos 350 MW		15	15		41	41
PLAN 1973-75				316		316
	223	33	256	316	41	357
<u>FINANCIACION</u>						
A - <u>Recursos propios</u>	208		208	358		358
Menos: Serv. deuda y otros	86		86	119		119
Dividendos en efectivo	-		-	-		-
Aumento cap. en giro	<u>19</u> - <u>105</u>		<u>19</u> - <u>105</u>	<u>15</u> - <u>134</u>		<u>15</u> - <u>134</u>
Recursos propios netos	103		103	224		224
B - <u>Créditos</u>						
B1 - <u>Ya obtenidos</u>						
Banco Mundial	53		53			
Eximbank y Proveedores	<u>23</u>	76	<u>23</u>	76		
B2 - <u>A gestionar</u> (ya previstos)						
Emisión obligaciones	35		35			
Préstamo medio/corto plazo	<u>9</u>	44**	<u>9</u>	44		
B3 - <u>A gestionar</u> (aún no previstos)						
Proveedores 150 MW		10*	10		12*	12
Proveedores 350 MW				80**		80
Banco Mundial (Segba IV)						
Emisión de oblig., Bco. Desarrollo y/o apoyo del Gobierno		23**	23	12**	29**	41
	223	33	256	316	41	357

<u>Resumen recursos a gestionar:</u>	De proveedores	. . . . .	10*	. . . . .	12*
	Otros	. . . . .	67**	. . . . .	121**
	Total	. . . . .	<u>77</u>	. . . . .	<u>133</u>

Servicios Eléctricos del Gran Buenos Aires

Balcarce 184

3 4 2 1 4

Buenos Aires, 20 de mayo de 1971

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

Atención: Señor Etori

De nuestra mayor consideración:

De acuerdo con lo prometido, tenemos el agrado de adjuntarle las 2 planillas que completan la información requerida por Vd.

Esperando que las mismas le resulten de utilidad para su trabajo, nos complacemos en saludarle muy atentamente.


SERVICIOS ELECTRICOS DEL GRAN BUENOS AIRES, S.A.



A. GUSMAN
Subgerente



B. BRONSTEIN
GERENTE

 Anexos

segba

3421

Buenos Aires, 20 de mayo de 1971

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

Atención: Señor Ettore

De nuestra mayor consideración:

De acuerdo con lo prometido, tenemos el agrado de adjuntarle
las 2 planillas que completan la información requerida por Vd.

Esperando que las mismas le resulten de utilidad para su tra-
bajo, nos complacemos en saludarle muy atentamente.

SERVICIOS ELECTRICOS DEL GRAN BUENOS AIRES, S.A.

A. CUSMAI

Subgerente

B. BRONSTEIN
GERENTE

Anexos

Sj/Gt



20 de mayo de 1971

Señor Ettori

Como podrá observar, en la Table I aparecen importes en el año 1965 correspondientes al Crédito 308 AR, como también en el año 1970, del 525 AR, y en cambio en la Table II las inversiones a las cuales se aplicó el Crédito 308 AR terminan en 1964, y en 1969 terminan las inversiones financiadas por el Crédito 525 AR.

Esta diferencia se debe a que en la Table I se han incluido en los años mencionados 1965 y 1970 los últimos desembolsos realizados hasta los respectivos "closing date" correspondientes a inversiones que en su mayor parte se efectuaron hasta los años 1964 y 1969.

B. BRONSTEIN
GERENTE

DEPRECIACION DE LOS BIENES DESTINADOS AL SERVICIO

	INSTALACIONES EN SERVICIO		MUEBLES Y UTILES		INSTALACIONES Y COMUNICACIONES TELEFONICAS		APARATOS, HERRAMIENTAS Y VARIOS Y MEDIOS DE TRANSPORTE		
	\$	u/s	\$	u/s	\$	u/s	\$	u/s	
VALOR AL 31.10.1958	4.315.448.227,38	70.502.339,93	144.460.637,05	2.360.082,29			106.969.186,45	1.747.576,97	
MOVIMIENTO 1959:									
Retiros y ajustes	- 12.607.531,43	- 205.971,76	- 304.816,77	- 4.979,85			- 1.259.623,29	- 20.578,72	
Dotación	365.278.812,81	4.699.933,26	6.807.802,01	87.593,95			8.910.337,51	114.646,65	
SALDO AL 31.12.1959	4.668.119.508,76	74.996.301,43	150.963.622,29	2.442.096,39			114.619.900,67	1.841.644,90	79,28
MOVIMIENTO 1960:									
Retiros y ajustes	- 34.453.436,85	- 562.872,68	- 2.713.362,--	- 44.328,74			- 642.140,--	- 10.490,77	
Dotación	730.612.970,23	8.808.933,81	2.639.972,19	31.829,91			10.684.371,86	128.820,53	
SALDO AL 31.12.1960	5.364.279.042,14	83.242.362,56	150.890.232,78	2.430.197,56			124.662.135,63	1.959.974,66	87,63
MOVIMIENTO 1961:									
Retiros y ajustes	- 27.529.465,70	- 451.065,83	- 15.911.781,84	- 260.033,99			- 2.077.838,90	- 31.240,52	
Dotación	909.266.872,82	10.977.506,61	3.232.101,40	39.020,90			11.855.434,32	143.165,94	
SALDO AL 31.12.1961	6.246.016.449,26	93.768.503,34	138.210.552,34	2.209.184,47			134.442.731,05	2.071.900,03	98,05
MOVIMIENTO 1962:									
Retiros y ajustes	1.243.362.970,34	14.825.282,93	15.532.345,42	254.402,91			12.760.879,15	212.685,75	
Dotación	1.309.834.358,09	9.767.594,02	44.174.755,33	329.416,52			118.937.428,32	886.930,86	
SALDO AL 31.12.1962	8.799.213.777,69	118.361.680,29	197.917.053,09	2.793.003,90			266.141.038,52	3.171.516,69	124,32
MOVIMIENTO 1963:									
Retiros y ajustes	- 40.393.630,98	- 1.106.734,20	- 1.093.063,34	- 17.932,69			583.963,71	8.855,79	
Dotación	2.013.590.863,84	15.196.912,18	49.937.043,83	376.653,35			134.523.406,28	1.015.271,67	
SALDO AL 31.12.1963	10.772.411.010,55	132.451.858,27	246.761.633,63	3.151.954,56			401.248.498,51	4.195.644,15	139,8
MOVIMIENTO 1964:									
Retiros y ajustes	- 115.953.638,26	- 1.831.056,03	2.052.787,20	34.983,23			- 18.603.541,21	- 223.057,93	
Dotación	1.747.589.420,71	11.581.082,97	12.424.401,32	82.335,35			17.963.371,58	119.240,39	
SALDO AL 31.12.1964	12.404.042.793,--	142.151.885,21	261.238.625,15	3.269.278,14			400.638.331,85	4.091.826,56	149,51
MOVIMIENTO 1965:									
Retiros y ajustes	- 133.329.654,36	- 2.125.630,88	- 13.950.488,51	- 222.307,45			- 34.101.289,56	- 396.106,47	
Dotación	2.426.961.215,12	12.875.125,81	17.688.212,30	93.336,67			24.462.515,70	129.774,62	
SALDO AL 31.12.1965	14.697.674.353,76	152.901.380,14	264.976.548,94	3.140.807,36			390.999.557,99	3.825.494,71	159,87
MOVIMIENTO 1966:									
Retiros y ajustes	- 166.184.896	- 2.411.452,32	- 4.336.375	- 34.292,16			- 12.173.854	- 216.006,93	
Dotación	5.123.036.862	20.715.378,94	127.054.725	513.702,57			333.871.898	1.350.068,33	
SALDO AL 31.12.1966	19.654.526,320	171.205.606,76	307.694.899	3.620.282,79			712.697.602	4.959.556,11	179,79
MOVIMIENTO 1967:									
Retiros y ajustes	- 128.816.511	- 1.844.950,03	- 2.775.667	- 42.219,47			- 5.896.199	- 92.744,71	
Dotación	7.641.726.690	21.833.501,00	190.157.359	543.306,74			400.649.285	1.373.283,67	
SALDO AL 31.12.1967	27.167.436.489	191.194.361,53	575.076.591	4.121.370,06			1.167.456.688	6.240.095,07	201,55
MOVIMIENTO 1968:									
Retiros y ajustes	- 376.106.405	- 5.789.770,58	- 4.839.493	- 97.833,12			- 6.375.006	- 38.673,63	
Dotación	8.132.319.311	23.235.193,03	205.330.762	585.659,32			503.362.202	1.433.177,72	
SALDO AL 31.12.1968	34.923.649.395	208.639.788,98	775.567.860	4.610.196,26			1.684.437.884	7.639.599,16	220,89
MOVIMIENTO 1969:									
Retiros y ajustes	- 196.112.453	- 1.911.462,64	- 4.877.762	- 56.257,73	- 506.106	- 6.771,40	- 1.657.393	- 22.803,30	
Dotación	8.576.339.156	24.503.826,16	195.490.974	553.545,64	29.754.105	85.011,73	595.679.333	1.701.940,95	
SALDO AL 31.12.1969	43.303.876.098	231.232.152,50	966.181.072	5.112.454,20	29.247.999	78.240,33	2.278.459.824	9.318.736,81	245,74
Pagos Ley 18.188	433.038.760,98		9.661.810,72		292.479,99		22.784.598,24		
MOVIMIENTO 1970:									
Retiros y ajustes	- 11.144.865,95	- 16.649.072,05	- 361.364,36	- 235.933,23	- 1.101,97	- 3.678,90	- 99.010,06	- 126.786,25	
Dotación	106.465.064,93	26.616.266,22	2.394.971,88	598.742,97	526.845,68	131.711,42	7.593.631,--	1.893.407,75	
SALDO AL 31.12.1970	528.358.959,91	241.199.346,67	11.695.418,24	5.475.258,94	813.223,70	206.272,66	30.278.218,18	11.060.353,31	257,98

INVERSIONES DE LOS BIENES DESTINADOS AL SERVICIO

	INSTALACIONES EN SERVICIO		MUEBLES Y UTILES		INSTALACIONES Y COMUNICACIONES TELEFONICAS		APARATOS, HERRAMIENTAS Y VARIOS Y MEDIOS DE TRANSPORTE	
	\$	u3a	\$	u3a	\$	u3a	\$	u3a
VALOR AL 1.11.1958	12.536.452.542.12	204.810.530.01	175.997.643.39	2.875.308.67			130.862.280.11	2.137.923.21
MOVIMIENTO NOV. 58 A DIC. 59 Ampliaciones	-	-	-	-			-	-
Retiros	14.109.524.03	230.510.11	3.759.824.94	48.376.54			8.713.839.78	112.118.37
Transferencias	1.501.222.60	19.325.62	317.243.16	5.182.86			-	20.375.32
SALDO AL 31.12.1959	12.523.845.010.69	204.599.345.59	179.452.651.56	2.918.705.36	209.75		-	203.40
MOVIMIENTO 1960 Ampliaciones	535.012.509.26	6.781.521.55	15.243.837.06	183.793.55			138.316.496.60	2.229.462.86
Retiros	-	-	-	-			-	-
Transferencias	23.286.076.54	380.429.29	474.183.84	7.746.84			58.213.865.34	701.879.26
SALDO AL 31.12.1960	56.275.014.14	630.703.15	2.232.178.06	36.581.90	217.61		-	4.064.97
MOVIMIENTO 1961 Ampliaciones	13.071.346.457.55	211.631.141.-	191.983.126.62	3.058.170.17			-	6.425.80
Retiros	-	-	-	-			195.888.222.44	2.920.851.35
Transferencias	3.783.904.519.53	46.093.795.37	5.855.376.49	70.691.50			15.306.706.05	184.796.64
SALDO AL 31.12.1961	26.558.328.06	433.256.08	14.961.591.09	244.423.38	263.23		-	13.734.18
MOVIMIENTO 1962 Ampliaciones	970.637.64	12.597.08	950.190.75	15.550.77			-	11.364.75
Retiros	-	-	-	-			209.117.035.59	3.075.549.06
Transferencias	2.169.707.631.06	23.177.615.08	17.631.080.85	155.039.40	340.46		111.789.770.05	933.026.47
SALDO AL 31.12.1962	261.726.385.77	4.152.872.93	2.588.723.17	40.670.13			-	79.762.04
MOVIMIENTO 1963 Ampliaciones	3.612.476.310.74	56.322.268.13	31.060.166.84	470.353.86	504.27		25.420.635.98	403.003.21
Retiros	-	-	-	-			-	4.382.714.70
Transferencias	22.363.679.087.41	332.626.093.49	228.029.245.89	3.453.606.65	589.13		341.338.280.06	4.382.714.70
SALDO AL 31.12.1963	18.838.065.349.41	164.321.276.86	45.604.707.15	333.159.49	654.94		-	684.787.87
MOVIMIENTO 1964 Ampliaciones	93.388.593.13	1.465.067.35	545.427.42	8.902.10			-	3.520.72
Retiros	-	-	-	-			815.369.57	12.376.51
Transferencias	4.676.833.83	58.460.42	547.635.92	2.030.89	702.42		440.756.341.10	5.076.358.36
SALDO AL 31.12.1964	41.158.678.939.81	495.423.842.08	272.540.889.70	3.763.833.45			155.030.330.52	1.108.718.92
MOVIMIENTO 1965 Ampliaciones	11.176.467.803.18	85.545.870.89	49.852.310.17	359.046.42	831.74		-	223.234.17
Retiros	-	-	-	-			18.621.385.94	175.19
Transferencias	122.145.827.03	1.935.710.69	758.248.32	10.936.22			577.183.130.38	5.962.019.30
SALDO AL 31.12.1965	1.611.697.04	20.146.21	10.781.70	15.19			179.457.745.18	922.818.12
MOVIMIENTO 1966 Ampliaciones	52.214.612.668.-	579.054.148.49	321.624.166.85	4.116.767.46	654.94		-	396.913.98
Retiros	-	-	-	-			34.101.289.56	807.51
Transferencias	10.276.326.310.71	66.819.241.62	132.682.126.66	797.373.83	740.08		722.539.586.-	6.488.730.95
SALDO AL 31.12.1966	133.631.179.24	2.131.278.18	13.968.617.51	222.510.60			119.530.564.-	477.617.65
MOVIMIENTO 1967 Ampliaciones	1.134.296.53	14.178.71	13.122.-	203.15			-	235.006.59
Retiros	-	-	-	-			15.377.577.-	13.922.66
Transferencias	62.358.940.096.-	643.756.290.64	440.355.805.-	4.691.833.64	702.42		829.896.296.-	6.750.341.67
SALDO AL 31.12.1967	9.604.770.743.-	49.184.459.63	97.438.929.-	480.134.39			57.651.581.-	208.821.37
MOVIMIENTO 1968 Ampliaciones	-	-	-	-			-	92.744.71
Retiros	166.184.896.-	2.411.452.32	1.104.536.-	15.318.05			531.651.678.-	6.866.413.33
Transferencias	71.797.525.943.-	690.529.297.95	3.201.839.-	18.876.11			132.929.525.-	363.143.91
SALDO AL 31.12.1968	11.280.136.096.-	39.099.145.57	110.731.149.-	337.610.99			-	16.034.31
MOVIMIENTO 1969 Ampliaciones	-	-	-	-			1.684.818.-	22.630.32
Retiros	128.816.511.-	1.841.950.03	2.775.667.-	42.219.47			-	7.190.338.61
Transferencias	82.943.845.528.-	727.783.493.49	641.413.841.-	5.433.067.35			1.008.208.197.-	7.190.338.61
SALDO AL 31.12.1969	17.351.595.403.-	52.512.877.97	167.251.163.-	531.358.89			397.843.322.-	1.341.619.45
MOVIMIENTO 1970 Ampliaciones	-	-	-	-			1.657.393.-	22.803.30
Retiros	376.106.405.-	5.789.770.58	9.529.681.-	120.472.44			14.043.921.26	
Transferencias	99.924.334.526.-	774.506.600.88	4.680.188.-	22.530.32			4.192.049.34	1.109.120.25
SALDO AL 31.12.1970	15.450.261.449.-	44.199.067.07	803.829.911.-	5.866.993.16			102.303.56	127.728.68
MOVIMIENTO 1971 Ampliaciones	-	-	-	-			-	942.43
Retiros	196.112.453.-	1.911.462.64	165.607.610.-	496.078.42			13.136.960.54	9.492.038.76
Transferencias	-	-	-	-			-	-
SALDO AL 31.12.1971	15.178.483.522.-	816.794.205.31	142.821.811.-	720.927.43			-	-
MOVIMIENTO 1972 Ampliaciones	1.151.784.835.22		821.749.948.-	5.585.456.39			-	-
Retiros	-	-	-	-			-	-
Transferencias	317.611.159.21	87.698.795.88	2.410.698.30	637.911.62			-	-
SALDO AL 31.12.1972	13.544.865.95	17.255.935.77	354.843.08	234.075.01			-	-
MOVIMIENTO 1973 Ampliaciones	-	-	-	-			-	-
Retiros	-	-	-	-			-	-
Transferencias	-	-	-	-			-	-
SALDO AL 31.12.1973	1.455.851.128.48	887.263.874.10	6.521.28	1.863.22			-	-
MOVIMIENTO 1974 Ampliaciones	-	-	-	-			-	-
Retiros	-	-	-	-			-	-
Transferencias	-	-	-	-			-	-
SALDO AL 31.12.1974	-	-	-	-			-	-



Thermal Efficiency of plants,
(Table I
Manag^t indicators)

RENDIMIENTO TERMICO

1962	-	23,5 %
1963	-	24,4 %
1964	-	27,6 %
1965	-	29,3 %
1966	-	30,0 %
1967	-	30,6 %
1968	-	31,0 %
1969	-	30,6 %
1970	-	30,7 %

↓ Difference due to the
en route de l'ordinateur
de économie dispatche +
Costa Rica (GBA)

$$\text{Rendimiento Térmico} = \frac{860}{\text{Kiloc./KW a la red}}$$



FACTOR DE INDISPONIBILIDAD

EN CENTRALES

1962	-	0,308
1963	-	0,163
1964	-	0,287
1965	-	0,215
1966	-	0,187
1967	-	0,175
1968	-	0,134
1969	-	0,125
1970	-	0,110

pot unavap

pot ef total

1 = todo disponible

segba

28 Internal Inflation Index

1957 = 100

Costo de la vida en la Capital

Nº índice

1957 = 100

1960 = 100

1957	280	100
58	36'8	131
59	78'7	281
60	100'2	358
61	113'7	406
62	145'6	520
63	180'7	645
64	220'7	788
65	283'8	1.014
66	374'3	1.337
67	483'7	1.727
68	562'1	2.007
69	604'7	2.160
70	686'9	2.453

DATOS ESTADISTICOS PARA EL BANCO MUNDIAL

		Nov.1958 Dic.1959	A Ñ O										
			1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
01 Producción	GWh	3.084,8	2.850,6	3.158,3	3.123,8	3.737,4	4.672,6	5.104,2	5.481,6	5.894,1	6.693,8	6.704,7	6.958,3
02 Compra de energía	GWh	283,5	95,3	63,6	1.013,3	806,5	443,2	475,2	388,6	357,9	97,4	969,2	1.455,4
03 Energía entregada a la red	GWh	3.209,6	2.809,8	3.068,8	3.978,7	4.307,9	4.799,5	5.244,5	5.506,9	5.874,7	6.404,2	7.283,5	7.994,3
05 Energía facturada	GWh	2.718,0	2.385,0	2.544,5	3.093,9	3.484,6	3.915,9	4.269,8	4.601,6	4.874,7	5.428,7	6.160,2	6.861,4
08 Carga máxima anual	MW	528,9	528,4	660,8	888,2	939,8	1.099,5	1.168,5	1.235,3	1.316,0	1.394,0	1.547,0	1.697,0
21 Número de medidores instalados		1.086.513	1.114.682	1.145.649	1.706.422	1.773.671	1.833.641	1.901.468	1.978.724	2.048.881	2.136.964	2.229.102	2.319.299
22 Número de clientes residenciales (Tarifa N° 1)		840.000	862.000	886.100	1.331.000	1.388.200	1.430.700	1.488.800	1.558.500	1.640.600	1.726.300	1.795.300	1.871.100
23 Gastos de operación y mantenimiento (x)		28,0	30,2	33,4	54,8	79,6	98,6	130,1	172,3	223,6	241,6	273,5	320,2
24 Importe facturado (Tarifas + impuestos y fondos) (x)		59,9	67,5	74,8	118,4	177,1	198,6	310,5	459,7	611,0	710,9	779,8	841,6
25 Importe facturado por impuestos y fondos (x)		13,7	3,5	5,8	8,7	9,6	11,4	22,9	28,2	35,6	44,3	82,4	86,0

(x) En ^{millones de} pesos ley 18.188

F. Costa 6/314
Superv. Principal

Selo Taxes

DATOS ESTADÍSTICOS PARA EL BANCO MUNDIAL

en millones.

A Ñ O

	Nov. 1958 Dic. 1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<i>Energía pendiente de facturación GWh (year-end)</i>				256.9	218.1	246.7	276.9	276.6	317.4	365.6	440.2	474.7
01 Producción	3.084.767.615	2.850.599.092	3.158.342.044	3.123.809.700	3.737.369.300	4.672.601.100	5.104.155.200	5.481.565.600	5.894.055.700	6.693.818.000	6.704.697.300	6.958.255.700
02 Compra de energía	283.483.787	95.314.548	63.580.511	1.013.326.400	806.541.600	443.233.200	475.151.600	388.605.300	357.901.800	97.443.700	969.224.100	1.455.367.600
(Energía entregada a la red a clientes)	3.209.586.884	2.809.832.513	3.068.840.683	3.978.736.700	4.307.899.600	4.799.531.200	5.244.459.100	5.506.935.700	5.874.724.900	6.404.165.400	7.283.519.800	7.994.299.300
05 Energía facturada	2.718.009.364	2.384.987.890	2.544.457.968	3.093.927.200	3.484.571.300	3.915.880.600	4.269.827.500	4.601.573.700	4.874.658.600	5.476.9	6.234.7	6.895.9
08 Carga máxima anual	528.900	528.400	660.800	888.200	939.800	1.099.500	1.168.500	1.235.300	1.316.000	1.394.000	1.547.000	1.697.000
21 Número de medidor instal. of which:	1.086.513	1.114.682	1.145.649	1.706.422	1.773.671	1.833.641	1.901.468	1.978.724	2.048.881	2.136.964	2.229.102	2.319.299
22 Número de client. residenc.	840.000	862.000	886.100	1.331.000	1.388.200	1.430.700	1.488.800	1.558.500	1.640.600	1.726.300	1.795.300	1.871.100
23 Gtos. de operación y mant. + Gtos. Generales (Admin.)	27.980.563,71	30.176.941,11	33.449.473,76	54.767.425,55	79.643.386,58	98.565.204,21	130.101.343,51	172.278.334,59	223.646.854,70	241.610.038,85	273.547.462,48	320.179.087,70
24 Importe fact. (Tar.+imp.yfon)	59.932.410,34	67.548.872,99	74.773.257,84	118.385.756,05	177.066.162,91	198.587.654,40	310.451.195,32	459.713.973,64	610.961.814,35	710.896.856,61	779.793.110,68	841.584.731,40
25 Importe fact.p/imp.y fond.	13.678.269,72	3.545.499,07	5.788.404,18	8.747.736,51	9.597.732,82	11.447.088,83	22.927.120,77	28.191.289,69	35.554.823,95	44.317.870,58	82.379.627,66	85.970.269,56
<i>Accounts receivable</i>		15.036.417,68	13.520.965,90	31.431.400,95	52.619.316,35	54.367.785,84	77.986.238,72	123.674.241,33	129.982.085,63	143.413.095,35	144.449.962,25	165.088.013,94
<i>F. Costa 8/314 Super Principal</i>				17.911	21.188	11.748	23.619	45.688	6.308	13.431	1.036	20.639
				127.549	188.657	186.885	311.143	477.21	581.712	680.010	698.450	776.253
<i>Ventas totales en GBA (SEGBA + Italo net):</i>					4,244.8	4,766.8	5,165.2	5,472.9	5,855.8	6,297.1	7,208.4	7,907.4
<i>o.w. Italo net (GWh)</i>					799.0	822.3	865.2	871.6	940.4	820.2	973.7	1,011.5

I. ANDERSON

BIENES DESTINADOS AL SERVICIO

		\$	u\$s	
	al 31.12.1970			
<u>INVERSIONES</u>				
Instalaciones en Servicio		1.455.851.128.48	887.208.874.10	
Muebles y Utiles		10.266.833.42	5.987.429.78	
Instalac. y Comunic. Telefónicas		3.676.527.23	1.317.114.16	
Aparatos, Herram. y Varios) y Medios de Transporte)		18.136.960.54	9.492.038.76	
		1.487.931.449.67	904.005.456.80	
<u>DEPRECIACION</u>				
Instalaciones en Servicio		528.358.959.91	241.199.346.67	
Muebles y Utiles		11.695.418.24	5.475.258.94	
Instalac. y Comunic. Telefónicas		818.223.70	206.272.85	
Aparatos, Herram. y Varios) y Medios de Transporte)		30.279.219.18	11.090.358.31	
		571.151.821.03	257.971.236.77	
		31.858.257.09	13.164.798.92	
<u>CONTRIBUCION CLIENTELA</u>		603.010.078.12	271.136.035.69	

Gross fixed assets
(include consumer
contribution)

← Deductions added

segba

GENERACION.Central Costanera

600 MW

Costo total =

137,6 mill. U\$S

Fecha iniciación: aprox. 2º semestre 1958 (por A. y E. E.)

16 de febrero 1962 (por SEGBA)

Fecha habilitación: 1ª unidad = 28-3-63

5ª unidad = 8-2-64

Puerto Nuevo - Mag. 9

250 MW

Costo total =

31,2 mill. U\$S

Fecha iniciación:

marzo 1968

Fecha habilitación:

21 de julio 1970

1ªs equipamientos - Unidades de punta = 140 MWCosto total =

42,8 mill. U\$S

Fecha iniciación:

1ª central = septiembre 1967.

5ª central = marzo 1968

Fecha habilitación:

1ª = abril 1968.

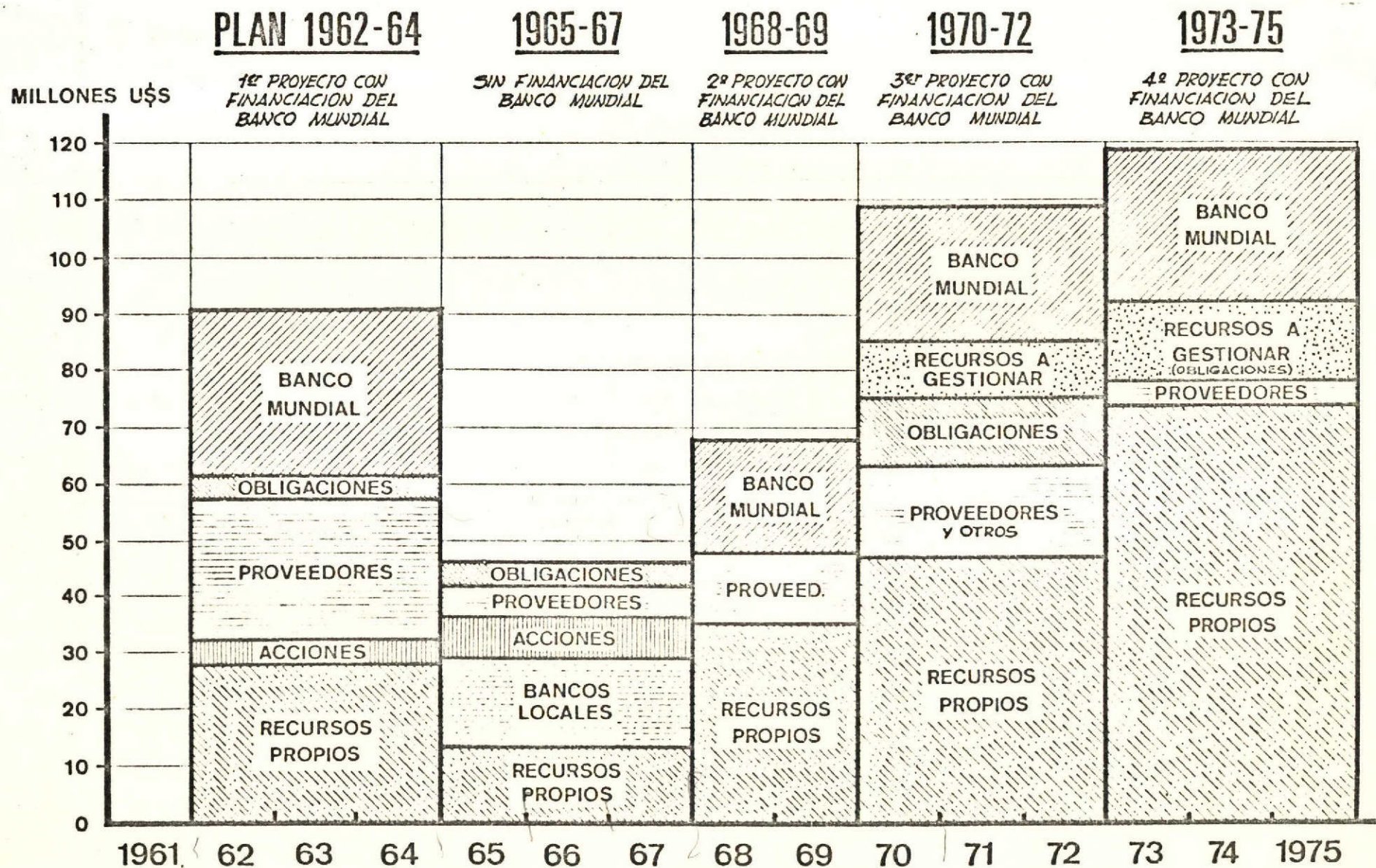
5ª = septiembre 1968.

201.47

\$19.87

PLANES DE OBRAS

PROMEDIO ANUAL DE INVERSIONES



COST OF PROJECTS ARGENTINA - SECBA

Table II

	Construction			Technical Characteristics				1962			1963			1964			1965			1966			1967			1968			1969			1970																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
	Begins	Ends	Commis- sioning Date	Genera- tion	Transmission			Local Cost \$ Millions	Foreign Exchange US\$ Millions	Total Expendi- tures US\$ Millions	Local Cost \$ Millions	Foreign Exchange US\$ Millions	Total Expendi- tures US\$ Millions	Local Cost \$ Millions	Foreign Exchange US\$ Millions	Total Expendi- tures US\$ Millions	Local Cost \$ Millions	Foreign Exchange US\$ Millions	Total Expendi- tures US\$ Millions	Local Cost \$ Millions	Foreign Exchange US\$ Millions	Total Expendi- tures US\$ Millions	Local Cost \$ Millions	Foreign Exchange US\$ Millions	Total Expendi- tures US\$ Millions	Local Cost \$ Millions	Foreign Exchange US\$ Millions	Total Expendi- tures US\$ Millions	Local Cost \$ Millions	Foreign Exchange US\$ Millions	Total Expendi- tures US\$ Millions																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																
					Capacity MW	Km of Lines	kV Rating of Trans- mission Lines																									MVA Capacity of Trans- mission Lines																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															</

133,405

47,63

20 cm an

Nb of 132kv circuit-kms

Bermudez	Talar	.7	2	1.4
T	Bouloque	1.2	2	2.4
B	Edison	.3	2	.6
E	Wladislav	1.3	2	2.6
E	Munro	.55	1	.55
Col	Cide	.6	2	1.2
C	Darsena	.2	2	.4
D	Pozos	.15	2	.30
Cide	Perque	.5	2	1.0
P	Agromonio	.7	2 (+0.1)	1.5
A	Helover	.6	1	.6
H	Munro	.75	1	.75
Hol	Moron	1.5	1	1.5
H	Merlo	1.7	2	3.4
H	Las Catonas	1.25	1	1.25
loc C	Cuenca	2.2	1	2.2
Horn	"	4.8	1	4.8
H	Castelar	.6	1	.6
Castelar	Ramiro	.6	1	.6
Ramiro	Tobias	.4	1	.4
Ramiro	Buenos	2.6	1	2.6
"	Martinez	.8	1	.8
H	Alberdi	.9	2	1.8
.	Liniers	.3	2	.6
.	Buenos	1.5	2	3.0
.	Nueva Pompeya	.3	1	.3
N P	Costanera	1.0	1	1.0
Cost	Wilke	1	2	2.0
w.	Quilmes	.6	2	1.2
Q	Tejeda	.6	2	1.2
Cost	Talca	5.5	1	5.5

11/2 5h

1.6 = 20 km

Tolosa	Propulsora	.5)	1	
Tolosa	insensada	.4)	1	
intena	Propulsora	.3)	1	
Quispa	Coldasqui	1.5)	1	
C	Quitiene	1.3)	1	
q	Cndoba	2.3)	1	
Cost	Cruce	.6	2	1.2
C	Escuela	.5	2	1
E	Templey	.55	2	1.1
T	Buraco	.8	2	1.6
B	ichuena	1.5	2	3.
Escuela	- Alsiue	.65	1	
Alsiue	.3 julio	.7	1	
		<u>47.4</u> inches.		63.7
		31.2	1/2	31.2
		16.2		32.5

96.8 fms 1/2 inches
5km | \Rightarrow 474 km.

127,4 = 637 km

+	98	mi 1970
	<u>735</u>	completed
	129	mi process in 1970
	<u>864</u> km.	

SEGBA: 2nd loan = 1st approach in Jan. 1965. Bk. prerequisite: 3% depreciation rate.

- This initial request was not clear on investment program and its financing.
- Bank concerns: - finalization of distribution program - consultants - ~~cost~~ ^{cooping} - ^{invest} ^{to}, operations) with Italo - management (lack of ^{good} top executives) - labor - working capital.
- Letter July 1965: conditions for loan are: - cash pl - costs and labor - top executives - accounting and ^{budget} control - Gov^t approval of invest program - consultant for review invest^t program.
- Appraisal delayed in Feb. 1966 because Bk wants to review the B.A. whole expansion, in particular Italo. In 1965 (end), SOFRELEC had redone the planning with Stgba as part of the integrated system.
- Appraisal delayed in March 1966 because Admiral dies, and Bk wants first the new Executive D^t to be appointed.

Most serious pbs as seen by Bh in April 1966 = overstaffing & Appraisal May 1966: no basis for loan because: - Tariffs increase +20% required - labor not \downarrow - lack of coordination - Segba about mismanagement (lack of cash) - Union agreement in 1966 was a force.

- Difficult financial situation in 1966 was result of high distribution invest^{ts} made in 1965 to accompany the Δ Expansion (priority) (Gatmen).
- Agreement between Segba and Italo on full coordination signed Dec. 1966.
- Tariff increase granted in August 1966.
- Gov^t assistance to cash pl^e - End 1966.
- Pl^e of local procurement and size of ^{preference} differential to local manufacturers.
- Bank had in mid 1966 already decided to lend to Segba pending fulfillment of its conditions.
- Negotiations between BIA and Gov^t + Segba in Summer 1966 in W: O.K. on raising rates, working working capital, and coordinate SEBA - Italo. But no accord on possibility to offer plan for labor reduction.
- Locus further postponed afterwards because of macroeconomic considerations (uncertainty on policy of new Gov^t).

FORM No. 80
(10-57)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
.....
INTERNATIONAL FINANCE CORPORATION
PHONE CALLS AND VISITS

To <i>Mr. Ettori</i>		Date <i>3-13-72</i>
		Hour <i>4:30</i>
<input checked="" type="checkbox"/> You were called	<input type="checkbox"/> You were visited	<input type="checkbox"/> Urgent
By <i>Mr. Ribic</i>		
Of the		
Phone		Ext. <i>3429</i>
<input type="checkbox"/> Call Party	<input checked="" type="checkbox"/> Returned Your Call	
<input type="checkbox"/> Will Call Again	<input type="checkbox"/> Requests Appointment	
Remarks		
Received by:		

- Change in Status SEGBA =

- A plus d'Executive Committee
mais le Board est maintenant l'
instrument ~~Executive~~ ^{of}.
- Avant il n'y avait pas de pb de
relations entre Executive Management
et Board.
- Labor Agreement could have
been reached earlier;?
- May 67 - Jan. 1968 : appraisal
was not completed. Also action
was required on compensation for
vacancies losses incurred in
1967 - Arrangements taken had
to be worked out.

ARGENTINE

— les coûts des projets Segba ne sont pas connus.

En 1969 : \$ 75 millions investis par Segba.

— Renvoyer l'informe estadístico de 1969.

— Participation de la Banque dans Segba est très importante car F international bidding qui empêche la \rightarrow des pays intérieurs sur les programmes ~~de~~ long-terme des investissements.

Segba est obligé autrement de s'adresser au marché international qui est oligopolistique
 \rightarrow Prise d'élèves, Importations imposées

Financement: Segba peut générer suffisamment

Inflation -
Revaluation des actifs.
{ Van Ynes Roxas;

ment de financement (~65%)

- I BRD -

- Suppliers credits : chers au début de 1960-1970 et meilleurs marchés maintenant.

- ~~Marché ^{argent} international~~ des capitaux : ^{permissif} ~~libéralisé~~ avec clause tarifaire (montant principal lié aux tarifs) est à l'étude.

le Govt a empêché Segba de faire une émission internationale.

Segba a emprunté en 1970 environ \$ 10 million d'emrodollars remboursables en 5 ans au taux d'intérêt de Londres (~ 10.5% ^{intérêt})

Négotiations actuellement cours pour un emprunt de \$ 10 million en 1971 sur First National City Bank.

- La Banque pense encore à

faire passer Segba vers le privé.
- Réévaluation des actifs:
voir Rovani - G 308

Management: bon avec Gotelli
jusqu'en 1963. Jusqu'en 1966, l'amiral
Favaron !! En 1966, Gotelli
nommé Ministre a nommé Meoli
à la tête de Segba. Il reste pour
le moment mais le Président actuel
pose des problèmes de personne.
Meoli est très compétent.

Entrevue avec Rovani:

- Papier Décembre 1969: performances, etc...

Concession ou franchise de Segba;
= un ajustement annuel des tarifs -
la compte en \$ de la balance sheet
de Segba sera tournée de la même

des de tarifs auprès du Gouver-
nement. Ces demandes ^{et liquidations} de tarif
sont en espagnol (Demander à
tariff applications and liquidations).

Messique: voir Hans Hittmeier.

Le papier sur Segba va jusqu'en
1969.

Voir Plan Pinedo (à la Banque
à partir de).

Le Gouver^t veut que Segba paie du
cash en espèces: a) compensation au
service de la dette crée par le rachat
des actions de Segba privée.

b) créer un montant favorable à
l'émission d'actions sur l'épargne
publique du marché argentin.

Action de la Banque: stabilité
du management de Segba aux change-
ments de gouvernement.

~~Part I: Chap~~

Chapter I: Parts III and IV are too much like the SPP. Quote or change. Not very useful.

Cost / kw installed: no significance per se for hydro. Hydro plants in the Carambola study were studied with an index capacity factor which combined the MW capacity and the GWh capacity.

available capacity = usable capacity.

p. 23 - effective-peak: the moment in the year when there is minimum spare capacity.

as Executive Vice-President Fedr. - Segba: Meoli forced to resign. Admiral Andueo appointed President of the Union takes a major responsibility in management of Segba. An Interventor ^{Salvato} was named since July who acts as chief. No cash again because Gov^t gave a big wage increase after the Jan. tariff increase.

p. 26 - Stochastic concepts: relevant for LDC's? relevant for Mexico?

p. 29 - Costanera plant high cost due to delays and replacement of parts broken or stolen. May Mc Lahan did not work well as consultant for construction of plants.

p. 33 - State that increases for long-term debt test covenant is on historic income at the moment when debt is about to be incurred to be related to maximum future debt service.

p. 34 - Argentine Govt "did not" - -

p. 35 - Transmission network is underground and this is a source of losses because it requires then much larger and more expensive cables which are not cooled by air and have to be much larger to be kept at bearable θ .

p. 39 - Bank did not sought to place Segba under private

- ownership; actually Bank followed Govt suggestion.
Also covenant was not to change the estimates of
Segba which were providing for the rate of return.
- p.40 - Side letter on way to rate of return calculation?
Except for depreciation calculations.
- p.44 - no disagreement between Segba and Secretariat of Energy
but lack of cooperation (Govt dragging his feet).
- p.44 - Arrangements between Segba and Italo - none in
1st loan but very explicit in 2nd loan.
- p.45 - marginal importance of barriers? Return of 14%.
- p.46 - Rate of exchange is set by Segba, not by Govt.
- p.47 - Govt contributions were in fact proceeds from
an increase in petrol taxes on consumers which were
more or less the same as electricity consumers.
- p.47 - generalize the sentence on inefficiency of rate
covenant.
- p.48 - No sales of shares, because actually private power was
over in people's mind.
- p.48 - No cash dividends.
- " - Interest coverage ^{test} covenant. Actually Segba could
have met the test if they could have borrowed.
- p.49 - purchase power.
- p.50 - Sales forecasts were higher or lower?
- p.51 - Rates of growth for forecasts. because averaging 8%.
- p.52 = be more precise on rate of return not forecast
- p.53 = not share capital, but cash contribution.
- p.53 = not overcompensating purposely but because
of result of an estimate at beginning of year.
- p.55 = Cost / hwh lower due to larger scale of unit
and much more efficient construction.
- p.57 = - forbids the purchase ^{abroad} of goods which can be pro-

h. F. F. F.

NY 1166

Mr. F. H. Howell

September 8, 1971

R. H. Cheehan

ARGENTINA - SEGBA - Loan 644-AR

Violations of Guarantee Agreement by Government

1. During the period August 18-20, Messrs. Fajans, Ribi and I had discussions with various power agencies and ministers in Argentina. A factual summary of these meetings is contained in Mr. Fajans' memo to Mr. Wiese dated August 23, 1971, a copy of which is attached. As you can see from the memo we did not discuss the legal aspects of the problem but I think the situation of SEGBA's tariffs and organization is fast approaching the critical stage and it is time for the management of the Bank to have a frank talk with Dr. Quillaci, the Argentine Finance Minister, (and the Governor of the ISRD) when he comes to the Annual Meeting later this month.
2. The Bank's aim in lending to SEGBA has been, and continues to be, to maintain a competently managed, autonomous entity with a reasonable degree of financial independence. SEGBA's accomplishments, particularly during the five years when Mr. Neoli was Executive Vice-President, have been significant. But there is still room for substantial improvement in SEGBA, and we should not take a passive attitude which would undoubtedly result in SEGBA's retrogression.
3. Our current problem with SEGBA's tariffs started to become of some concern at the end of last year when the application was made for the 1971 rates. At that time the Government insisted that SEGBA use an assumed rate of increase in sales for 1971 of 13.9% (which has proven to be unrealistically high) and an assumed end of 1971 exchange rate of 4.00 pesos to the dollar (the rate is now 5.00 and likely to be still higher by December 31). SEGBA was allowed to increase its rates by 22% with the first billing of January but by the end of April there was a need for a substantial increase due to: (i) a 28% wage increase which SEGBA had to give the union retroactive to April 1, 1971, in conformance with the general salary increase allowed by the Government, (ii) the fact that sales during the first four months of this year were only 6% above last year's end, (iii) the rise in the exchange rate to 4.12 pesos to the dollar; SEGBA felt at that time that, as a minimum, it would reach 4.40 by the year's end. On May 13, 1971, SEGBA submitted an application for a 26% increase signed by Ing. Neoli which was turned down by the then Secretary of Energy, Ing. Haiek.
4. Refusing to allow SEGBA to put the tariff increase into effect (as provided in the concession and as guaranteed by the Government) was serious enough in itself, but Secretary Haiek went out of his way to breach our agreements openly by issuing a resolution on May 27 stating that the fixing of tariffs required the prior approval of the "Poder Publico", and that this principle had been upheld by the Argentine Supreme Court. In effect, he implied that the Loan and Guarantee Agreements were unconstitutional.

5. On June 14, 1971, Ing. Meoli again applied to the Secretaria for the 20% tariff increase and pointed out that in his opinion SEGBA was entitled under its concession to an automatic increase, but rather than formally contest the former Secretary's resolution (Ing. Haiek had by then resigned) Ing. Meoli urged that SEGBA be allowed to implement the increase immediately to preclude the need for an even larger increase later on.

6. The months of June and July were hectic for the power sector, to say the least. The greatest loss from the Bank's point of view was the resignation of Ing. Meoli towards the end of June. He was replaced as Executive Vice-President by Rear Admiral Andreu, without the required prior consultation with the Bank. Earlier in June Dr. Sabato had accepted and held the job for one day as the Minister of Public Works and Services (the political significance of this is too complex for me). On June 17, Ing. Gordillo was appointed Minister of Public Works and Services and is still in office. On July 23, Ing. Sabato was forced to resign by Ing. Gordillo and the next day SEGBA was "intervenida" by the Government and Admiral Andreu was appointed Interventor. This procedure abolished the Executive Committee as provided in SEGBA's "Estatutos" and hence constituted another violation of our agreements. The following day, Ing. Pegoraro who had competently headed AyEE for the past five years was also forced to resign his position. All these moves were accompanied by a barrage of inflammatory press releases casting Messrs. Sabato and Gordillo in the roles of defenders of national interests against foreign interference.

7. On August 3, Admiral Andreu signed a new application to the new Sub-secretary of Energy, Dr. Garri Perez, for a SEGBA tariff increase. By then the required increase was 45% but in anticipation of a lack of quick action by the Government, Admiral Andreu suggested that the increase be about 52% beginning September 1. So far no action has been taken on this application. According to the Government it is being "reviewed" in the Secretaria. Ing. Gordillo told us in essence that an increase in an "appropriate amount" would be granted at the "convenient time". Roughly the same remarks were made by Dr. Garri Perez but in more flowery Spanish. The Finance Minister, Dr. Quilici, told us he would take a decision as soon as he gets the proposal from the Minister of Public Works and Services. One bright spot is that the Finance Minister is adamant about not providing funds for SEGBA from the budget, hence he will undoubtedly have to approve some kind of rate increase. The figure circulating through the Secretaria of Energy last week was 35% and the possible timing the second half of September.

8. Up to now SEGBA's program, and hence the Bank - financed project, has been on schedule. However, the deteriorating financial position of SEGBA, resulting from inadequate tariffs, will soon cause a substantial slowdown of the program. If tariffs are not raised this year, net internal cash generation of about US\$10.0 million will cover only 11% of the US\$90 million capital program of this year leaving a financing gap of US\$31 million for which financing has not been yet arranged. Negotiations are in progress for a medium-term loan of about US\$17 million from Lazard Freres of Paris. However, I doubt if creditors will be lending to SEGBA if there is no assurance for a prompt increase in tariffs (Lazard is not only aware of the violation of the agreement by the Government but has mentioned it to us). Thus, as much as 35% of this year's program may have to be delayed in order to accommodate the investment to the financing available.

9. SEGBA's organizational problem is not quite as critical as the rate situation. There is obviously no consensus as to the form of organization SEGBA should have nor any urgent desire to make changes. With Ings. Sabato and Haiek gone there is less pressure for co-participation of the workers in the management. It does seem, however, that the Government will insist on changing SEGBA from a Sociedad Anonima to a state enterprise and will probably abandon any attempt to sell shares to the public. The Government will probably also insist on taking away SEGBA's right to put rate increases into effect automatically. As long as the Government recognizes the need for autonomy (with adequate salaries and tenure for management) and the need for revenues to contribute a significant amount toward expansion we should be able to renegotiate a satisfactory agreement.

10. Regardless of whether SEGBA receives some kind of a tariff increase in the next few weeks, the Bank should express its displeasure with the manner in which the contractual agreements have been broken. We may well have to sit down with the Government next year to discuss possible changes in SEGBA's charter but when the time comes we should be negotiating from a position of strength rather than weakness; this can best be acquired by insisting on tariff action now that complies fully with our agreements.

RH:heehan:smo
IBRD

cc: Messrs. Chadenet
Weiner
Van der Heijden/Pajans (S. America)
Rovani
Cancio (Legal)
Ribi
Nercissiantz
Central Files
Division Files

OFFICE MEMORANDUM

TO: Mr. Gunter K. Wiese

FROM: Joseph Fajans

SUBJECT: ARGENTINA - SEGBA/HIDRONOR MISSION

DATE: August 23, 1971

1. Mr. Sheehan, Mr. Ribi and I held discussions in Buenos Aires on SEGBA and HIDRONOR on August 18, 19 and 20, 1971. We saw Dr. Juan Quilici, Minister of Treasury and Finance, Ing. Pedro Gordillo, Minister of Public Works and Services, Mr. Raul Fernandez of the Ministry of Public Works and Services, Dr. Julio Carri Perez, Under-Secretary of Energy, Ing. Osvaldo Raul Sannuele, Dr. Carri's Deputy, Ing. Prospero Carlos Puchulu, Executive Assistant to Dr. Carri, Ing. Isaac Altmann of the Energy Secretariat, Admiral Augusto Andreu, Intervenor of SEGBA, and most of SEGBA's Department Managers, and Ing. Hector Perez Pesce, Executive Vice-President and Ing. Carlos Sureda, Director of HIDRONOR. We also saw Ing. Alberto Kurlat, General Manager of Compania Italo-Argentina de Electricidad, Ing. Jorge Pegoraro and General d'Andrea, Presidents, respectively, of the Mixed Commission for Salto Grande (Argentina-Uruguay) and the Mixed Commission for Apipe (Argentina-Paraguay). Privately, we met with Ing. Meoli, former Executive Vice-President of SEGBA, Ing. Thibaud, former Secretary of Energy, and Ing. Robertson Lavalley, former Under-Secretary of Energy. Ing. Gotelli was out of town. Outside the power sector, I called on Dr. Albornoz, UN Resident Representative, for a general conversation, on Ing. Agüero at Vialidad Nacional to enquire about the steps for making the last road loan effective, and on the Central Bank and the Ministry of External Relations to ascertain the status of the Argentine Decree Law on the Bolivian pipeline.

2. The reception was good and generally quite friendly. This may have been due to Mr. Alter's letters of August 2, handed over and explained to the two Ministers by Dr. Mey; to the omission on our part of any reference to the existing contractual obligations, which are being disregarded; and also to the contacts which Mr. Ribi had with the Ministry of Public Works and Services before the arrival of Mr. Sheehan and myself. While I regard our visit as useful (assuming that the officials we met would continue in their posts), I do not know how fruitful it will prove. The Government people are new, poorly informed and pay more attention to appearances than to substantive issues. They also seemed to imply that most decisions were being taken by the President of the Republic himself. Nevertheless, the SEGBA staff, and particularly Admiral Andreu, thought that our visit would be beneficial.

Power Rates

3. This I regard now as the foremost issue. While I expect the rates to be raised no later than September 15 (possibly together with railway tariffs), we received no indication at all as to what might be

August 23, 1971

*

the extent of the increase. I was interested to find Admiral Andreu more preoccupied with the question of SEGBA's reorganization than with the rate problem, and heard from Messrs. Thibaud and Robertson Lavallo doubts as to the Government's capacity to put a substantial increase into effect. I was also somewhat worried by the statement of the Finance Minister to the effect that Dr. Julio Gonzalez del Solar, SEGBA's former "Sindico", was advising him on SEGBA's financial position (this appeared to be the best guarded secret in town); we understood from SEGBA that a month ago Dr. Gonzalez del Solar was still expressing doubts as to SEGBA's need for more money, i.e. higher rates.

4. Very briefly (Mr. Ribi's supervision report will cover these points), SEGBA's 1970-72 expansion program is generally on schedule, with all payments being made as due. If adequate funds were available, the program may be completed in May/June 1973, well before the September 30, 1973 closing date of the Third SEGBA Loan. However, availability of funds depends on the rates being raised right now by an average of about 46 percent (SEGBA's third application, dated August 3, shows 45.57 percent as required by the end of August), and \$18 million being obtained from Lazard Freres (see Mr. de Lesseps' letter of August 3, 1971). If the rates were not raised and the loan could not be obtained, SEGBA would not be able to pay its bills three months from now, would be short of \$35 million equivalent in cash, and would have an earnings deficiency of about \$40 million at the end of the year, showing a rate of return of 3.2 percent instead of 8 percent. SEGBA's cash position is further affected by the delays in payment of bills for electricity supplied to Government departments and agencies. Contrary to the Government's commitment, these arrears have increased substantially since the fall of 1969, when the Bank made the third loan to SEGBA and these now amount to about \$12 million.

5. Dr. Quilici received us on August 18 in his office on a hospital bed, with both legs in cast after a second operation. He was very friendly and lively, and told us that we may inform the Bank that he would come to Washington on crutches for the Annual Meeting of the Fund and the Bank as their Governor. He said that the decision to raise power rates in Buenos Aires (and railway tariffs) had been taken in principle and he himself had already advised Italo accordingly. He was waiting for the Ministry of Public Works and Services to complete its studies and inform him whether rates should be raised now, or next year, and by how much. He was in full agreement that the users should pay the cost of electricity services and determined not to give a penny from the Treasury to the power entities. He went on to emphasize that higher revenue from rates must not be used to increase wages and salaries

* Mr. Blumstein of Transportation Projects Department told me in Buenos Aires that in order to meet, by December 31, 1971, the financial target set out in the Loan Agreement with the Bank, the Railways had applied for an increase in tariffs, as of August 1, 1971, of 10 percent for freight, 20 percent for passengers, and 40 percent for commuters. As yet, the Government has given no indication of the possible timing and scope of this increase.

August 23, 1971

but should be applied to the cost of investment which the Bank was supporting. The Bank could therefore rest assured that the expansion program would go forward as planned. Dr. Quilici was visibly suspicious of SEGBA's salary and wage levels and indicated that Dr. Gonzalez del Solar was specifically looking into this matter for him. It appeared that he wanted to have Dr. Gonzalez' findings before he approved the recommendation of the Ministry of Public Works and Services.

6. In view of the Minister's somewhat critical attitude towards SEGBA, we pointed to the substantial increase in the efficiency of its personnel, as evidenced by the number of consumers served by one employee, rising from about 65 to about 95 over the past five years. This created a very favorable impression and the Minister conceded that he had ignored it. We also pointed to the arrears in Government payments for SEGBA services, eliciting a sharp reaction to the effect that the Government should meet the bills as due and that SEGBA should threaten to cut off electricity to Government entities as it does in the case of private enterprises.

7. The meeting on August 19 at the Ministry of Public Works and Services with Minister Gordillo and Under-Secretary Carri Perez started with a statement by the latter that Mr. Alter's letter had been acknowledged and that power rates would be raised at "the opportune moment". The matter was being given maximum attention with a view to preserving the rentability of the power entities but had to be decided within the framework of the Government's economic and financial policy, and taking into account the requirements of all entities supplying electricity to Buenos Aires; SEGBA was not the only electricity supplier, there were also Italo and Agua y Energia Electrica. The necessary studies were under way. Their conclusions should be ready in about one week and would then be presented to the Minister, who would consult with the Minister of Finance.

8. We responded firmly that we were aware that there were three suppliers of electricity for Buenos Aires but that SEGBA was the one which was carrying out a very large expansion program, the third with which the Bank was associated. Our contribution was relatively modest, amounting to about 25 percent of total cost; SEGBA itself financed the major part of the investment. To date, the program was on time which gave us great satisfaction. However, unless higher rates went into effect soon, the program would be delayed by lack of funds. Consequently, we were very interested in the timing and size of the increase and had taken note that the Energy Secretariat would complete its studies in about a week. After some comment about the probable timing without any mention of the scope of the increase, Mr. Gordillo said that he would stress the point about the importance of the expansion program proceeding on schedule to the President of the Republic when submitting the rate increase for Presidential approval. The SEGBA officials told us previously that although the May 27, 1971 Resolution of Secretary Haiek to the effect that rate changes required prior approval of the Energy Secretariat was contrary to SEGBA's concession, SEGBA had to take the existence of the Resolution into account and ask that rates be raised instead of advising the Secretariat that they would be raised.

August 23, 1971

9. The next morning, August 20, when we met with Under-Secretary Carri Perez in his office, he referred to the "frank and useful" discussion at the Ministry and indicated that the study of the various rate alternatives for SEGBA and Italo would be completed shortly and a Government decision might be expected between September 1 and 15. The situation of AyBE would be reviewed separately as this required more time.

Reorganization of SEGBA

10. This subject does not interest the Finance Minister. He explained that when he was Minister of the Santa Fe provincial government, he "privatized" two or three public services, giving them the form of joint stock companies. Then, somewhat timidly, he conceded that he was in part responsible for "la intervencion" of SEGBA because he would not tolerate co-participation of workers in the management. The Light and Power Union was too influential already; management should be exclusively in entrepreneurial hands.

11. We found a different attitude at the Ministry of Public Works and Services. Mr. Gordillo and Under-Secretary Carri Perez (close friends from Cordoba) both spoke on the subject. They wanted SEGBA to be an "authentic enterprise", independent and versatile. The present intervention would not affect this. The existing characteristics of SEGBA's structure would be maintained and some other good features added. The quality and calibre of management would be preserved, as would the independence and responsibility for decision-making. There was no intention to make personnel changes. The open recognition of SEGBA's status as "state enterprise" would be brought out. Dr. Carri, an attorney by profession, was emphatic in saying that SEGBA's present legal form of "sociedad anonima" was fictitious and not convenient. An enterprise with one owner could not be a joint stock company and he did not see why the Government should go on misleading the public. A Commission has been, or is being, set up to make recommendations; it would address itself not only to SEGBA but also to other government-owned entities. The final aim was to have one type of "empresa del Estado", with a central holding co-ordinating management and planning. We limited ourselves to stressing the need for operational and financial autonomy, and asking that the Bank be kept informed of the progress of the Commission's work.

12. At the time, none of the persons we met seemed to know what the substantive aims of the Government were and what weight the Commission's recommendations would carry, once they were formulated. In lieu of the Board and the Executive Committee, Adm. Andreu has formed an advisory committee, consisting of four Directors representing the Army, the Air Force, the labor union and the staff association. The Army Director, General Nunez, is apparently Adm. Andreu's liaison with the Government Commission. The Admiral has kept the department heads in their positions and appears to have full confidence in Ing. Bronstein, the Planning Manager. He told us openly that he relied on the departmental managers for professional and technical expertise and was mainly concerned with labor relations. He also indicated

that he had been "interventor" of the Light and Power Union for six months back in 1955 and has since maintained smooth and friendly relations with the Union's leadership. He assured us that labor realized that SEGBA needed to invest, grow and provide good service. From Ing. Meoli I learnt later that, in SEGBA Board meetings, the Admiral had invariably cast his vote together with the Director representing the Union.

Agreements with the Bank

13. Dr. Quilici was the only Government official who referred to the existing contractual arrangements. He did so saying that he would have conversations with the Bank in Washington during the Annual Meeting on the Government's desire to change some clauses in the existing Agreements, e.g. the provision for Bank approval of the Executive Vice-President of SEGBA. We limited ourselves to remarking that this was not the requirement and he replied laughing that he knew it but had expressed himself crudely. He also thought that Bank approval of SEGBA's auditors was unwarranted; we indicated that this was a very generalized provision.

14. We mentioned to Admiral Andreu that in talking with the Government we never pointed to existing Agreements. He said that he realized what the situation was but thought that we were right in not invoking contractual obligations at this stage.

HIDRONOR's Expansion Plans

15. After discussing the proposed Alicura and Planicie Banderita hydro-electric plants with Messrs. Perez Pesce and Sureda at HIDRONOR on August 20 (see Mr. Ribi's back-to-office report), we raised with Under-Secretary Carri Perez the urgent need for a study, which would show Alicura's place and justification in the context of an overall development plan for the integrated power system. Without knowing the conclusions of such a study, we could not appraise Alicura for financing by the Bank which had been requested by HIDRONOR (see my memorandum of August 6 to the Files on this subject). We also indicated that further work by HIDRONOR was required to decide on the most appropriate site, determine the type of the Alicura dam, and assess power demand in the Comahue region of Patagonia.

16. Disregarding past discussions between the Bank and the Energy Secretariat on the subject of a study of national power priorities, Dr. Carri replied that, by coincidence, he had a week earlier instructed Ing. Altmann to undertake the study and carry it out urgently. The study would take about six weeks and its conclusions might be available by the end of the year.

17. We also apprised Dr. Carri of the request made to us by HIDRONOR for the use of a \$9 million balance of the Chocon loan to finance the foreign exchange cost of civil works for Planicie Banderita (see my memorandum of August 6 to the Files on HIDRONOR-Alicura) and asked him whether the Government would be interested in the Bank considering the request. His reaction was positive: he favored the full utilization of the Chocon loan for justifiable

Mr. Gunter K. Wiese

- 6 -

August 23, 1971

purposes and readily recognized that the Bank's participation in the financing of Planicie Banderita may help HIDRONOR to obtain better terms from lenders in equipment exporting countries. We discussed the practical alternatives for applying the Chocón balance to the cost of Planicie Banderita with Dr. Carri Perez opting for a reallocation of funds within the Chocón loan and the maintenance of the 6-1/2 percent interest rate which, we said, was unlikely. As HIDRONOR was anxious to have an early Bank reaction, we promised to seek promptly a management decision on whether, and how, the Bank might meet the request, and to advise HIDRONOR and the Government within two weeks of Mr. Sheehan's and Mr. Ribi's return to headquarters on August 30. The Government would then consider whether to sponsor a firm request by HIDRONOR. I shall shortly draft a memorandum from you to the Chairman of the Loan Committee on this subject and finalize it next week in cooperation with the Public Utilities Projects Department. In view of the status of the preparatory work on Alicura, the possibility of a single new loan for both projects cannot any longer be considered.

SEGBA's 1973-75 Program

18. Neither the Government officials nor Admiral Andreu referred to SEGBA's expansion beyond 1972. However, Planning Manager Bronstein, who accompanied Ing. Neeli to Washington last March to ask for future Bank assistance, indicated to Mr. Sheehan and to me that in order to continue investing in its electricity services, SEGBA would need to secure a fourth loan from the Bank no later than October/November 1972.

The Apipa-Madrata Project

19. At the request of Dr. Moy, Mr. Ribi and I called on August 19 on General d'Andrea, President of the Apipa Mixed Commission, and agreed, subject to an expression of interest on the part of the Government, to follow the progress of the studies which are being launched and to provide -- from time to time and quite informally -- assistance and guidance to ensure that the studies would eventually provide an adequate basis for possible consideration of the project. When we met with Under-Secretary Carri Perez on the next day, he indicated that while no decision in this respect had been made, he certainly did not preclude the possibility of the Government turning to the Bank, at a future date, for finance to carry out Apipa, if the study demonstrated that the project was justified. In these circumstances, he welcomed informal help by the Bank's staff and would confirm the Government's position after reviewing the matter further with General d'Andrea.

cc: Messrs. Alter (o/r)
Skillings (o/r)
Rovani
Sear
Cancio
van der Heijden
Sheehan (o/r)
Ribi (o/r)
Cabezas
Prudence
Sorenson-Wiedler

Loan S25-AR.

- First approach to second loan in End 1963 and beginning 1964, but delayed during crisis. Approach resumed in Jan. 1965. Again Bank makes a prerequisite for its new lending that the 2% depreciation rate be revised to 3%.
- Plc of local procurement and merging of preference for local suppliers.
- Argentine suppliers asked to be exempted from imports duties and import surcharges on all materials and goods to be incorporated by local manufacturers in their products in order to be competitive in the bidding. Also these merchandise is to be exempt from payment of Sales tax on sales of goods and products made throughout the country and on imports for own use and consumption (Law 12,143).
- Management plb of poor quality below Favarón's level. and very high increase in personnel.

- Initial request did not contain a clear definition of the physical program and of related financial plan.

Pending questions scrutinized by Bank. - Consultants - final scheme for distribution expansion lay-out - Relations with Italo: coordination of ^{and scheduling of plants} operations, load dispatching, coordination of planning of investments. - Sogba's management: lack of permanent and qualified executives at top echelons, in particular heads of the Technical, Commercial, Administrative, Personnel (recommended by Middle West), Legal and Purchasing Departments.

Mgt - Recommendations made by Middle West to strengthen the internal organization: increasing subdivisions in the Commercial Dept^t; mechanization of billing and accounting to speed up collection; improving management control through implementing General Accounting, Labor Accounting and Material Control Projects.

- Rate structure: Sogba to undertake study of rate struc-

- Bank agreed to a 46% protection to local suppliers in fact, because in addition to the 15% differential, there was also 29% difference in rate of exchange.

- plants
- F - time to encourage industrial consumption and reduce captive
- Poor results in 1964 partly because of \nearrow in labor force.
 - Middle West's "projects" for ^{internal} reorganization, controls and accounting had started in early 1965. Significant economies in operations and construction were needed.
 - End of 64, current liabilities exceeded current assets by about M\$N 4.2 billion, and End 65 by M\$N 7 billion.
 - Argentine prices for equipment average 2 or 3 times international prices.

Letter July 27, 1965 from Bile to Segba: conditions for new loan are: - correction of serious cash position - drastic reduction in costs and in labor costs - nominate heads of Departments and introduce modern accounting and budget control - receive Govt approval of investment program - select a consultant to review investment program.

- SOFRELEC chosen as consultants.
- Lack of coordination from Italo inflexibility.
- Capital contribution of M\$N 6 billion made by Govt End 1965.
- Reorganization of Segba: Middle West set up a professional and vocational training program. Decentralization of decisions being worked out by Middle West. Reduction in increase of labor.
- Bank insists strongly on the necessity to coordinate planning and operations between Segba and Italo, in the uncontented interest of the consumers. Sofrelec was asked by Bank to make a complete system as part of an integrated system with CIAE. Conclusions were not changed. Interim report on capacity requirements for the whole B.A. considering Segba's

3 large profit deficiencies in 1965 under the 8% return level.

Feb 1966 = Bank delays appraisal because wants to ^{appraise} control the generating expansion in B.A., Italo in particular which it considers as a single system with Segba.

- Investment program foreseen and recommended by Sofrelec: a- peak load units in 1967-early 1968 - b- 2000 MW base load unit

of Italo in 1969, and a 200-250 MW unit Segba in 1970.

— End Feb. 1966, death of Admiral Favaron → delay of appraisal mission because Bank wants new Ex. Vice President appointed before

End 1965: Bank ~~ready~~ to give up the idea that shares of Segba be sold to private investors. But ~~keep~~ ^{stand} firm on the transfer of the 14 particles. For appointment of Gen Manager, consultation with Bank appears sufficient.

— a memo of Nov. 1965 "Usefulness of management covenants and use of managerial consultants".

— Pirelli sees the overstaffing problem as being the most serious ^{one} of Segba - April 1966.

Sept 66: Gotelli is Secretary for Power and Fuel: thinks that the only "clean way" of coordinating Segba with Italo is to merge the 2 Cos. Does not want "political" clauses to be changed (saland!)

New tariff ^{increases (32%)} granted in Aug. 1st, 1966 as demanded by Bank.

Nov. 67 - Bank agrees not to set itself up to police "international nor internal ² dumping".

Nov. 67 - Loan from Ex Im Bank for financing Boiler n° 17.

Oct. 67 - Contract Segba - Middle West: implementation of recommendations on: Customer accounting, Material accounting and control, General Accounting, Labor accounting, all to be mechanized.

Tax advantages to domestic Suppliers to Segba:

- exemption from sales tax, from import duties on imported components - 18% refund for ^{indirect} taxes paid in ^{earlier} ~~other~~ ^{stages} of processing.

Labor relations: labor situation in Oct. 67 had improved but not as much as Segba had hoped → small reduction of staff. and no strikes

In Aug 67, Middle West proposed Segba to study the cost of service to different classes of consumers, so that it could

provide the basis for a reform in the structure of rates, a system in which Gov^t was very interested.

Appraisal May 66: 4 obstacles to a loan without basis -
 a - Current liabilities US\$ 9 billion and 65, Segba almost insolvency, and construction stopped first half of 1966.

b - Tariff increase + 20% required - No savings made on labor

c - No progress on coordination of planning and operations between Italo and Segba. But Italo to agree to a central dispatch for GBA.

d - Labor situation. Terrible according to Bank. So called agreement with unions in 1966 was a farce.

- Gov^t officials wondered in June 1966 why Bank had not insisted on coordination in 1961 before 1st loan made.

- Labor level (end of year)

	62	63	64	65	66	67	68
Total no. of employees	19,220	20,944	23,495	25,068	26,318	27,023	27,719

The Difficult Financial situation of Segba in 1966 was also the result of high ^{distribution} investments made in 1965. To use the newly installed generating capacity financed by Bk in 1962 to the full extent.

- Bank envisaged the possibility to make a small loan in 1966 of US\$ 20-30 million to cover the gas turbine peaking units and the essential transmission and distribution facilities programmed for 1966. This was seen as a more practical way of implementing Bank's requirements, since the prerequisites for a 1st smaller loan could be less immediately onerous. "However Argentina's Congressional elections were to be held in March 67 and this might create difficulties in meeting the prerequisites for a 2nd loan and in negotiating it.

Management plan = Organization of Segba was deficient

when Bank loan was made in 62. It was going to be the next pt on which Segba's management ^{would} ~~was to~~ concentrate after resolving the urgent Costanera and distribution expansion pbs. Little visible progress has been achieved in the reorganization program initiated in mid 63 with assistance of MWS. After an initial exploratory phase in 1963, and total inaction in 1964, the program was resumed in the 2nd quarter of 1965. It has suffered since from the vacuum in management and from lack of leadership, middle management and qualified staff (due to restrictions on hiring introduced by Fawcett) and finally from the death of Admiral Fawcett.

— In 1966, Segba's accounting was in a poor state (A. Young ^{dict})

Because of the uncertainty about Segba's financial and labor relations.

— In June 1966, Bank decided that the amount of the proposed loan be reduced to \$50 mln and that would assist Segba during a shorter period of the 66-69 program than previously planned. (mid 67 - mid 68)

— Agreement was signed in Dec. 66 between Segba and Italo covering coordination of planning and operations.

— Back to Office Report (May 67) - loan to finance the program Sept. 67 - Dec. 68. loan of \$55 mln.

Loan 308-AR.

(These arrangements were made in 1958 by Arg EE for short term financing.)

Financial arrangements for Dech Ind. (July 1960)

	Total Contracts	Down payments	Credits
Generators (British Thomson-Houston)	67.4	16.3	US\$ 42 mln.
Substations (Vickers)	12.7	1.6	US\$ 7.7 mln.
	80.1	17.9	Barrig Bros credits to the suppliers.

First approach from Argentine Gov^t to Bank: April 1959.

Dec. 1960: Mr Knapp recalled that the idea of setting up a power co controlled and managed by private interests was the Minister of Finance's idea and was the basis of the proposal which the Government had made to the Bank. The Bank had welcomed the idea because it was the only possible basis on which it could make a loan to be purely a refinancing operation completely departing from Bank's policies. The company's stock would be in majority in Gov^t hands, which is a basic weakness not able to attract private investors. Salitain favored by Bank was to hand over the Dech Ind plan to a new private corporation. Stupid because then there would have been 3 Clis in B.A.: Italo, Segba, and the new one, with all co-ordinating plus on tariffs, distribution, etc.

Basic Bank objective was the consolidation of the power properties and facilities and the rationalization of the power supply in B.A.

The new company would consist of Arg EE assets and Segba A shares, a private equity contribution and the Bank loan. ^(both belonging to Government) ^(with supplier) ^(have) ^{distribution in GBA}

It seems that it was essential that the new company be owned in majority by private interests in order to present a refinancing operation to the Bank's Board. But \exists many political sensitivities in Argentina to hand power to private hands. ^{and resistance}

One of principal conclusions of the study was the 1st priority to be given to the completion of Dock Ind plant for B.A. ByEE's plans were inadequate.

Interconnection pl? Italo pl?

completed
in 1960.

- "Study of Argentine Power Problems" & a UN Special Fund study for which Bank acted as Executing Agency.
- Nomination of Dr. Pinedo as Administrative Coordinating Dir of the Dock Ind project in Feb. 1961. Pinedo is a conservative → political controversy.
- New plan for Pinedo because of impossibility to raise enough money in private market to carry out the old plan. New Plan is - creation of a Government company with Segba as nucleus, under competent private management at start, which would gradually over time become private in proportion to the availability of private capital. The Govt would buy all Segba shares in return of bonds to Safina; shares would be held by the Industrial Bank as trustees with instructions about selling the shares to the public as soon as possible. The Dock Ind and interconnection properties would be turned over to the new Segba for completion and operation, with the 14 partidos later. Management of Segba to be retained. Bank's objective: a unified operation under experienced management" would be achieved at once.
- ~~B. B. Gamete~~ new Segba would not be private, refinancing of the British credit ^{by Bank} would not be possible. This left local currency financing, justified by: a - 1st priority of Dock Ind plant on economic and political basis - b - Bank looked very strongly connected to it in public opinion and could not withdraw - c - financing by the Govt would be very difficult and inflationary, and Bank's contribution would take the most urgent and best form.

Consolidation of tariffs: ^{continue to} have an uniform tariff for B.A. regardless of the distributor. Tariffs to be based on consolidated accounts of the entities marketing in the area (Segba, Italo).

Stretchout of British loan was dependent upon loan's signature.

Interest was to be $8\frac{1}{2}\%$.

British accepted to ~~stretchout~~ ^{stretchout} the 1962 and 1963 ^{and mid 64} payments on the credit ^{until 1969/68}.

— Banks acted on British to have their credit extended.

— Properties of Am. Foreign Power Co were bought by Govt in 1958 for US\$53.6 million.

— Pinedo Plan: "power shortage": In 1960, the power gap was about 40% of the installed power.

Bank insists on this. — Bank presses Govt to incorporate 14 parishes into Sgba in order to rationalize the distribution system and their ^{planning} extensions. Also Sgba should be given responsibility for load dispatching in GBA.

— Sgba loan considered a "moralizing operation showing that Bank was ready to help those who helped themselves".

— Procurement problem:

— Argentine Govt gave a misinterpretation of Pinedo Plan for establishment of new Sgba. This resulted in a workers' strike against "putting a public service in hands of those who were responsible for the power shortage in GBA."

— Souven de alant initial grosse de consequences futures:
En raison du refinancement, Bank voulait une "prime" d'un tranche a Sgba et non a AyEE, ce qui avait permis l'etablissement d'une forte CIE d'Etat avec CEE.

— Letter from Government in Jan. 1962 confirming that SEGBA will be allowed to price power at average price of 3.10 ps /kwh.

Side Letters: 1- Consultants: Retain previous consultants for the Dyckin Ind plant and engage others for the Interconnection ^(substations and cables) system and distribution expansion programs.

2- Competitive bidding: international for equipment - domestic for civil works.

Rates: Present procedures were fixed as of Feb 1962 on the basis of ^{revaluated assets} many to establish rates \Rightarrow 8% return on end of year.

New Dock Ind plant \equiv Costanera plant (covered by loan)

Exemption from import duty was given in Aug. 62.
Import duties: Secretary of Industries and Mines was preparing in April 1962 a decree to allow exemption from duty on the import of electrical equipment by Segba. Strong reaction from the Argentine Industrial Union.

Politics: Bank considered responsible for having demanded that Federal Property be passed over a private Cie.

P.D. - Bank agrees to include Argentine manufacturers among bidders for the \$24 m. month contracts for distribution.

P.D. - Bank accepted to reimburse Segba for local currency expenditures at a 100% rate instead of original 71%, but not retroactively from the 1st disbursement.

Old Dock Ind Fire in August 62: Power transformers and control board destroyed; hydrogen refrigeration system for top units destroyed. Results: cuts of 8 hours/day in certain zones; total load shed of 50 MW at peak. ^{also self-restrictions}
- Mr. Botelli is a politician - flic de basse espée.
- Mr. Botelli has been constantly informing the Bank on the internal aspects of political affairs of Argentina.
- A cable laid down in the River to relieve shortage of power in the ~~and~~ southern zone of Segba was cut a few days after the opening. ^{they are anchors!} Poor Segba.

In Dock Ind, rehabilitated nominal capacity was 154 MW but actual capacity was 130 MW.

- A different distribution system in B.A. would be required if supply would come from remote hydro plants.

MWC: Management Consultants Middle West Cy: to review the commercial aspects of Segba.

Technical plus with the 5 prototype units of the plant: original errors in planning and equipment selection have plagued the plant. Unit 1 has unacceptable vibrations and action of manufacturer was of an amateurish nature.

PD - Price decrease after bidding of equipment for distribution expansion under estimates.

F - Continuous lack of working capital in Segba. ^{Not current liabilities were M\$N 303 mln and of 61 and M\$N 240 mln and 62.}
Actual Sales in 1962 strongly departed from forecasts because of Dock Ind fire and slackening of economy (industrial and commercial sales > from 1961 and residential sales ↑)

- Segba expects Bank to have \$10 million disbursed from loan expected to leave \$13 mln undisbursed. ^{for working capital}

- Segba condemned in Court to indemnify a customer for deficiency in electricity supply.

- Unit 1 of Costanera reaches only 60 MW (silica, leaks of hydrogen)

PD - In 1962, Segba self-financed investments in distribution was M\$N 1,450 mln, of which half ~~had~~ corresponded to material including imported components estimated at US\$ 3 million.

- Dividends paid for 1962 in form of 5% for preferred stock and a provisional 10% on common stock.

May 63 - Segba about to stop distribution works and collapse because of shortage of working capital, as foreseen in Bank appraisal.

Bank agreed. - Because Bank loan was a "balancing loan", recommended that

- Bank allow withdrawals for working capital needs of Segba. Lack of working capital due to reasons beyond Segba control (new shares not sold on local market, impossibility to borrow locally).

Mt - Contract with Middle West Service Co in June 63 for organization and rationalization of Segba's departments and offices. Need for control of financial progress, works cost control, financial forecasts; need also to modernize and organize the warehouses and movements of materials.

- Segba again under strong political attacks in Sept. 1963.

In 1963, new Govt contemplates lessening SEGBA's independence.

- People start speaking about a new loan End of 1963.

- Bank agreed that Segba in a medium-term loan from Argentine Central Bank in pesos for local purchases of equipment.

- Interference of Expropriation of oil companies in Argentina with Bank's general attitude towards Arg., incl. Segba.
- Dec. 1963 = Clash = no tariff ^{in 1964}, no transfer of 14 partidos, no selling of shares to public. Tariff increased refused because of controversy on depreciation allowances.

- Impression that Bank has led to do political mistakes by plunging too much Segba's game in internal politics.

- Jan. 1964 = Govt wants the 14 partidos to go back to AyTE. Crisis with Govt, letter from Bank to Republic President was condemned by Argentine Parliament.

- Rate application rejected Jan. 1964.

Govt wants the "political" clauses in loan Agreement to be revised, in particular that Segba's executive Vice President and Genl Manager be mutually acceptable to Segba and the Bank. Also Govt does not want Segba's shares to be sold to private.

- Letter of conciliation tone sent by Govt to Bank - Feb. 1964.

- Other letter agreeing to transfer the 14 partidos to Segba after the privatisation clause illegal for Argentine laws is cancelled. This was a reasonable attitude, since Argentine Court declared the transfer illegal under these conditions. Also Govt wants to cancel the necessity to obtain Bank's agreement on ^{nominations} management.

- Knapp and Picagli lied when saying that they did not know that the members of Segba's Board had any connection with the Sofina - Sodoc which owned CADE; it was actually a condition of the loan that management of previous Segba be retained in the new Segba.

- General impression: Bank has been constantly excited by Gotelli of Segba against the Government. Gotelli was fighting for his own.

Pb with diversity of equipment
due to purchases through international
bidding.

Argentina :

Bank action : positive in investment cost ?!
negative in energy costs ?! ^{stability}
what are management performance ^{and} ~~issue~~ ^{and} ~~issue~~
— Why Government did not allow for to ~~allow~~
banks an USD dollars, in lieu of loan from National
City Bank?

- 1 - Frequency problem? Technical problems of interconnection system?
— Consultant problem: consultants are neglected by Segba?

Bank's help? → Syndicates problem: what is it actually?
(— Reevaluation of assets and tariff change processes: are they inflationary? (At the end, in Buenos Aires).)
— Depreciation: not < 1 to 3% - Is that sufficient?
— Inadequate depreciation policies in 1964 and 1965.
Rate regulation was evolved by Bank initial intervention in 1962?

For economic purpose!
Danger of guarantee on rate of return to lead to internal economic inefficiency of SEGBA.
— Purpose of the rate provision: attract new debt and equity from public - result future annual returns on common shares and surplus of about 12% (after interest on debt and dividends on preferred).
— 2 instances when the terms of concessions were not respected by Government: - a - in 1964 and 1965, depreciation charges were \Rightarrow lowering revenue requirements \Rightarrow no rate increases.
- b - in 1968, rates were adjusted to achieve 8% return but not to recover in 1968 the shortfall occurred in 1967.
— Rates were increased 3 times over 1962-1968 ^{in 1968} \rightarrow level was ~ 5 times the level of 1962.

WIP.
What about Arucha nuclear station? Future demand?
— Reasons for rate decrease in 1969 - What for 1970?
— Difficulties for investment financing (self-financing) by Segba after 1964 low records? What considerable damage during 1964-65 period?
— What about the 1968 Government contribution? What form?
— What about the accumulated shortfall in earnings now? It was M\$N 5.5 billion by end 1967 and recovered in 1968. Fully absorbed actually in 1968 and 1969!?
(— Original target for self-financing was 45% - Over the 1962-1968 period, it was actually $50\% > 45\%$ - Biased however by the slow interest rate in 1965-1967.
(— Outside financing did not match expectations: short-term borrowings and Government contributions in place of long-term borrowings - Note cash dividends were paid -

Discussion avec Sr. Breustein :

- Puerto - Nuevo n° 9 : pas de délai mais selon verse que le 2nd pôt couvrirait seul^t 2 ans et la construction nécessiterait 3 ans.
- Arucha n'est pas construite par Segba mais ~~PTD~~ par CNEA (Siemens licence) : 319 MW.
Prévue originellement pour fin 1972, maintenant ~~fin 1973~~ pour fin 1973 ou début 1974. Raccordée au réseau Segba quand sera construite.
- Alimentation : \exists encore des pbs. En 1962, \exists coupures chaque jour. En 1964, les restrictions sur éclairage vitrines furent supprimées.

Résumé

- 1^{er} pôt : Generacion à mettre en marche.
 - 2nd y 3rd : Transmission y distribución.
- les projections de 1962 pour la demande furent ?
Celles de 1968 ont été dépassées.
Futur : situation de fin d'année de génération en 1972.

PTD

Sanctions: during the ~~last~~⁵ years, 1960-1965, transmission capacity was exceeded by 40%.

Generation ^{capacity} was exceeded by 5-10% over nominal capacity.

LOAN 308 - AR. (SEGBA) . \$95 million.

Effective Date : April 1962 - Closing Date : December 1964.

Objective : "Eliminate ^{by 1965} the initial power shortage in the Buenos Aires metropolitan area and to provide efficient service in the future by the local electric supply organizations which must be consolidated and reorganized."

Project : - Completion of GBA thermal station (600MW) and auxiliaries
- Completion of the 132 kv interconnection system.
- Improvement and expansion of SEGBA's transmission and distribution systems.

Actual figures on peak load, sales distribution for 1960 in page 8 and 9 of Appraisal report n° 308.

Schedule : 1st unit commissioned for mid 1963, N°5 to mid 1964.
132 kv system to be completed within the same period.

SEGBA will own and operate all public utility generating, interconnecting and distribution facilities in GBA area, except those of CAIE.
Possible addition to program - 150 MW generator for Dock Sud plant.

⊢ Short-term cash problems of SEGBA in early 1963 (see end-use report of April 1963).

→ Performances of SEGBA in 1964 were very poor on every count (see suspension report of March 1965).

[Actual data for 1962 : see page 4 of report of April 1963.

Actual cost for project - See page 2 of March 1965 report.
(and conversion rates)

⊢ some signs of increased inefficiency and management weakness. See page 7 of March 1965 report.

Actual data for 1964 - page 10 of March 1965 report.
See also Annex 1 and 3.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 • Telephone - EXecutive 3-6360 • Cable Address - INTBAFRAD

July 21, 1965

Servicios Electricos del Gran Buenos Aires, S.A.
 Balcarce 184
 Buenos Aires, Argentina

Gentlemen:

Pursuant to Section 3.01 of the Loan Agreement of January 19, 1962 between us, there is set out below an amended List of Goods showing the amounts withdrawn at the Closing Date under each category:

Amounts expressed in
U.S.dollar equivalents

I. Local currency expenditures for goods required to complete the Greater Buenos Aires Thermoelectric Station and the Interconnection System and Distribution System	60,000,000.00
II. Imported Goods	
A. Equipment for Distribution System Expansion	24,973,379.96
B. Engineering Services	1,973,691.31
C. Shipping & Insurance for FOB contracts	1,404,161.85
D. Interest and other charges during construction	<u>5,000,000.00</u>
Total withdrawn	93,351,233.12

Please indicate your agreement to this final amendment by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By Gerald Alter
 Gerald Alter

CONFIRMED:

SERVICIOS ELECTRICOS DEL
 GRAN BUENOS AIRES, S.A.

[Signature]
 Authorized Representative
 R. D. GONZALEZ ZIMMERMANN
 Gerente General

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Ass. Code 202 - 52, Issue - 111, Nov 3 5 50 - C.M. Address - INTDAPRAE

June 9, 1970

Servicios Electricos del Gran Buenos Aires, S.A.
 Balcarlos 134
 Buenos Aires
 Argentina

Gentlemen:

Re: Loan No. 525-AR

Pursuant to Section 3.01 of the Loan Agreement (Second Buenos Aires Power Project) dated January 25, 1968 between us, further to my letter of November 18, 1969 and following the recent closing of the Loan Account, there is shown below a final revision of the Allocation of the Proceeds of the Loan:

<u>Category</u>	<u>Amount in</u> <u>U.S. \$ Equivalent</u>
A. Civil Works and Erection of Equipment	\$ 5,900,574.74
B. Equipment and Materials	
1. Expenditures for equipment and materials procured outside Argentina	11,951,091.22
2. Estimated foreign expenditure component of equipment and materials procured in Argentina	17,351,077.63
3. Estimated local expenditure component of equipment and materials procured in Argentina	10,000,000.00
4. Shipping and Insurance	1,198,934.56
C. Consulting Services	1,675,048.49
D. Interest and Other Charges	2,923,223.36
Total	\$51,000,000.00

39.302

Servicios Electricos del Gran
Buenos Aires, S.A.

- 2 -

June 9, 1970

Please indicate your agreement with the above revised Allocation of the Proceeds of the Loan by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: G. H. Wiese

Gunter K. Wiese

CONFIRMED:

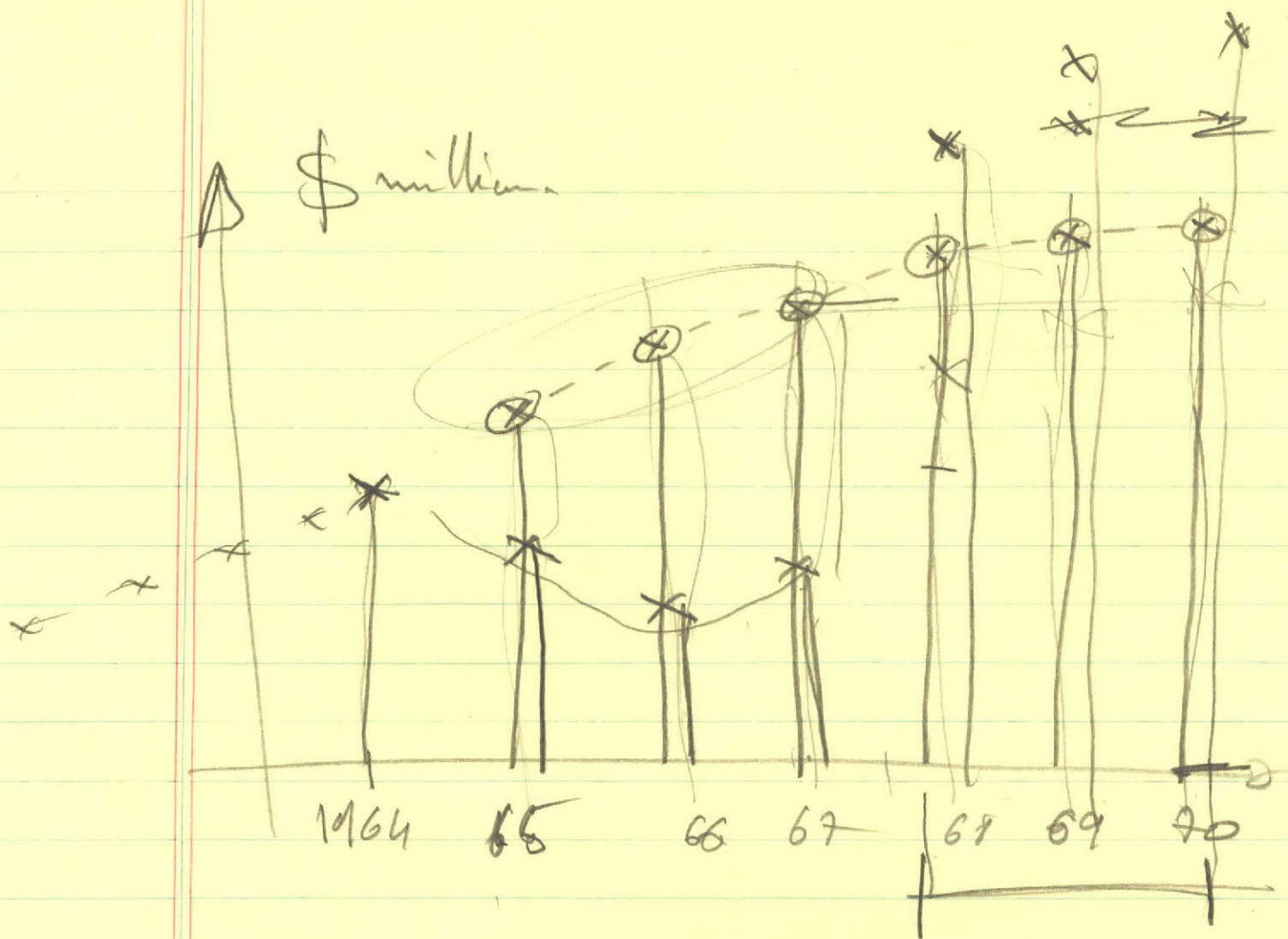
SERVICIOS ELECTRICOS DEL GRAN BUENOS AIRES, S.A.

By: G. A. WECHE

G. A. WECHE

Vicepresidente Ejecutivo

E. SIKSTEN
Gerente



Distribution Thousands

	1962	63	64	65	66	67	68	69	70	Total 66-69
Actual	9.99	19.62	30.10	36.78	38.62	26.73	29.11	42.65	35.21	137.11
Estimates for distribution Submitted to Bank Sept. 16, 1965					47.3	42.0	42.9	40.0		172.20
										$\Delta = 35.10$

	Total Thousands					66	67	68	69	70
Actual						51.77	36.19	54.22	77.7	219.38
Estimates Sept. 16, 1965						72.7	91.3	85.4	70.7	320.10

INVESTMENTS PROGRAMS PARTLY FINANCED BY I.B.R.D.

	(THOUSAND \$)								
	1962	1963	1964	1965	1966	1967	1968	1969	1970
APPLICATION OF FUNDS									
Total investments 1)	138.810	114.600	112.800	89.938	106.230	120.070	189.800	271.989	245.115
Addition to Working Capital	20.884	17.980	(16.630)	(17.620)	94.930	80.240	55.480	(6.130)	(19.561)
Others	-	-	-	-	-	500	-	5.461	18.910
GRAND TOTAL	159.694	132.580	96.170	72.318	201.160	200.810	245.280	271.320	244.464
SOURCES OF FUNDS									
I Net internal cash generation 2)	35.926	31.481	20.631	19.606	81.250	100.250	180.030	129.610	105.312
II Domestic contribution : Subtotal	38.394	22.427	19.983	19.680	119.460	99.370	8.060	11.520	14.435
- Share capital (Gobierno Nacional)	38.394	14.070	15.000	10.000	50.000	-	-	1.380	-
- From local Banks	-	-	-	-	60.000	86.060	3.940	-	3.000
- Y.C.F. Contribution	-	-	-	-	-	-	-	1.500	894
- From private sector (local suppliers)	-	4.607	4.133	8.190	7.430	8.540	1.150	-	3.188
- Customers' contribution	-	3.750	850	1.490	2.030	4.770	2.970	8.640	7.353
III Foreign borrowing: Subtotal	85.374	78.672	55.556	33.032	450	1.190	57.190	130.190	124.717
- Suppliers credit	60.818	11.593	8.919	3.300	450	1.190	24.090	23.300	18.056
- Foreign bond issues	4.670	-	15.259	19.040	-	-	-	-	-
- Foreign private investment or loans	-	-	-	-	-	-	-	-	40.000
- I.B.R.D.									
308 AR	19.886	67.079	31.378	10.692	-	-	-	-	-
525 AR	-	-	-	-	-	-	33.100	106.890	38.586
644 AR	-	-	-	-	-	-	-	-	28.075
IV GRAND TOTAL	159.694	132.580	96.170	72.318	201.160	200.810	245.280	271.320	244.464
1) Total investments: Generation	100.356	35.589	41.090	13.155	3.532	13.659	47.370	61.032	51.175
Transmission	21.687	36.915	23.102	9.778	14.224	16.423	24.388	54.392	57.554
Distribution	11.355	27.158	42.109	62.016	80.019	88.678	101.873	149.289	133.068
Others	5.412	14.938	6.499	4.989	8.455	1.310	16.169	7.276	3.318
2) Indicate direct taxes: Total	6.100	10.020	11.710	17.940	25.910	35.038	40.997	44.040	47.079
Exchange rate at year end \$ / Dollar	1,341	1,325	1,509	1,885	2,473	3,500	3,500	3,500	4,000
Exchange rate average \$ / Dollar	1,1373	1,3837	1,3991	1,6862	2,0717	3,3181	3,5000	3,5000	3,7792

1965

<u>\$</u>		<u>Pesos</u>
11.63	Net Internal Cash	19.606
	Domestic Contribution	
5.74	private sector	9.680
5.93	public sector: share capital	10.000
11.67	Total	19.680
	Foreign	
1.96	Suppliers Credit	3.300
11.29	Foreign bond issue	19.040
6.34	308-AR	10.692
19.59	Total	33.032
42.89	Total	72.318

INVESTMENTS PROGRAMS PARTLY FINANCED BY I.B.R.D.

(THOUSAND \$)

	1962	1963	1964	1965	1966	1967	1968	1969	1970
APPLICATION OF FUNDS									
Total investments 1)	138.810	114.600	112.800	89.938	106.230	120.070	189.800	271.989	245.115
Addition to Working Capital	20.884	17.980	(16.630)	(17.620)	94.930	80.240	55.480	(6.130)	(19.561)
Others	-	-	-	-	-	500	-	5.461	18.910
GRAND TOTAL	159.694	132.580	96.170	72.318	201.160	200.810	245.280	271.320	244.464
SOURCES OF FUNDS									
I Net internal cash generation 2)	35.926	31.481	20.631	19.606	81.250	100.250	180.030	129.610	105.312
II Domestic contribution : Subtotal	38.394	22.427	19.983	19.600	119.460	99.370	8.060	11.520	14.435
- Share capital (Gobierno Nacional)	38.394	14.070	15.000	10.000	50.000	-	-	1.380	-
- From local Banks <i>private</i>	-	-	-	-	60.000	86.060	3.940	-	3.000
- Y.C.F. Contribution	-	-	-	-	-	-	-	1.500	894
- From <i>private</i> sector (local suppliers)	-	4.607	4.133	8.190	7.430	8.540	1.150	-	3.188
- Customers' contribution <i>private</i>	-	3.750	850	1.490	2.030	4.770	2.970	8.640	7.353
III Foreign borrowing: Subtotal	85.374	78.672	55.556	33.032	450	1.190	57.190	130.190	124.717
- Suppliers credit	60.818	11.593	8.919	3.300	450	1.190	24.090	23.300	18.056
- Foreign bond issues	4.670	-	15.259	19.040	-	-	-	-	-
- Foreign private investment or loans	-	-	-	-	-	-	-	-	40.000
- I.B.R.D.	19.886	67.079	31.378	10.692	-	-	-	-	-
30% AR	-	-	-	-	-	-	33.100	106.890	38.586
52% AR	-	-	-	-	-	-	-	-	28.075
64% AR	-	-	-	-	-	-	-	-	-
IV GRAND TOTAL	159.694	132.580	96.170	72.318	201.160	200.810	245.280	271.320	244.464
Total investments: Generation	100.356	35.589	41.090	13.155	3.532	13.659	47.370	61.032	51.175
Transmission	21.687	36.915	23.102	9.778	14.224	16.423	24.388	54.392	57.554
Distribution	11.355	27.158	42.109	62.016	80.019	88.678	101.873	149.289	133.068
Others	5.412	14.938	6.499	4.989	8.455	1.310	16.169	7.276	3.318
<i>exchange rate</i>	1.137	1.384	1.399	1.686	2.072	3.318	3.50	3.50	3.779

308-APR
copy in Legation

July 27, 1965

Contralmirante Pedro Favaron
Executive Vice President
Servicios Electricos del Gran Buenos Aires, S.A.
Balcarce 164
Buenos Aires
Argentina

Dear Admiral Favaron:

We were happy to see you and your associates in Washington last month and to be able to review with you some of the problems of immediate interest to SEGBA and the International Bank for Reconstruction and Development. As a result of these meetings, we have reached certain conclusions which I am anxious to communicate to you now, so that you can take them into consideration in determining the course of action you wish SEGBA to take. I should say in all frankness that we think some of these problems are serious enough to prevent us from making a new loan to SEGBA in the near future. But how soon the Bank can consider a new loan will depend on the speed with which certain decisions are made and implemented by SEGBA.

The first of these problems is the critical cash position of SEGBA which should be substantially improved before a new loan can be considered. You have outlined to us the steps you hope to take to raise additional long term funds for SEGBA and your expectations that sales will grow at a sufficient rate in the remainder of the year to improve SEGBA's revenue substantially. With regard to the first of these, we believe that SEGBA should pursue its discussions with the Government to obtain promptly the capital contributions and the authorization for a public bond issue which you discussed with us. These measures would enable SEGBA to correct the serious shortage of working capital and to provide a basis for financing its capital requirements for this year.

With regard to the revenue from sales this year we hope your expectations will be realized. But it is unlikely that you will have sufficient data to be certain about the course of sales until August or September. If by then it appears that your expectations are not being fulfilled you will have to find other means, including further rate increases, for alleviating the company's current financial problems.

Contralmirante Pedro Favaron

July 27, 1965

2) We have noted the various steps you have taken towards meeting the requirements of SEGBA's concession this year; but you will recognize that these requirements have not yet been fully met. We believe that from now on SEGBA should take all the necessary steps to ensure that the objectives of its concession are satisfied in full. This would enable revenues to cover expenses, depreciation (which we understand SEGBA will resume charging at adequate rates of at least 3 per cent), proper remuneration of the invested capital, and also help to finance expansion. All this may well require some rate increases; but now that an adequate supply of power has been restored, considerable emphasis should be put on efficiency and on economy of service to relieve the pressure of increased expenses on the level of power rates. I know that you agree that drastic reductions must be made in SEGBA's labor costs. We would wish to see the initial results of a program to this end before we could make a new loan.

4) Another problem to be solved is that of the management and organization of SEGBA. The positions of Department Heads and Assistant Heads should be filled by experienced and competent men who under your direction can be molded into an effective management team. The internal organization of SEGBA should also be strengthened, particularly by introducing budgetary controls and modern accounting methods. I know you will agree that this is a prerequisite to resolving SEGBA's other problems and I look forward to hearing from you about progress in settling these matters.

5) With regard to SEGBA's proposed investment program and its cost I have two points to make. The first is that we think that SEGBA should receive formal approval by the Government of its program in order to be satisfied that the proposed expansion can be carried out without the delays experienced in 1964 as a result of the lack of governmental approval.

6) My second point is that, as we have already explained, the procurement of all the goods for the program supported by a Bank loan must be made on the basis of international competitive bidding. While we would accept a reasonable degree of preference for local suppliers, to be determined by mutual agreement at a later stage, we could not agree to the arbitrary allocation to local suppliers, as is presently contemplated, of a substantial proportion of the goods to be procured for the program, regardless of price. SEGBA should prepare a new cost estimate using international prices and assuming that local Argentine suppliers might be granted a price differential of say 15 per cent above these prices. You may also consider that the exchange rate does not permit an accurate comparison of foreign and domestic prices. Should you wish

- 3 -

Contralmirante Pedro Favaron

July 27, 1965

to propose a more realistic rate, as you mentioned during your visit, the Bank would be prepared to consider such a proposal. Moreover, if you wish to ensure that Argentine suppliers have the best opportunity of competing on this basis you should discuss with the Government the extent to which they may be relieved of existing indirect taxes, including customs tariffs and surcharges, on raw materials and semi-finished products.

You will also recall that during the discussions we stated that the Puerto Nuevo unit would not be eligible for financing by the Bank, if it were acquired by way of a "turn key" contract; on the other hand, we tried to emphasize that the decision as to how the unit should be designed and its components purchased, rests exclusively with you. If SEGBA succeeds in buying a unit suited to the requirements of its system at a reasonable price and secures appropriate financing, the Bank would not necessarily be precluded from lending for the other parts of the program.

Finally, I wish to record that the choice of a consultant to assist SEGBA with its generation, transmission and distribution program had not been made up to the time of your departure from Washington. As soon as you have made a selection, we would appreciate your sending us the consultant's terms of reference and the curricula vitae of his key personnel.

In conclusion, I wish to assure you that the Bank shares both SEGBA's and your personal concern for the expansion of power facilities in Buenos Aires and for the improved quality and efficiency of service. We feel, however, that a sound development cannot be achieved unless every effort is made to strengthen SEGBA's organization and finances. We very much hope that you will receive the full support of the Government in order to take significant steps in this direction within the shortest possible time. The Bank is willing to help in providing the needed financial assistance, but SEGBA will first have to move quickly to resolve the various points mentioned in this letter.

With kindest regards,

Sincerely yours,

G.A.

Gerald Alter
Director

Western Hemisphere Department

cc. to Dr. Elizalde
Dr. San Miguel

Cleared with Messrs. Rovani and Sheehan - *Cope*

Previous draft cleared with Messrs. Cancio and Keltie

cc. to Messrs. Aldewereld, Cope, Chaufournier, Piccagli, Rovani/Sheehan,
Cancio, Keltie/Dambski, Knox; JFajans/RSheehan/YRovani/ADKnox:mh

Mercredi 13 Octobre -
Entrevue avec Mr. Fayans - SEGBA.

- Emphasize the Δ_{1960}^{1970} in Segba's condition.
- Conclusions are too harsh.
- Page 209: para 12 - "apparently" to be deleted.
Cooperation with CIAE is not still inadequate.
- para. 13: totally ineffective. Totally is too strong.
- The 1962 loan was a "deed" on its own, a "salvage" operation.
- Pages 35-48 could be shortened - Put more emphasis on 525-AR. On a min trap d'accus on le 1^{er} prêt 308-AR.
- p. 51: - para 5.01: "Acrif - rate" est malhonnête.
Vérifier local expenditures and local procurements.

72-66-68
Renseignements en Agence Tunisienne avec U.S.A.

SEGBA

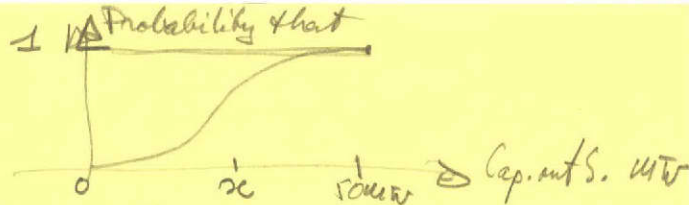
POSSIBLE QUESTIONS THAT MIGHT BE RAISED WITH
THE MANAGER OF SEGBA

1. What have been the useful Bank contributions -- foreign exchange -- help to get tariff increases approved -- outside views -- changes in organizational structure -- assistance in staff reductions, etc?
2. What comments on IBRD activity and procedures, what is his experience of IBRD?
3. Has SEGBA managed to adhere to financial and other covenants with the Bank in recent years and have they found them useful?
4. Is load growing in light of forecasts (higher annual growth rate expected in 1969-71 -- more than 8% -- than in 1965-67)?
5. Was the 250 MW Puerto Nuevo station completed on schedule (in June 1970) and if not, why not?
6. Is the nuclear station at Arucha on schedule and expected to start supplying in 1972; if not, why not, and what will be done to meet demands?
7. Will SEGBA be able to finance expansion after 1972 without either government or IBRD financing, as tentatively expected in the last appraisal report?

cdw.

3/18/71

SEGBA :



Entrevue avec M. Bronstein - Jeudi 21 Mars 1971.

- Local electrical equipment industries development and contribution.
- 4 - To table I, add :- distribution of capacity out of service.
- 3 - peak capacity (nominal - auxiliaries + surcharge).
- 2 - Use by seagba of surcharge.
- 1 - Conversion du déficit futur (1972).
- 5 - Frequency problem in B.A.

Questions to SEGBA :

- X M, Q - Bank contribution in SEGBA's reorganization in 1961.
- M, Q - Imbalances of the rate structure - Bank support in revision.
- Effect of past power shortage (1950-1964) on economic growth.
- Fact: - Since January 1968, all plants of Great Buenos Aires (SEGBA + CIAE) are controlled by a Central Dispatch Office guided by a computer.
- M - Q - Comparaison des prix de construction de SEGBA avec international competitive bidding et des autres compagnies dans " " " ?
- T - Q - To which extent was relieved the severe power shortage in GBA achieved in 1963/64.
- T, M - Q - Is the 2nd loan completed and operating satisfactorily. Indicate the improvements achieved in the distribution system. When was the transmission and distribution part completed / June 1970? Was the cost lower than expected? Dates of disbursement? last disbursement?
- M - Q - Why does the Bank want the ^(SEGBA) shares to be sold to private investors as market conditions would allow?
- 1 VP Q - What is the status of SEGBA? Why was not it possible under the 2nd loan
- T - Q - Are the peak load data at the plant or distribution level?
- X M - Q - Did the Bank intervene in the Management Consultants study made in 1963 by International Middle West Service Company? What were the recommendations of the study?
- M - Q - Situation now about financial and budget control systems and management information. Decentralization of the departments: how many district offices now (2 in 1969)? Training for managerial talent? What were the advices of the Bank?
- X M - Q - Personnel position now and number of engineers per employee? New developments in labor contracts? Bank support in this field?!
- X F - Q - Did the expected earnings surplus expected in 1969 take place, and the rate reduction by 6%?

~~Why the 1968 surplus was not compensated for in 1969?~~

X Q
Sindic.

— Environmental and anti-pollution measures taken by SEGBA which uses coal? Nothing

Q — Usefulness of debt limit covenants on SEGBA's opinion —

X F-Q

— Was the initial cash dividend paid in 1970 as expected?

X F-Q

— Future perspectives for capital borrowing? Need for Bank or Government money? Need for future investments in generation? Perspectives in local capital market?

X F-Q

— Present situation in accounts receivable from public authorities. Did they pay? No.

Sindic. M-Q

— Is the boiler modification put on Puerto-Nueva Station for burning coal related with the Bank-financed station?

X Q

— Operations with Consultants - Education function —

X Q

— Participation of local industry. Equipment deliveries are on schedule?

Tables X

T-Q

— Add the number of customers awaiting connections.

— Were SEGBA's projections taken as such by Banks? Were they prepared by SEGBA alone?

X M-Q

— Coordination of operations between SEGBA and other companies supplying and planning the SBA?

Past history and Bank participation.

M-Q

— ~~Was~~ the market local issue made in July 1970?

X

Were the cash dividends paid in 1970? If not, How does the financing plan differ now from the one forecasted in bank loan? (mieg = 40%)

Same question for the other loan projects.

X Q

— Ask for the series of debt outstandings by end of each year with the proportion due to Banks and the proportion of the current liabilities.

LOAN 308-AR: \$ 95 million (inter.)
Closing date: December 1964.
Completed.

Objective: eliminate by 1965 power shortage.

Project: - Completion of GBA station (600 MW)
- Completion of 132 kv interconnection system
- improve and expansion of transmission and distribution

Schedule: 1st unit mid 63, last unit mid 64.

Investment program: over 1962-1964 -
include Bank project (cost \$ 301 million total)
include also Puerto Nuevo unit n° 8 (\$16 million)

Financing: Net internal cash: 37% - New share capital: 4% - Borrowing: 26% - Bank: 33% -
Covenants:

SEGBA organization: all shares E Government but will be sold to private as soon as possible. (stated again by Guarantee agreement). But priority given to sales of authorized but unsold stock referred to in Section 5-12 b of Loan agreement.

Rate adjustment to be such that cover operating expenses, taxes, maintenance and depreciation (estimated at 5%) and yield 8% return on 105% of net plant in service.

Shortfalls in earnings would be recovered in the following year, and interim adjustments should be made for increased costs and devaluation.

LOAN 525-AR: **Completed.**
Loan amount: \$ 55 million → \$ 51 million (final)
Closing date: Dec. 1969 → April 1970 (final).

Objective: expansion needed for adequate supply

Project: - 250 MW steam turbine at Puerto Nuevo (unit 9)
- 120 MW in 5 gas turbine installations
- Extension of the 132 kv transmission system
- Extension of distribution networks.

Schedule: **was fulfilled** gas turbines by May - October 1967.
- Puerto - Nuevo n° 9 by May 1970 - Transmission end 1970

Investment program: over 1967-1970.
Total cost: \$ 306.2 million (excl. interest)

Financing: Own resources: 57% - Borrowing: 43% (Bank loan representing 17%).

Covenants: Rate adjustments: as before.

Depreciation: minimum of 3% on its gross plants expressed in \$.

Debt limit: no new indebtedness if: - net assets are < 1.5 total debts - net income the year before is < 1.75 maximum interest payments in following years.

Sales of shares and Dividends: priority given to sale of new issues and Govt undertakes to sell its ordinary shares to private sector

Coordination: SEGBA will take all actions to coordinate expansion and operations of systems with other utilities.

Status: no change in SEGBA's status with out Bank approval.

LOAN 644-AR: \$ 60 million -
Closing date: Sept. 1973.

Objective: Expansion of distribution system to distribute energy generated by SEGBA.

Project: - completion of Puerto - Nuevo n° 9. **Why?**
- transmission lines (220 kv, 132 kv, 13.2 kv).

Schedule: up to now, on schedule. But amount of loan uncommitted by October 1970: \$ 36 million.

Investment program: over 1970-1972.
Total cost: \$ 247 million equivalent

Financing: Own Resources: 52% - Capital borrowing: 18% - 26% by Bank 525 and 644.

Covenants: - Depreciation, Rates, debt limit, Coordination, status as before.

Sales of shares and dividends: idem as before but it is expected that sales of ordinary SEGBA shares would be made by Government to private sector and pay cash dividends as available cash and available borrowing permits. In 1970, it was not expected that such thing could be done (return in 1970 was only 5.3% and foreign borrowing was made difficult and costly by Government).

Addition to program: inflation and others make new estimate of investment program be \$ 293 million.

RECENT