

-ENERGY CONVERSION AGREEMENT

This Energy Conversion Agreement ("Agreement") is made and entered into on the 30th day of September, 1996 by and between:

HEI POWER CORP. GUAM, a private corporation, duly organized and existing under the laws of Hawaii and licensed, registered and qualified to do business in Guam with its principal address at 220 S. King St., Suite 1710, Honolulu, Hawaii 96813, represented by its President, H. Ray Starling, Jr., who is duly authorized to represent it in this Agreement, hereinafter referred to as the Proponent;

-and-

GUAM POWER AUTHORITY, an autonomous government agency, with its office located at the 2nd Floor of Sunny Plaza, Tamuning, Guam, represented herein by its Acting General Manager, Ricardo S. Unpingco, who is duly authorized to represent it in this Agreement, hereinafter referred to as GPA;

RECITALS

WHEREAS, the Governor of Guam called an emergency special session of the Guam Legislature on June 22, 1996, to address the ongoing emergency and urgent need to ensure the adequacy and reliability of Guam's electrical power generation system; and the shortage of electrical generating capacity;

WHEREAS, the Guam Legislature enacted, and the Governor of Guam approved Public Law 23-103, which is an act to provide for emergency procurement for the island's power generation;

WHEREAS, Public Law 23-103 authorized GPA to procure power generation, substation, and transmission services and that GPA shall be exempt from the Public Utilities Commission

for such procurement upon a declaration of emergency approved by the Governor under executive order;

WHEREAS, Executive Order No. 96-23 declared the existence of emergency conditions in Guam with regard to the adequacy and reliability of the electrical power generation system and authorized GPA to procure power generation, substation, and transmission services pursuant to Public Law No. 23-103;

WHEREAS, GPA has issued a request for proposals for, among other things, the refurbishment, operation and maintenance of the Tanguisson power plant (2 x 26.5 MW) in accordance with the emergency procurement requirements of 5 GCA 5215 and within the scope of Public Law 23-103 and Executive Order No. 96-23;

WHEREAS, HPG submitted a proposal for the refurbishment, operation, and maintenance of the Tanguisson Power Station;

WHEREAS, GPA, upon evaluation of the submitted bid proposals, determined that the Proponent is the best qualified to provide the services set forth in the request for proposals, and the negotiations of compensation have been determined to be fair and reasonable; and,

WHEREAS, GPA, has agreed to supply Fuel to the Generating power stations upon the terms and subject to the conditions hereinafter appearing.

NOW, THEREFORE, in consideration of the above premises and the mutual promises set forth herein and the terms and conditions hereinafter set forth and for other good and valuable consideration, receipt of which is hereby acknowledged, the Proponent and GPA hereby agree as follows:

ARTICLE I
Definition of Terms

1.01 In this Agreement and in the recitals hereto:

"Capacity Fees" means the fees payable by GPA to the Proponent in respect of the Contracted Capacity as provided in Article 11;

"Catastrophic Equipment Failure" means a sudden unexpected failure of a major piece of equipment which the Proponent demonstrates: (1) substantially reduces or eliminates the capability of the Power Station to produce power, (2) is beyond the reasonable control of the Proponent and could not have been prevented by the exercise of due diligence by the Proponent, and (3) despite the exercise of all reasonable efforts, actually requires more than ninety (90) days to repair (if the determination of whether a Catastrophic Equipment Failure has occurred is being made more than ninety (90) days after the failure) or is reasonably expected to require more than ninety (90) days to repair (if such determination is being made within ninety (90) days after the failure);

"Commencement Date" means the day upon which the Proponent assumes operational control of the Power Station;

"Completion Date" means the day upon which the Proponent certifies as concurred by GPA that the Power Station has successfully completed its refurbishment and testing, and guarantees that the Power Station is capable of operating in accordance with the specified Operating Parameters under the Second Schedule of this Agreement;

"Contracted Capacity" shall mean during the first year commencing from the Completion Date the net capacity guaranteed to be delivered to GPA measured at the high voltage side of the main power transformer of the Power Station and in each year thereafter during the Co-operation Period, the capacity of the Power Station as nominated and demonstrated by the Proponent at the beginning of each such year;

"Co-operation Period" means the period of TWENTY (20) years from the Target Completion Date or Completion Date whichever is later, as the same may be extended from time to time pursuant to the terms hereof;

"Delivery Point" means the metering points referred to in the Seventh Schedule;

"Effective Date" means the date on which GPA and the Proponent certify that all the conditions contained in Article 7 have been fulfilled;

"Emergency" means unforeseen circumstances affecting a GPA request to the Proponent to supply it with power and energy as soon as practicable in order to avoid damage to GPA's electric system and/or a failure in the continuous supply of electricity from the grid;

"Energy Conversion Fees" means the fees payable by GPA to the Proponent in respect of energy provided to GPA as provided in Article 11;

"Equivalent Availability Factor" means the ratio (in percent) which represents the time the Facility is available for service whether operated or not, either partially or totally (in hours), to the total time period under consideration calculated in accordance with the formula defined by the North American Electric Reliability Council (NERC) Generating Availability Data System (GADS) (without application of the seasonal adjustment) as of the date of this Agreement;

"Fixed O & M Fees" means the payment for the portion of operating expenses that are fixed (adjusted for inflation as described in Article 11.03), details of which are further defined in the Eighth Schedule;

"Force Majeure" shall have the meaning specified in Article 14.01;

"Forced Outage" shall have the meaning given to it in the Sixth Schedule;

"Fuel" means the Bunker -C fuel or Distillate Fuel delivered by GPA and shall have the fuel specifications described in the Fourth Schedule;

"Fuel Management Agreement" means the agreement to be entered into pursuant to Article 9.06;

"Fuel Specifications" means the specifications as to the quality and method of storage, supply and delivery of the fuel for the Power Station described in Article 9 and in the Fourth Schedule;

"Fuel Supply Procedures" means the procedures and parameters for the supply and delivery of fuel by GPA described in Article 9 and in the Fourth Schedule;

"Guaranteed Net Plant Heat Rate" shall have the meaning given to it in Section 4.4 of the Eighth Schedule;

"Lease" shall mean that certain Lease Agreement between GPA and the United States of America, effective September 15, 1996, Navy Identification No. N627429RP00101;

"Month" means the period beginning the first day of the calendar month and ending the last day of the calendar month; in the case of the first month "Month" means the period commencing on the first day of the Co-operation Period and ending upon the last day of the calendar month, and in the case of the last month "Month" means the period commencing immediately after the end of the immediately preceding Month and ending upon the last day of the Co-operation Period;

"Nominal Capacity" shall mean the sum of the nominal ratings of the installed generator sets as measured at the high side of the main power transformer;

"Operating Parameters" means the operating parameters of the Power Station described in the Second Schedule;

"Planned Outage" shall have the meaning given to it in the Sixth Schedule;

"Power Station" means the Tanguisson power station which is to be refurbished, pursuant to Article 2.01;

"Project" means the financing, design, refurbishment, testing, recommissioning, operation and maintenance of the Power Station;

"Project Scope" means the scope of the supply of work of the Proponent in connection with the Project;

"Sludge" means the fuel extract as a result of fuel treatment and processing by the Proponent along with used lubricating oils from turbines/engines and other wastes/by-products of the Power Station which shall be stored and be disposed of by the Proponent subject to the provisions of the Fuel Management Agreement as prescribed in the Fourth Schedule;

"Site" means the site for the Power Station in Guam which shall be provided by GPA as more particularly described in the First Schedule;

"Specifications" means the specifications of the Power Station described in the First Schedule;

"Start-up Fuel" means the Distillate fuel oil to be delivered by GPA to start the Power Station, during or following testing and commissioning and outages, as prescribed by GPA load dispatch center and shall have the fuel specification in the Fourth Schedule;

"Supply Procedures" means the procedures and parameters for the supply and delivery of electricity by GPA described in Article 10 and in the Sixth Schedule;

"Target Completion Date" means the date at which the Proponent expects to have completed the total refurbishment program for the Power Station. This date shall be adjusted if GPA is unable for whatever reason to schedule the required outage time for the work. It is expected that the refurbishment will occur in two phases. Critical work involving short lead-time items will be completed in 1996 (provided that the necessary outage time is available) and the work involving long lead-time items will be completed in the second quarter of 1997 (provided that the outage time is made available); and

"Termination Date" means the day following the last day of the Co-operation Period or the date this Agreement is terminated pursuant to its terms.

1.02 Any reference in this Agreement to a "Article" or a "Schedule" is a reference to a clause hereof or a schedule hereto.

1.03 In this Agreement:

- (i) "\$" and "dollar(s)" denote lawful currency of the United States of America;
- (ii) "MW" denotes a megawatt;
- (iii) "kW" denotes a kilowatt;

- (iv) "kWH" denotes a kilowatt hour; and
- (v) "BTU" denotes a British Thermal Unit

ARTICLE 2
The Project

- 2.01 The Proponent shall cause the financing, design, engineering, supply of equipment, refurbishment, testing, recommissioning, operation and maintenance of a Bunker-C fired power generating plant as described in this Agreement.
- 2.02 Subject as herein provided, all costs of the Proponent in connection with the refurbishment of the Power Station as provided in Article 2.01 shall be borne by the Proponent and the Proponent shall be responsible for arranging all necessary funding including any available preferential credits.
- 2.03 The Proponent shall ensure that all necessary utilities as provided in Section VI of the First Schedule are made available at the Site as necessary for the refurbishment, testing and recommissioning of the Power Station.
- 2.04 GPA shall assist the Proponent, at no cost to itself, on a best efforts basis in obtaining all governmental approvals for the importation and transportation of equipment to the Site, and for obtaining of buildings, construction, operating and other permits, licenses and approvals for the Project, including acceptance of the Project by the residents and local government units, and of visas and work permits for foreign personnel, the recruitment of local labor and compliance with all local and other regulations. However, should the Proponent be unable, after exercising its best efforts, to obtain any permit, license, approval or utilities required for the Project within 45 days from the Effective Date, or within 45 days of when an existing permit, license, or utilities lapses, expires, or is otherwise terminated, then the parties hereto shall meet and agree on amendments to this Agreement pursuant to Article 16.
- 2.05 GPA shall supply fuel for load test and otherwise, and start-up electricity during or following testing and

commissioning and outages of the required quantity and quality and at the required time and shall take and pay for all electricity generated during testing and commissioning.

- 2.06 All costs of GPA (except in respect of start-up electricity which will be priced the same as rates for GPA industrial consumers) in connection with its obligations under Article 2.05 and Section VI of the First Schedule shall be borne by GPA.
- 2.07 From the Commencement Date until the Termination Date, the Proponent shall operate and manage the Power Station for the purpose of converting fuel supplied by GPA into electricity.
- 2.08 Until the Termination Date, GPA shall, at its own cost, supply and deliver all fuel required by the Power Station and shall take and pay for all electricity generated by the Power Station in accordance with GPA's economic dispatch criteria.
- 2.09 During the Co-operation Period, the Proponent shall ensure the provision of utilities to the Power Station as provided in the First Schedule. All the cost/liability under this subclause where such utility is withdrawn as a result of the Proponent failing to pay normal market rates for the utilization of the same shall be for the account of the Proponent.
- 2.10 The parties hereto shall mutually collaborate with each other in order to achieve the objectives of this Agreement and the performance by each of the parties hereto of their respective obligations hereunder. GPA covenants to and agrees with the Proponent that it will provide its full and timely cooperation in connection with the Proponent's efforts to finance the Power Station refurbishment, operations and maintenance on a non-recourse, project finance basis, including, without limitation, responding to all reasonable requests for information on and certification of GPA's finances and the status of this Agreement; provided, however, that GPA shall have no obligation to cooperate to the extent that such cooperation would result in a material adverse impact to GPA or its interest in the Project.
- 2.11 During the Co-operation Period, if GPA desires to make use of the Site for any purpose other than the Power Station,

GPA shall consult with the Proponent before making such use of the Site. GPA shall make no use of the Site for any purpose which would interfere with or disrupt the Proponent's refurbishment, operation, or maintenance of the Power Station unless GPA fully and fairly compensates the Proponent for such interference and/or disruption.

- 2.12 Under the Lease, the United States of America has certain rights of access and the right to grant certain easements or rights of way in, on, or under the Site. The parties agree that if the exercise of such rights interferes or disrupts the Proponent's refurbishment, operation, or maintenance of the Power Station, GPA shall fully and fairly compensate the Proponent for such interference and/or disruption.
- 2.13 GPA shall retain the responsibility to comply with the terms of the Lease.
- 2.14 The Proponent shall comply with those conditions of the Lease which are applicable to Proponent's activities under this Agreement.
- 2.15 GPA shall own the Power Station and all the fixtures, fittings, machinery and equipment necessary to refurbish and thereafter operate and maintain the Power Station and all such property furnished by the Proponent shall be transferred to GPA free and clear of all liens and encumbrances. However, personal property which the Proponent chooses to use to administer or facilitate the refurbishment, operation and maintenance of the Power Station, including, but not limited to, vehicles and office equipment, shall remain the property of the Proponent.
- 2.16 GPA shall provide to the Proponent as of the Commencement Date all inventory, parts, special tools, equipment, supplies, and consumables, on hand, on order, or on backlog order for the refurbishment, operation, and maintenance of the Power Station. All such or similar inventory, parts, special tools, equipment, supplies, and consumables on hand at the Termination Date shall be transferred by the Proponent to GPA.

ARTICLE 3
Refurbishment of the Power Station

- 3.01 The Proponent shall be responsible for the design, engineering, refurbishment, testing and recommissioning of the Power Station and shall commence this work upon being instructed by GPA in writing given not later than the Effective Date.
- 3.02 In pursuance of its obligations under Article 3.01, the Proponent shall have full right to:
- (i) call for tenders and award contracts with or without tender;
 - (ii) arrange for the preparation of detailed designs and approve or reject the same;
 - (iii) appoint and remove consultants and professional advisers;
 - (iv) purchase equipment and maintain all warranties with respect thereto;
 - (v) appoint, organize and direct staff, manage and supervise the Project;
 - (vi) in cooperation and coordination with GPA, direct, manage and supervise GPA employees assigned to the Power Station;
 - (vii) enter into contracts for the supply of materials and services, including contracts with GPA;
 - (viii) enter and occupy the Site for any and all purposes related to performance under this Agreement; and
 - (ix) do all other things necessary or desirable for the completion of the Power Station in accordance with the Specifications and generally accepted engineering standards by the Target Completion Date.
- 3.03 In pursuance of its obligations under Article 3.01, the Proponent shall, where possible, award contracts to local contractors and suppliers of materials and services

provided that, in its opinion, the quality, delivery time, costs, reliability and other terms are comparable to those offered by foreign contractors and/or suppliers.

3.04 GPA shall be entitled at its own cost to monitor the progress and quality of the refurbishment and installation work and for this purpose the Proponent shall:

(i) ensure that GPA and any experts appointed by GPA in connection with the Project are afforded reasonable access to the Site at all times to be agreed with the Proponent provided that such access does not materially interfere with the works comprising the Project or expose any person on the Site to any danger;

(ii) make available for inspection and reproduction at the Site copies of any or all plans and design drawings; and

(iii) within two months of the completion of the Power Station, supply GPA with one set of reproducible copies and five sets of white print copies (or equivalent) of all as-builts engineering plans and designs.

3.05 The Proponent:

(i) shall in no way represent to any third party that, as a result of any review by GPA, GPA is responsible for the engineering soundness of the modifications to the Power Station; and

(ii) shall, subject to the other provisions of this Agreement, be solely responsible, during the Co-operation Period only for the economic and technical feasibility, operational capability and reliability of the Power Station.

3.06 GPA shall assist the Proponent on a best efforts basis, to ensure that all infrastructure requirements and utilities necessary for the completion of the Power Station in accordance with the Specifications by the Target Completion Date and its operation and maintenance thereafter, are made available in a timely fashion and accordingly shall assist at the Proponent's cost on the following:

- (i) ensure that there is provided to the Site electricity, telephone and fax as provided and the times set out in Section VI of the First Schedule the cost of the utilization of which and normal fees shall be for the Proponent's account; and
- (ii) ensure that there remains installed and connected transmission lines from the switching facility of the Power Plant which is capable of operating within the specifications set out in the First and Fifth schedule.

3.07 The Proponent shall not sell, distribute or otherwise dispose of power to any person other than GPA, without written authorization from GPA.

ARTICLE 4
Specifications and Operating Parameters

- 4.01 The Power Station shall be refurbished in accordance with the Specifications and Project Scope set out in the first Schedule.
- 4.02 Following the Completion Date the Power Station shall be capable of operating within the Operating Parameters set out in the Second Schedule.

ARTICLE 5
Construction Timetable

5.01 GPA and the Proponent shall work together in order to endeavor to achieve the timely completion of the Project in accordance with the following timetable:

<u>Activity Completed</u>	<u>Date</u>
Effective Date	October 1, 1996
Mobilization Date	October 14, 1996
Commencement Date	November 4, 1996
Target Completion Date	June 30, 1997

5.02 In the event that the Effective Date occurs after October 1, 1996, each of the other dates set out in Article 5.01 shall be adjusted to occur later by the number of days that the Effective Date occurs.

- 5.03 In the event that, due to the fault of the Proponent, the Proponent fails to complete the Power Station refurbishment as provided in Article 3.01 on the Target Completion Date, the Proponent shall pay GPA for each day thereafter until the Completion Date a daily penalty as provided in the Third Schedule, which daily penalty shall not exceed US Dollars Five Thousand (\$5,000).
- 5.04 In the event that, due to the fault of the Proponent, the Completion Date has not occurred on or before the day falling one hundred eighty (180) days after the Target Completion Date or, after the sum of US Dollars One Million (U.S. \$1,000,000) has been accumulated under Article 5.03, the Proponent shall have no other liability in respect of such failure to complete the Power Station refurbishment and upon such sum becoming payable, or being paid by the Proponent prior to it becoming due, the Proponent shall have no further liability to make any payments of whatever nature hereunder and thereupon this Agreement shall be null, void and of no force and effect. Under these circumstances, the Proponent shall remain liable for all debt with respect to any project financing; provided, however, that GPA shall pay to the Proponent the fair value to GPA of materials and equipment provided and work performed by the Proponent.
- 5.05 Upon substantial completion of the Power Station refurbishment, the Proponent may certify that the Power Station has successfully completed testing and that accordingly the Completion Date has occurred notwithstanding that the Power Station is unable to produce the net capacity or to achieve the heat rate provided in Section 9 of Part A of the Second Schedule but in that event a proportional adjustment or adjustments shall be made to the Fixed O&M Fees until such time as the Power Station successfully completes testing.

ARTICLE 6
Testing and Commissioning

- 6.01 The parties shall meet and agree to the procedures, standards, protective settings and a program for the testing of the Power Station in accordance with the First, Second, and Eleventh Schedules and GPA undertakes to take and pay for all electricity generated during any such testing.

- 6.02 The Proponent shall give notice to GPA not less than 14 days, or such lesser period as the parties hereto may agree, of its intention to commence any testing. In any event, the Proponent shall be obligated to inform GPA immediately upon learning of any difficulty in obtaining any permit or other government approval required for testing and commercial operation of the Power Stations.
- 6.03 GPA shall ensure that there is made available for any testing supplies of fuel and start up electricity in sufficient quantity for the proper completion of such testing and of the quality specified in the Schedules hereto.
- 6.04 All costs related to the fuel to be supplied by GPA pursuant to Article 6.03 shall be for GPA's account.
- 6.05 GPA and/or its experts shall be entitled to be present at any testing.
- 6.06 Forthwith upon the completion of any testing, the Proponent and GPA shall jointly certify whether or not the Power Station has satisfactorily completed such tests and shall provide copies for both parties of such certificate.
- 6.07 This "Joint Certificate" shall be basis for the computation of all fees payable to the Proponent or any penalty payable to GPA subject to this Agreement except for those fees due to the Proponent under Article 11.01 and the Eighth Schedule in advance of the Completion Date.

ARTICLE 7
Conditions Precedent

- 7.01 The Proponent shall supply the following to GPA, each in form and substance satisfactory to GPA unless such condition precedent is waived by GPA:
- (i) copies of resolutions adopted by the Proponent's Board of Directors authorizing the execution, delivery and performance by the Proponent of this Agreement certified by the company secretary of the Proponent in a manner satisfactory to GPA;
 - (ii) a performance bond as specified in Article 23;

(iii) a copy of the Articles of Incorporation of the Proponent, certified by the company secretary in a manner satisfactory to GPA; and

(iv) a legal opinion of the Proponent's legal counsel in form and substance the equivalent of GPA's general counsel opinion in Article 7.02 (ii).

7.02 GPA shall supply the following to the Proponent, each in form and substance satisfactory to the Proponent unless such condition precedent is waived by the Proponent:

(i) copies of the Charter and By-Laws of GPA, and of resolutions adopted by its Board of Directors authorizing the execution, delivery and performance by GPA of this Agreement, each certified by the corporate secretary of GPA in a manner satisfactory to the Proponent;

(ii) a legal opinion of GPA's General Counsel in the form set out in the Tenth Schedule; and

(iii) a consent to and approval of the Proponent's activities under this Agreement by the United States of America.

7.03 The Parties shall enter into a Fuel Management Agreement as specified in Schedule 4.

7.04 The Parties shall enter into a Personnel Management Contract pursuant to which GPA and Proponent shall further delineate the responsibilities regarding GPA employees assigned to the Power Station pursuant to Sections 3.07 and 8.09.

7.05 The Proponent shall obtain all insurance specified in the Ninth Schedule.

7.06 The representations of the Parties made in Article 26 shall be true and correct as of the date specified in Article 7.07.

7.07 The conditions precedent stated in Articles 7.01 through 7.06 shall be satisfied on or before October 14, 1996. If those conditions precedent are not so satisfied or waived, either party, by written notice to the other party may terminate this Agreement and neither party shall have any obligation or liability to the other party.

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ARTICLE 8
Operation of the Power Station

- 8.01 The Proponent shall, at its own cost, be responsible for the management, operation, maintenance and repair of the Power Station beginning on the Commencement date and continuing through the Co-operation Period.
- 8.02 Notwithstanding Article 8.01, it is understood and agreed by GPA that in order to undertake necessary overhaul maintenance, inspection and repair, the Proponent shall be entitled to periods of Planned Outages as provided in the Sixth Schedule and, by not later than the Completion Date and each anniversary thereof, the parties hereto shall agree on an annual schedule for Planned Outages.
- 8.03 The Proponent undertakes that during the Co-operation Period, subject to the supply of the necessary fuel pursuant to Article 9 and to the other provisions hereof, it will operate the Power Station to convert such fuel into electricity and supply it to GPA in accordance with Article 10.
- 8.04 In pursuance of its obligations under Article 8.01, the Proponent shall have full right to:
- (i) enter into contracts for the supply of materials and services, including, contracts with GPA;
 - (ii) appoint and remove consultants and professional advisers;
 - (iii) purchase replacement parts and equipment;
 - (iv) appoint, organize and direct staff, manage and supervise the Power Station;
 - (v) in cooperation and coordination with GPA, direct, manage, and supervise GPA employees assigned to the Power Station;
 - (vi) establish and maintain regular inspection, maintenance and overhaul procedures;
 - (vii) enter and occupy the Site for any and all purposes related to performance under this Agreement; and

(viii) do all other things necessary or desirable for the running of the Power Station within the Operating Parameters.

- 8.05 GPA, at its own cost, will be responsible for the maintenance and repair of all the transmission lines and switchgear within the switchyard and on the GPA grid to ensure that at all times they are capable of accepting the energy and capacity provided by the Power Station. GPA shall be responsible for the security and safety at all points following the low voltage side of the step-up transformer.
- 8.06 GPA and the Proponent shall organize a Steering Committee which shall, from time to time, meet and discuss and agree on safety and technical guidelines for the operation of the Power Station within the Operating Parameters and for the maintenance, repair and safety/security of the Power Station. The Proponent shall operate the Power Station within such guidelines.
- 8.07 The Proponent shall operate the Power Station in accordance with all environmental and other Federal and local laws and regulations and permits in force as at the date of this Agreement and shall comply with any changes in such laws, regulations and permits and with any new laws and regulations provided that Article 16 shall apply.
- 8.08 Availability will be determined with reference to the Planned Outages as provided in the Sixth Schedule and the parties will agree on an annual schedule of Planned Outages which shall be reviewed from time to time.
- 8.09 Both Parties recognize the desirability of maintaining a highly trained and experienced work force to operate the Power Station. The Proponent and GPA agree to cooperate fully to insure that the Proponent can successfully maintain qualified personnel to operate the Power Station. GPA shall assign to the Power Station, at a minimum, employees requested by the Proponent to fill those positions listed in Appendix A and shall fill any vacancies in such positions when requested by the Proponent with employees meeting the requirements of the Proponent. If GPA elects not to fill vacancies as requested by the Proponent within a reasonable time as specified in the Personnel Management Contract, GPA shall thereafter, until the Termination Date, pay to the Proponent a personnel fee, as agreed upon in the Personnel

Management Contract, for each position listed in Appendix A which GPA elects not to fill and the Proponent shall have the right to provide the services of those unfilled positions. GPA shall remain responsible for the administration and pay (including but not limited to) salary, benefits, taxes, retirement, and overheads of all GPA employees assigned to the Power Station.

ARTICLE 9
Supply of Fuel

- 9.01 Throughout the Co-operation Period, GPA shall at all times supply all fuel required by the Proponent and necessary for the Power Station to generate the electricity for dispatch by GPA pursuant to Article 10.
- 9.02 The cost of the fuel to be supplied by GPA pursuant to Article 9.01 shall be for GPA's account.
- 9.03 All fuel to be supplied by GPA shall be of the quality and supplied and delivered in the manner described in the Fourth Schedule.
- 9.04 All fuel shall be tested as provided in the Fourth Schedule, and the Proponent shall be entitled to reject any fuel if the results of any tests relating to it show that it does not comply with the Fuel Specifications. GPA shall not have any liability to the Proponent for any direct or consequent damage to the Power Station arising from or relative to the fuel delivered, received by and used by the Proponent.
- 9.05 GPA shall ensure that at all times the necessary stocks of fuel as required by the Proponent are available for storage at the fuel storage tanks of the Power Station.
- 9.06 GPA and the Proponent will enter into a Fuel Management Agreement as further described in the Fourth Schedule within ten (10) working days of the Energy Conversion Agreement signing.

ARTICLE 10
Supply of Electricity

- 10.01 Subject to GPA supplying the necessary fuel pursuant to Article 9, the Proponent agrees to convert such fuel into electricity and deliver it to GPA in accordance with the procedures set out in the Sixth Schedule and the Operating Parameters set out in the Second Schedule.
- 10.02 The quantities of electricity delivered to GPA by the Proponent from time to time shall be monitored, measured and recorded in accordance with the provisions of the Seventh Schedule.
- 10.03 The Proponent shall notify GPA promptly of the occurrence of any event (other than Planned Outages) which results or may result in the Power Stations being unable to operate in accordance with the Specifications and within the Operating Parameters.
- 10.04 The place of delivery of the generated electricity shall be at the "Delivery Point".

ARTICLE 11
Fees & Payment

- 11.01 In respect of each Month, commencing from the Commencement Date, the Proponent will deliver to GPA an invoice in respect of Capacity Fees, Energy Conversion Fees, Fixed O&M Fees, and the personnel fees referred to in Article 8.09 for such Month and GPA shall pay to the Proponent the amount of such invoice within 30 days after the delivery of such invoice. Any amount not paid within thirty days of delivery of such invoice shall be paid together with interest, at the maximum interest rate allowable pursuant to the Guam Prompt Payment Act, 5 GCA 22501, et. seq., for the period until the amount due is paid.
- 11.02 For all Capacity Fees paid to Proponent, GPA shall be entitled to a discount of five percent (5%) provided that the total monthly invoice is paid in full within thirty(30) days after delivery of the invoice.
- 11.03 All fees Payable to the Proponent pursuant to this Article shall be paid in U.S. Dollars in accordance with the Eighth Schedule of this Agreement together with tax

thereon (which shall be separately stated in all invoices). In addition, GPA shall be responsible for the payment of taxes, fees, charges and other levies imposed by any agency or instrumentality thereof to which the Proponent may at any time be or become subject in or in relation to the performance of their obligations under this Agreement other than:

- (i) taxes imposed or calculated on the basis of the net income of the Proponent; and
- (ii) construction permit fees, import duties, environmental permit fees and other similar fees and charges.

11.04 GPA shall pay to the Proponent escalation on the Energy Conversion Fees and Fixed O&M in accordance with the Eighth Schedule. Such escalation shall be made part of the invoices submitted pursuant to Article 11.01. The semi-annual and Annual bonus/penalty factors calculated in accordance with the Eighth Schedule shall be set forth in the monthly invoice immediately following each anniversary of the Completion Date and, as appropriate for the Heat Rate Bonus/Penalty Factor provided in Section 4.4 of the Eighth Schedule, in the monthly invoice immediately following the first six (6) Months of the Co-operation Period and in each of the monthly invoices six (6) Months after each anniversary of the Completion Date, except that the Equivalent Availability Factor Bonus/Penalty Factor shall first be set forth in the monthly invoice immediately following the second anniversary of the Completion Date.

11.05 If GPA disputes the amount specified in any invoice it shall so inform the Proponent within twenty-one(21) days of receipt of such invoice: if the dispute is not resolved by the due date GPA shall pay the undisputed amount on or before such date and the disputed amount shall be resolved within fourteen (14) days of the due date for such invoice. Any sum paid to the Proponent in respect of the disputed amount shall be paid together with interest, at the maximum interest rate allowable pursuant to the Guam Prompt Payment Act, 5 GCA 22501, et. seq., for the period until the amount due is paid.

11.06 Notwithstanding any other term or provision of this Agreement, if the Proponent is unable to commence operational control of the Power Station as a result of

GPA's failure to provide any personnel or resource necessary or to perform its obligations under this Agreement; then in any of such events Proponent shall be deemed to have taken full operational control of the Power Station on the Commencement Date stated in Article 5.01, as adjusted, and, GPA shall be obligated to commence making payments of the Capacity Fees to the Proponent in accordance with Article 11.01.

- 11.07 Capacity Fees and Fixed O&M Fees in the first and last Months of the Co-operation Period shall be proportional based on the number of Co-operation Period days in those Months compared to the number of days in those Months.

ARTICLE 12 Insurance

- 12.01 The Proponent shall be responsible to ensure that there is effected insurance as provided in the Ninth Schedule. The proceeds of claims against such insurance (except third party liability and workers compensation insurance) shall be used by the Proponent solely for the reinstatement of the Power Station to previous condition.
- 12.02 The Proponent shall secure all insurance, as far as practicable, from an insurance firm acceptable to GPA.
- 12.03 Each Party shall provide to the other Party certificates of insurance for all insurance specified in the Ninth Schedule.

ARTICLE 13 Liability

- 13.01 In the event that the Proponent fails to complete the refurbishment of the Power Station because of breach of its obligations, GPA shall have no obligation to reimburse and to indemnify the Proponent for all reasonable documented out of pocket costs and liabilities incurred by the Proponent in complying with its obligations under this Agreement.
- 13.02 The Proponent's liability to GPA arising from any breach of this Agreement or otherwise in connection with the design, construction and operation of the Power Station

shall be limited to payments as provided in Articles 5.03 and 5.04.

- 13.03 GPA shall indemnify and hold the Proponent, its officers and employees harmless against any claim of any person who directly or indirectly suffers as a result of an interruption of electricity supply or any disruption or surge of electricity supply arising out of or in connection with this Agreement and any of the Proponent's, its officers' or employees' actions or omissions in connection with the same except if such claim is due to the Proponent's officers or employees gross negligence or intentional misconduct.
- 13.04 Subject to Article 13.03, the Proponent shall hold GPA its officers and employees free of and harmless from any claims or suits of any third party, other than claims for economic loss, arising from the Proponent's negligent acts or omissions or intentional misconduct in operation of the Power Station, except to the extent such claims or suits are due in whole or in part to GPA's or GPA's officers or employees acts or omissions.
- 13.05 GPA shall indemnify and hold Proponent, its officers and employees harmless against any claim, proceeding, suit, investigation, penalty, fine, and/or enforcement action by any person or governmental entity based in whole or in part on the act, omission, release, spill, whether or not intentional, of any person other than Proponent, its officers, employees, or contractors.
- 13.06 Proponent shall indemnify and hold GPA, its officers and employees harmless against any claim, proceeding, suit, investigation, penalty, fine, and/or enforcement action by any person or governmental entity based solely on the negligent or intentional act, omission, release, or spill, of Proponent, its officers, employees, or contractors.
- 13.06 The Proponent is an independent contractor and, except where otherwise stated in this Agreement, the duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective and nothing contained in this Agreement shall be construed to create an association, trust, partnership or joint venture amongst the parties hereto and each party shall be liable individually and severally for its own obligations under this Agreement.

13.07 Notwithstanding any other provision of this Agreement, GPA shall indemnify and hold the Proponent, its officers, and employees harmless from all suits, claims, demands, actions, liabilities, judgments, costs, and attorneys' fees arising out of or in any manner pursuant to, in connection with, related to or predicated in whole or in part on the Lease, present or future ownership of or interest in all or part of the Site or any equipment located thereon, or environmental remediation efforts by or on behalf of the United States of America unless such is caused solely by the Proponent's failure to comply with Article 2.14 of this Agreement.

ARTICLE 14
Force Majeure

14.01 No failure or omission to carry out or observe any of the terms, provisions or conditions, of this Agreement shall give rise to any claim by any party hereto, or be a breach of this Agreement if the same shall be caused by or arise out of:

- (a) (other than as referred to in paragraph (b) below), any war, declared or not or hostilities, or of belligerence, blockade, revolution insurrection, riot, public disorder, expropriation, requisition, confiscation or nationalization, export or import, restrictions by any governmental authorities, closing of harbors, docks, canals, or other assistance's to or adjuncts of the shipping or navigation of or within any place, rationing or allocation, whether imposed by law, decree or regulation by, or by compliance of industry at the insistence of any governmental authority, or fire, unusual flood, earthquake, storm, lightning, tide (other than normal tides), tidal wave, perils of the sea, accidents of navigation or breakdown or injury of vessels, accidents to harbors, docks, canals, or other assistance to or adjuncts' of the shipping or navigation, epidemic, quarantine, strikes or combination of workmen, lockouts or other labor disturbances, or any other event, matter or thing, wherever occurring, which shall not be within the reasonable control of the party affected thereby;

(b) war, declared or not, or hostilities involving the United States, or of belligerence, blockade, revolution, insurrection, riot, public disorder, expropriation, requisition, confiscation or nationalization by or involving the Government of Guam, export or import restrictions by any governmental authorities of or within the Government of Guam, closing of harbors, docks, canals, or other assistance to or adjuncts of the shipping or navigation of or within the United States, rationing or allocation, whether imposed by decree or regulation by, or by compliance of industry at the insistence of any governmental authority of or within the Government of Guam, or any other event, matter or thing, wherever occurring, which shall be within the reasonable control of GPA or the government of Guam or any agency, regional or municipal authority thereof,

each of the foregoing events, matters or things being called "Force Majeure" in this Agreement.

14.02 Notwithstanding Article 14.01 GPA (i) shall not be entitled to claim for itself "Force Majeure" in respect of any Force Majeure mentioned in subparagraph (b) of Article 14.01; and (ii) shall not be relieved of its obligation to make payments as provided in Article 11.01 by the occurrence of any Force Majeure mentioned in Article 14.01 whether affecting GPA or the Proponent; provided, however, during the period of any Force Majeure event, the Proponent shall use all reasonable efforts to reduce Proponent's costs of operation during such period and the payments pursuant to Article 11 during such period shall reflect any such reductions.

14.03 The party invoking Force Majeure shall:

- (a) notify the other parties as soon as reasonably possible by fax, telex, or cable of the nature of the Force Majeure that suspends the affected party's obligations under this Agreement: and
- (b) resume performance of its obligations as soon as possible after the Force Majeure condition no longer exists.

- 14.04 If Force Majeure applies prior to the Completion Date, the parties will meet to discuss a revised timetable for the completion of the Project.
- 14.05 If Force Majeure applies pursuant to the terms of subparagraph (a) of Article 14.01 during the Co-operation Period the Co-operation Period shall be extended by a period equal to that during which the effect of the Force Majeure applies provided that if such effect applies for a period in excess of 180 days the parties hereto will meet to discuss the basis and terms upon which the arrangements set out in this Agreement may be continued and if after ninety (90) days no agreement has been reached on the basis and terms to continue the Agreement, the Agreement shall terminate and the provisions of Article 15.05 shall apply.
- 14.06 The parties hereto will consult with each other and take all reasonable steps to minimize the losses of either party resulting from Force Majeure.
- 14.07 If any event of Force Majeure occurs which causes damage to the Project or the Power Station and such event or such damage would not ordinarily be insured against by the GPA, then the Proponent shall not be obliged to reinstate the Power Station until the parties hereto have agreed upon the terms for such reinstatement to completion.

ARTICLE 15
Termination

- 15.01 Term of the Agreement. The term of this Agreement shall begin from the Effective Date hereof and shall end on the last day of the Co-operation Period of twenty (20) years from the Target Completion Date or Completion Date, whichever is later unless otherwise provided herein or subsequently agreed to by the parties.
- 15.02 Pre-Termination by the Proponent Prior to Target Completion Date. If this Agreement is terminated prior to Target Completion Date without fault of the Proponent, its agent or representative, and further with the fault of GPA, GPA shall pay the Proponent a pre-termination compensation equal to the aggregate of all the costs and expenses incurred by the Proponent in connection herewith less any insurance proceeds received and retained by the Proponent pursuant to Proponent's builder's risk

insurance. Further, upon payment by GPA of the same, titles to such assets related to these costs and expenses shall be turned over to GPA free of liens and encumbrances.

15.03 The Proponent shall be entitled to terminate this agreement upon 30 days notice if:

- (a) GPA fails to pay any sum due from it hereunder within 90 days of the date when such a sum is due in the currency and in the manner specified herein; or
- (b) GPA commits a material breach of any other terms or conditions hereof and fails to take prompt action to the reasonable satisfaction of the Proponent to rectify the same within 90 days after receipt of a written notice;
- (c) Under the terms of the Lease, GPA receives from the United States of America a notice to cure a breach of the Lease and GPA fails to cure such breach within the time allowed in the Lease or fails to resolve in GPA' favor a dispute about such notice to cure;
- (d) The United States of America or GPA terminates the Lease for any reason, with or without the fault of the United States, GPA, or the Proponent, unless such termination results from the conveyance by the United States of America to GPA of all appropriate real property interests in the Site by delivery of deeds to GPA; or
- (e) The United States of America takes possession of, issues an order to vacate, or conveys all or part of the Site unless such conveyance is to GPA.

15.04 GPA shall be entitled to terminate this Agreement upon 30 days notice if:

- (a) The Proponent fails to pay any sum due from it within 90 days of the date when such sum is due in the currency and in the manner specified herein; or
- (b) The Proponent commits a material breach of any other terms or conditions hereof and fails to take prompt action to the reasonable satisfaction of GPA to rectify the same within 90 days after receipt of a written notice.

15.05 Where the Proponent exercises its option to terminate this Agreement under Article 15.03 above, GPA shall pay the Proponent termination charges as follows:

<u>Year</u>	<u>Termination Fee</u>
1997	\$11,776,000
1998	\$11,642,000
1999	\$11,489,000
2000	\$11,312,000
2001	\$11,109,000
2002	\$10,876,000
2003	\$10,607,000
2004	\$10,299,000
2005	\$9,943,000
2006	\$9,535,000
2007	\$9,065,000
2008	\$8,525,000
2009	\$7,904,000
2010	\$7,190,000
2011	\$6,369,000
2012	\$5,424,000
2013	\$4,338,000
2014	\$3,089,000
2015	\$1,652,000
2016	\$0

15.06 Where GPA exercises its option to terminate this Agreement under Article 15.04 above, the Proponent and GPA shall have no further liability to the other based on such termination.

15.07 On termination an accounting shall be performed and, in addition to the Termination Fee set forth in Article 15.05 of this Agreement, the parties shall pay all amounts then due on or before the date of such termination. The Proponent shall provide reasonable cooperation in transferring the Project to GPA and shall transfer all records, software, final as built drawings, operating manuals, license and other necessary information and any equipment utilized with respect to the Power Station

including spare parts and other inventory. However, personal property which the Proponent chooses to use to administer or facilitate the refurbishment, operation and maintenance of the Power Station, including, but not limited to, vehicles and office equipment, shall remain the property of the Proponent.

ARTICLE 16
Change in Circumstances

In the event that as a result of any action, inaction, interpretation, order, decision, law, or regulation of the government of Guam or the United States, or their subdivisions, or any court, board, agency, entity, or other body of or under the control of the government Guam or the United States, or other public or private institution or entity, the Power Station is unable to operate in accordance with the Specifications or within the Operating Parameters and/or the interest of the Proponent in the Project or the Power Station and/or the Proponent's economic return on its investment is materially reduced, prejudiced or otherwise adversely affected (including without limitation, any restriction on the ability to remit funds in dollars outside Guam) then the parties hereto shall meet and endeavor to agree to amendments to this Agreement and if after 90 days no such agreement has been reached the Agreement shall terminate and the provisions of Article 15.05 shall apply.

ARTICLE 17
Benefit of Agreement

- 17.01 GPA may not assign or transfer all or any part of its rights, benefits or obligations hereunder without the prior written consent of the Proponent provided that this Article shall not prevent GPA from merging or consolidating with any other entity where the surviving entity is an autonomous government agency and adopts and becomes fully liable to perform GPA's obligations hereunder.
- 17.02 The Proponent may not transfer all or any of its obligations hereunder but may, for the Purpose of arranging or rearranging financing for the Project, assign or transfer to any person providing financing to the

Project all or any part of its rights and benefits hereunder but not its obligations and GPA shall duly acknowledge any such assignment or transfer of which it is given notice.

- 17.03 The Proponent and GPA entered into this Agreement intending to benefit only the parties thereto and there is no intent to benefit any other party. The Agreement shall not be constructed, construed, or interpreted by anyone as conferring any benefit whatsoever upon anyone not a party hereto.

ARTICLE 18
Warranty

The Proponent hereby warrants that neither it nor its representatives have offered any government officer and/or GPA official or employee any consideration or commission for this Agreement nor has it or its representatives exerted or utilized any corrupt or unlawful influence to secure or solicit this Agreement for any consideration or commission; that the Proponent shall not knowingly subcontract any portion or portions of the scope of the work Agreement awarded to any official or employee of GPA or to the relatives within the third degree of consanguinity or affinity of GPA officials who are directly or indirectly involved in contract awards or project prosecution and that if any commission is being paid to a private person, The Proponent shall disclose the name of the person and the amount being paid and that any violation of this warranty shall constitute a sufficient ground for the rescission or cancellation of this Agreement or the deduction from the contract price of the consideration or commission paid without prejudice to the filing of civil or criminal action under applicable laws against the Proponent and/or its representatives and GPA's official and employees.

ARTICLE 19
Notices

- 19.01 Unless otherwise stated, each communication to be made hereunder shall be made in writing but, unless otherwise stated, may be made by telefax or letter:

GUAM POWER AUTHORITY
General Manager
P.O. Box 2977
Agana, Guam 96910
Fax: (671) 649-6942

HEI Power Corp. Guam
President
P.O. Box 3160
Honolulu, Hawaii 96840
Fax: (808) 543-4810

- 19.02 Any communication or document to be made or delivered by one party to another pursuant to this Agreement shall be made or delivered to that other at its address specified above or such other address notified by that party to the other parties by giving not less than 15 days notice of such change of address, and shall be deemed to have been made or delivered (i) in the case of any communication made by fax with correct answerback (at the number identified with the relevant party's signature below), when dispatched, and (ii) in the case of any communication made by letter, when left at that address or otherwise received by the addressee.

ARTICLE 20 Dispute Resolution

- 20.01 Throughout the term of this Agreement representatives of GPA and the Proponent shall meet regularly at not less than SIX MONTH intervals to discuss the progress of the Project and the operation of the Power Station in order to ensure that the arrangements between the parties hereto proceed on a mutually satisfactory basis.
- 20.02 The parties hereto agree that in the event that there is any dispute or difference between them arising out of this Agreement or in the interpretation of any of the provisions hereof, they shall endeavor to meet together in an effort to resolve such dispute by discussion between them, but failing such resolution, the Chief Executives of GPA and the Proponent shall meet to resolve such dispute difference and the joint decision of such Chief Executives shall be binding upon the parties hereto and in the event

that a settlement of any such dispute or difference is not reached pursuant to this sub-clause, then the provisions of Article 20.03 shall apply.

20.03 Where any dispute is not resolved as provided for in the preceding Articles 20.01 and 20.02 it shall be resolved pursuant to the Guam Procurement Law 5 GCA, Section 5001 et. seq. or the Government Claims Act, 5 GCA Section 6101 et. seq.

ARTICLE 21

Law

This Agreement, shall be governed by and construed in accordance with the laws of Guam and applicable laws of the United States of America.

ARTICLE 22

Jurisdiction

To the extent that GPA may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to itself to its assets or revenues such immunity (whether or not claimed) GPA agrees not to claim and irrevocably waives such immunity to the full extent permitted by laws of such jurisdiction.

ARTICLE 23

Performance Bond

The Proponent shall provide to GPA in support of its obligations hereunder, on or before the Effective Date, a Bond in the form of an irrevocable stand by Letter of Credit, Bank Guarantee, Manager's Check or Cash or a combination of the above issued by a reputable bank acceptable to GPA securing an amount equal to US \$30.00/kW. The Letter of Credit shall be a sight draft, callable on demand, valid for a period starting from the Effective Date of this Agreement until 180 days after the Target Completion Date and shall otherwise be reasonably acceptable in substance to GPA.

ARTICLE 24

Renewal of the Agreement

GPA and the Proponent may renew this agreement upon the mutual agreement of the parties. If the Agreement shall be renewed, then the parties shall meet and discuss the new terms and conditions of the Agreement six months before Termination Date.

ARTICLE 25

Intellectual Property Rights

The Proponent shall pay all royalties and license fees relating to the Power Station. The Proponent hereby warrants that the refurbishment, operation, and maintenance of the Power Station pursuant to this Agreement shall not infringe any patent, trademark or copyright of any other third person. The Proponent shall defend any claim or lawsuit brought against the GPA or any of its officials, directors, employees or representatives for infringement of any patent, trademark or copyright relating to the refurbishment, operation, or maintenance of the Power Station pursuant to this Agreement indemnify the GPA or any of its officials, directors, employees or representatives and shall hold each and all harmless against liability, judgments, decrees, damages, interests, costs and expenses (including reasonable attorneys' fees) recovered against the GPA and such persons sustained by any or all by reason of any such actual or alleged infringement of any patent, trademark or copyright relating to the refurbishment, operation, or maintenance of the Power Station pursuant to this Agreement.

ARTICLE 26

Representations

The Parties hereby represent that there is no court order, order of an administrative body, or legislative action that would make this Agreement illegal, nonbinding, or unenforceable.

ARTICLE 27

Miscellaneous

27.01 Severability. A holding of any court of competent jurisdiction that any provision of this Agreement is

invalid shall not result in invalidation of the entire Agreement. Instead, this Agreement shall be construed, if possible, in a manner to give effect by means of valid provisions to the intent of the Parties to the particular provision or provisions held to be invalid, and, in any event, all other terms shall remain in full force and effect.


- 27.02 Survival of Provisions. In order that the Parties may fully exercise their rights and perform their obligations hereunder, such provisions of this Agreement that are required to insure such exercise or performance shall survive the termination of this Agreement for any cause whatsoever.
- 27.03 Entire Agreement. This Agreement, including the Schedules and Appendix A which are attached hereto and made a part hereof, contains all of the understandings and agreements of whatsoever kind and nature with respect to the subject matter of this Agreement and the rights, interests, understandings, agreements and obligations of the Parties hereto relating thereto. All prior written or oral understandings, offers or other communications of every kind pertaining to the services to be provided by the Proponent are hereby abrogated and withdrawn and shall not be admissible or relied upon by either Party in any proceeding before any administrative body or court.
- 27.04 Amendment. This Agreement may be amended at any time by mutual agreement of the Parties; however, no amendment to this Agreement shall be effective unless the same shall be in writing and duly executed by the Parties.
- 27.05 Execution of Documents. This Agreement shall be executed in any number of duplicate originals, any of which shall be regarded for all purposes as an original and all of which shall constitute but one and the same instrument.
- 27.06 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns.
- 27.07 Effect of Headings. The Article and Section headings and captions contained herein are included for convenience only and shall not be considered a part hereof or affect in any manner the construction or interpretation hereof. Except as otherwise indicated, all references to Articles

and Sections are to the Articles and Sections of this Agreement.

27.08 Language Not to be Construed Against the Drafter. No provision in this Agreement is to be construed for or against any Party because that Party or its counsel drafted such provision.

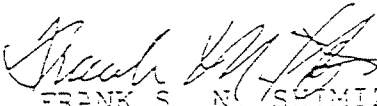
GUAM POWER AUTHORITY

BY:


RICARDO S. UNPINGCO
Acting General Manager

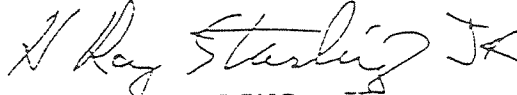
APPROVED BY
Board of Directors
Guam Power Authority

BY:


FRANK S. N. SHIMIZU
Chairman, Board of Directors

HEI POWER CORP. GUAM

BY:


H. RAY STARLING, JR.
President

FIRST SCHEDULE
PROJECT SCOPE AND SPECIFICATIONS

I. Scope of Agreement

The Proponent shall be responsible for refurbishment, operation and maintenance of the Tanguisson oil fired 2 x 26.5 MW steam turbine generators.

Tanguisson is currently operated by the Guam Power Authority (GPA). One of the units is currently owned by GPA and the other by the U.S. Navy. As part of the transfer of Navy generation assets to GPA the Navy unit has been transferred to GPA under a lease arrangement.

These units will be made available to the Proponent for a period of twenty (20), years and the Proponent will refurbish the units to bring them up to as close as practicable to nameplate rating and to operate and maintain them in an efficient manner so as to ensure high availability.

II. The Site (GPA shall, prior to the Effective Date, provide a detailed Site description specifying those portions of the Site which are and are not subject to the Lease)

- The Tanguisson Power Plant is on the western side of the island of Guam, north of the main commercial area.
- The plant was built in the early 1970's for the Department of Navy and the original plans allowed for a 4 unit station. Only 2 units were built with the first going into service in October 1971 and the second in February 1973.
- The plant is located on the sea shore between an escarpment which is approximately 300 feet high. The boiler stacks are 160 ft high. Cooling water is taken directly from the sea and an intake channel of approximately 10 feet depth is cleared to the cooling water pumps. The cooling water outlet is to the south of the intake channel and is separated by a breakwater of approximately 100 feet.
- The fuel oil supply is pumped to the power plant from GPA's bulk storage area and stored in storage tanks next to the Power Station. The raw water supply is taken from the islands water system.
- The plant is connected into the system grid by three (3) 34.5kV transmission lines. Two of these lines are outgoing lines for exported power whilst the third supplies the Power Station auxiliary transformer for plant start up.

III. Extent of Works/Supply

Under the proposed refurbishment, operation and maintenance (ROM) contract the Proponent shall take over full management responsibility for the two units at Tanguisson. The objectives of the refurbishment work are to bring the Tanguisson output up to nameplate rating of 2 x 26.5 MW or as near as economically possible, and the availability to greater than 87% as soon as possible. The Proponent will bear all costs of Power Station rehabilitation, operation and maintenance of the plant for the agreed contract duration. GPA will furnish all fuel oil and pay the Proponent such fees as provided for in this Agreement.

The Proponent shall be responsible for:

- o Complete design, development and construction of the Power Station refurbishment works to meet the above mentioned output and availability requirements.
- o Operation and maintenance of the Tanguisson power plant for a period of twenty years.

The Proponent plans to:

- Install a new 50 GPM demineralizer, together with complete revamping of the water treatment system and Chemistry Laboratory, to provide clean boiler feedwater and prevent boiler tube leaks;
- Replace the wall, floor and ceiling tubes in both boilers to restore them to a like new condition;
- Install new, oil free plant air compressors to replace the original units and eliminate oil contamination from instrument air systems;
- General overhaul of all instrument and control systems, including boiler excess air control, to prevent water carryover to the turbine, and provide for safe and economical operation of the plant;
- Restore the 8th stage to unit 2, and a complete overhaul of both steam turbine generators;

- Complete the present repairs to the circulating water system, plus relining the circulating water piping on both units and cross connecting the circulating water piping between unit 1 and 2; and
- Replace the start-up transformer.

IV. Design Criteria

1. Prime mover-generator Units

The prime mover-generator units shall be capable of delivering the said output at the following site and design conditions:

- | | | |
|-----|--|----------------------------------|
| 1.1 | Elevation (Above Mean Sea Level) | - 3 - 10 meters |
| 1.2 | Average ambient air temperature | - 27.9° Centigrade |
| 1.3 | Relative humidity | - 86% |
| 1.4 | Temp. range | - 25-37°C |
| 1.5 | Noise level | - to comply with EPA Regulations |
| 1.6 | Environmental Regulations in conformance with Federal and local EPA standards. | |

32 Fuel

Fuel specifications will be in accordance with the Fourth Schedule.

3. System Fault Level

The fault level when the generator units are connected in the Guam system shall be as follows:

- | | | | |
|---|--|---|--------------------|
| o | Line to ground fault MVA
GPA prior to the Effective Date) | - | (To be provided by |
| o | Three phase fault MVA
GPA prior to the Effective Date) | - | (To be provided by |

o Interrupting Capacity at 34.5 kV - (To be provided by GPA prior to the Effective Date)

4. System Voltage Level

o Generator terminal voltage : 13.8kV

o Main transformer:

High Voltage (Nominal) : 34.5 kV

Off Load Tap Change : (To be provided by GPA prior to the Effective Date)

Low Voltage : 13.8 kV

o Nominal voltage for auxiliary equipment (for information purposes)

AC System : 2.3 kV,
480 V,
120 V

DC System : 125 V

5. System Frequency : 60 Hertz

6. Generator and Accessories

The design characteristics shall be as follows:

6.1 Nominal MVA power output at rated power factor and maximum ambient temperature: : 29.4 MVA @ 0.9 pf

6.2 Three phase wye grounded through resistance

6.3 Rated terminal voltage : 13.8 kV +/-5%

6.4 Rated power factor : Min. of 0.8 lagging

6.5 Allowable voltage variations.

At rated MVA, frequency, power factor and inlet air temperature, the prime mover-generators can operate satisfactorily even though the terminal voltage may vary +/- 5% of the rated value.

V. Power Station Interface with GPA's Transmission System

The interface point shall be at the high voltage terminals of the following transformers:

- o Tanguisson #1 34.5kV / 13.8 kV step up transformer (33.6MVA)
- o Tanguisson #2 34.5kV / 13.8 kV step up transformer (33.6MVA)
- o Tanguisson 34.5 kV / 13.8 kV station power transformer (2.5 MVA)

The Proponent shall be responsible for operation and maintenance of these transformers.

The 34.5kV switchyard including all switchgear will be operated and maintained by GPA, with the Proponent being able to perform switching operations as required under direction of GPA dispatch.

VI. Utilities During Construction Period

<u>Requirements</u>	<u>Responsibility/Cost</u>
1. Construction power	GPA/GPA
2. Electricity for no-load test	GPA/Proponent
3. Construction water (domestic)	GPA/GPA
4. External communication systems (other than tel., fax, etc.)	GPA/GPA
5. Internal communication systems	Proponent/Proponent

VII. Utilities During Co-operation Period

<u>Requirements</u>	<u>Responsibility/Cost</u>
1. Domestic water	GPA/GPA
2. External Communication Systems (other than tel, fax, etc.)	GPA/GPA
3. Start-up electricity	
Planned outage	GPA/Proponent
Unplanned outage	GPA/Proponent
4. Back-up electricity	
For house load	GPA/Proponent
For load test	GPA/Proponent
For no-load test	GPA/Proponent

5. Internal communication systems

Proponent/Proponent

- -
SECOND SCHEDULE
OPERATING PARAMETERS

A. Operating Parameters

The Proponent shall operate the Power Station in accordance with the operating criteria and guidelines of GPA. The Proponent shall cooperate with GPA in establishing emergency plans including but not limited to recovery from a local or widespread electrical blackout; voltage reduction to effect load curtailment and other plans which may arise.

The Proponent shall make technical references available concerning start-up times, Black Start capabilities, and minimum load carrying ability, broken down into:

1. Capacity. The nameplate capacity of the Power Station is 53 MW at the generator terminals. At present, the No. 2 Unit is derated to 22 MW instead of the 26.5 MW due to Stage 8 blading in the turbine being removed in 1994. No. 1 Unit at present is derated to 15 MW due to one out of two (70%) cooling water pumps being available.

It is proposed that the capacity of the Power Station be returned to above 48 MW by the beginning of 1997. Allowing for Unit 2 to continue to run without the Stage 8 blading. A new bladed Stage 8 disc and diaphragm will be installed by the Proponent.

2. Performance Requirements. It is required that the performance (output and availability) of the plant be improved by refurbishment and or upgrade such that the capacity factors and availability are equal to or better than that listed below:

	Unit 1	Unit 2
Gross Maximum Capacity	26.5 MW	26.5 MW
Net Maximum Capacity	25.0 MW	25.0 MW
Equivalent Availability Factor	87%	87%
 Fuel	 No. 6 RF Oil	 No. 6 RF Oil

Note: Definition of the Equivalent Availability Factor is set forth in Article 1 of this Agreement.

3. Emission Levels. The plant must operate at all times within the licensed limits by the local and Federal EPA.
4. Other Operating Parameters will be maintained as follows:
 - o Frequency Limitation. The units will operate reliably at maximum continuous output between the range of 58.5 Hz to 61.5 Hz. The mechanical overspeed protection shall operate at 10% \pm 1% above rated speed.
 - o Unit Voltage. The normal voltage at the transmission side of the generator step up transformer shall be 34.5 kV \pm 5%.
 - o Parallel Operation. The units shall be able to operate in parallel and load share depending on the requirements of the GPA Power System Central Center.
 - o Operation Mode. The Power Station shall be continuously utilized as a baseload plant and be expected to operate except during scheduled maintenance period. The Power Station is however expected to operate at any other time as may be called upon by GPA during Emergency and/or abnormal system conditions with adequate notice having been given by GPA and would be manned 24 hours a day.

B. Operating Procedures

1. DISPATCH PROCEDURE. The Proponent shall control and operate the Power Station consistent with GPA's systems dispatch requirements and within the limitations of the manufacturer's recommendations, good operation and maintenance practices.
2. ENGINEERING STANDARDS. The Power Station including, but not limited to, the protective apparatus shall be operated and maintained in accordance with good engineering practice in respect of synchronizing, voltage and reactive power control.
3. PROTECTIVE DEVICES. The Power Station shall be operated with all protective apparatus in service whenever the facilities are connected to or operated in parallel with the GPA electric system. Any deviation for brief periods of emergency or maintenance shall only be by mutual agreement.

4. INTEGRITY-LOSS. If, at any time, GPA has reason to doubt the integrity of any Proponent's protective apparatus and suspects that such loss of integrity could jeopardize the GPA electric system, the Proponent shall demonstrate, to GPA's satisfaction, the correct calibration and operation of the equipment in question.
5. TESTING OF PROTECTIVE DEVICES. The Proponent shall test all protective devices with qualified personnel at intervals not to exceed one (1) year.
6. NOTICE OF TESTS. The Proponent shall notify GPA at least fourteen (14) calendar days prior to: (1) the initial parallel operation of the Power Stations and (2) testing of all protective apparatus. GPA shall have the right to have a representative present at such times.
7. SERVICE COMMITMENT. At GPA's request, the Proponent shall make all reasonable efforts to deliver power during periods of Emergencies.
8. MAINTENANCE DURING EMERGENCY. In the event that the Proponent's scheduled Planned Outage coincides with an Emergency, the Proponent shall make all reasonable efforts to reschedule the Planned Outage.
9. DAILY OPERATING REPORT FOR RECORD PURPOSES. The Proponent shall keep GPA's Power System Control Center informed as to the daily operating schedule and generation capability of its Power Station, including, without limitation to, any Forced Outages.
10. OPERATING AND MAINTENANCE RECORDS. The Proponent shall maintain the operating and maintenance records for each generating unit at the Power Station for the entire Co-operation Period with records of: real and reactive power production, changes in operating status, outages, protective apparatus operations and any unusual conditions found during inspections. Changes in the setting of protective apparatus shall also be logged. In addition, the Proponent shall maintain records applicable to the Power Station, including the electrical characteristics of the generator and settings or adjustment of the generator control equipment and protective devices. Such information shall be made available to GPA upon request.

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THIRD SCHEDULE
PENALTY ON DELAY OF COMPLETION DATE

Proponent's Delay - In the event that due to the fault of the Proponent and through no fault of GPA nor due to Force Majeure, the Proponent fails to substantially complete and re-commission the Power Station on the Target Completion Date, the Proponent shall have 180 Calendar Days to complete and commission the Power Station but in consideration therefore, the Proponent shall pay GPA penalties as provided herein and the obligation of the Proponent to make such payments shall be supported by the performance bond referred to in Article 23.

Subject to Article 5.03, the following formula shall apply in computing the amount of penalty to be paid by the Proponent to GPA under this Schedule:

$$P = (1/Nd) * US\$30/kW * (NC - AC) * Td * 1.05$$

where:

P = Amount to be paid by the Proponent to GPA for days of delay in respect of which the Proponent is required to make a payment pursuant to Article 5.03. Such amount shall be payable on the last day of each calendar month.

Nd = Number of days in the month.

NC = Nominated Capacity in kW specified in Section 4.1 of the Eighth Schedule.

AC = Actual Capacity installed and tested in accordance with the Twelfth Schedule.

Td = Number of days delayed in meeting the Target Completion Date.

**FOURTH SCHEDULE
FUEL SUPPLY SPECIFICATIONS**

The specifications for the Fuel Supply will be as follows:

Residual Fuel Oil No. 6

Density @15%	-	Maximum 0.9159
Viscosity @ 50°C	-	Maximum 1,500 SSU
Flash Point	-	150°F (min)'
Pour Point	-	Maximum 70°F
Carbon Residue	-	Maximum 15% weight
Ash	-	Maximum 0.20% weight
Water & Sediments	-	Maximum 1.0% weight
Sulfur High	-	2.00 weight
Low	-	1.19-% weight
Vanadium	-	80 ppm (Max)
Gross Heating Value	-	6.1 MBTU/BBL
High Heating Value	-	18,814 BTU/lb
Nitrogen	-	0.27 by weight

Light Fuel Oil (Distillate No. 2)

Specific Gravity @ 60 °F	-	0.8602 Minimum
Viscosity SSU @ 100 °F	-	35 Minimum
Cloud Point, °F	-	68 Maximum
Sulfur	-	0.5% Maximum
Bottom Sediment & Water	-	0.05% Maximum
Ash	-	0.005% weight, Maximum
Flash Point, PM, °F	-	140 Minimum
Carbon Residue (10% Bottom)	-	0.2
Pour Point, °F	-	50 Maximum
HHV Calorific Value (Average)	-	19,550 BTU/LB

SUPPLY ARRANGEMENTS

Delivery GPA and the Proponent will liaise to prepare weekly fuel schedules showing anticipated times and Quantities of fuel to be utilized by the Power Station and GPA shall be responsible for ensuring the availability of fuel supplies, for the payment therefore and for all arrangements with the suppliers.

Fuel Oil Storage The existing fuel oil storage tanks at the Tanguisson plant will be utilized by the Proponent. The water shall be drained off weekly.

Testing The fuel tanks will be calibrated in an approved manner.

Upon each delivery of fuel to and, if so required by the Proponent, from time to time thereafter, a suitable sample will be taken and analyzed jointly by the Proponent and GPA ensure that it meets the specifications as shown above. The laboratory for analyzing the oil will be agreed between the Proponent and GPA.

Metering Meters will be provided by the Proponent to meter the fuel delivered into the tanks. As a check, the tank ullage will be taken before and after each delivery of fuel and in the case of discrepancy, the ullage will prevail. The Proponent will provide fuel meters (for each tank) with temperature compensation for measuring the delivery of fuel to the tanks. Such meters will be installed within the Site area bounded by permanent Site fence. Meters shall be tested every six months at GPA's cost by a third party agreed between the Proponent and GPA.

Variation in rate of delivery The Proponent and GPA will liase in estimating the fuel required to comply with GPA's annual, monthly and weekly systems operating plans.

Fuel Management Agreement The parties will enter into a fuel management agreement pursuant to which GPA and Proponent shall agree to delineate the responsibilities of both parties on the following:

1. Operation, maintenance and safety of the Fuel receiving facilities and storage system which shall be the responsibility of the Proponent.
2. Sourcing and Supply of fuel which shall be the responsibility of GPA.
3. Storage, insurance and safety of fuel which shall be the Proponent's responsibility.
4. Method of inventory, metering, usage and testing including sludge disposal and ownership.
5. Demurrages, penalties and environmental problems; and

6. Other responsibilities & works related to fuel by both parties.

Spill Prevention Control and
Countermeasure Plan (SPCC Plan)

1. The Proponent shall be responsible for the preparation of SPCC plan for the facility for EPA and GPA's approval.
2. The proponent shall be responsible for the full compliance of the Facility SPCC plan.

Best Management Plan (BMP)

1. The Proponent shall be responsible for the preparation of the Facility BMP plan for EPA and GPA's approval, including full compliance with the plan.

FIFTH SCHEDULE
TRANSMISSION LINE SPECIFICATIONS

Refurbishment of the Tanguisson Plant will not require any modifications to the transmission lines currently interconnecting the Power Station.

SIXTH SCHEDULE
ELECTRICITY DELIVERY PROCEDURES

1. Definition

"Planned Outage" means the number of hours per turbine for every year allowed to the Proponent by GPA to allow the Proponent to undertake the normal inspection maintenance repair and overhaul.

"Forced Outage" is defined as the inability due to the fault of the Proponent to supply power to the GPA system as requested by GPA.

2. Measurement of Power Generated

Measurement of power generated transferred to GPA shall be made at the high voltage side of the main power (step up) transformer(s)

3. Notice in change of output

Specific procedures for notification of power requirements during the period between the Commencement Date and the Completion date shall be agreed upon between the Proponent and GPA prior to the Commencement Date. Specific procedures for notification of power requirements following the Completion Date shall be agreed between the Proponent and GPA prior to the Completion Date. Subject to such procedures, the outputs of the prime movers-generator shall be as required by the system controller from time to time, provided that changes in output requested by the system controller remain, prior to the Completion Date, within the then existing unit capabilities, and, after the Completion Date, within the Specifications and the Operating Parameters.

4. Notice of Downtime

GPA shall prepare annual monthly and weekly systems operating plans and in so doing shall coordinate with the Proponent to agree on Planned Outages.

GPA shall grant the Proponent sufficient downtime to undertake all regular inspections and maintenance of the turbine-generator in accordance with the manufacturer's recommendations, taking full account of hours run, number of starts and duration of running for each start.

The Proponent will plan with GPA to ensure that as far as practicable, Planned Outages are undertaken at times to cause minimum disruption to the GPA power system.

5. Notice of Required Electricity

While the annual monthly and weekly system operating plans will be prepared by GPA in consultation with the Proponent it is agreed that the weekly plan for the following seven days will be the control plan and will be that plan referred to as "normal operation plan".

6. Normal Operations

Normal operations of the prime mover-generators are as defined below:

- (1) Operating in accordance with the weekly normal operation plan as defined in Section 5 above as agreed in writing between GPA and the Proponent with no more than one start per day.
- (2) Operating with fuel within the specification set out in the Fourth Schedule.
- (3) Operating frequencies of the system to be within the limits of the Operating Parameters.
- (4) Operating at a system voltage of 34.5 kV $\pm 5\%$
- (5) Start-up, synchronizing and loading to be within the limits of the Operating Parameters.
- (6) Full access to the Site at all times for materials and personnel

7. Guaranteed Capacity and Equivalent Availability

The proponent shall guarantee the delivery of 50 MW net contracted capacity of the Power Station to GPA at an Equivalent Availability Factor of 87% beginning upon the Completion Date; provided, however, that unavailable hours due in whole or in part to Force Majeure events, Catastrophic Equipment Failures, and/or GPA's failure to perform any of its obligations under this Agreement, the Fuel Management Agreement or the Personnel Management Agreement shall be treated as available hours for the computation of Equivalent Availability Factor. The Proponent shall, likewise, guarantee the capability of the Power Station to deliver 328,500 MWH of electricity yearly to GPA at the high voltage side of the main power transformer of the Power Station. The Proponent shall convert all fuel to electrical energy as required by GPA dispatch within the availability and fuel constraints that may apply from time to time.

SEVENTH SCHEDULE
MEASUREMENT AND RECORDING OF ELECTRICITY

1. The meter location to record the kW, kWh, and kVAR delivered to GPA shall be at the high voltage side of the main step up transformers. The meters shall automatically record and store energy deliveries in increments of 15 minutes.
2. The quantity of power and energy delivered to GPA shall be given by the in/out meters at the referenced in Section 1 of this Schedule.
3. In order to verify the quantity of electricity delivered by the Proponent to GPA in each Month, GPA and the Proponent shall at noon or at such other time agreed between GPA and the Proponent on the first working day of each Month print a report (generated by the process computer in the Power Station) detailing the daily delivery of electricity from the Power Station by the Proponent provided always that if GPA shall not be present at the Power Station at the agreed time, the above mentioned report shall be printed by the Proponent and shall be binding on GPA for all purposes under this Agreement.
4. The Proponent shall supply and GPA shall install and maintain as part of the interconnection facilities, the meters and related equipment to be utilized for the measurement of electric power (kW), energy (kWh) and reactive power (kVAR) in determining GPA's payments to the Proponent pursuant to this Agreement.
5. The meters installed in pursuance to this Agreement, shall be tested by GPA at its own expense every six months. Other tests may be conducted at any reasonable time upon request by either party, at the requesting party's expense. If the Proponent makes such request, the Proponent shall reimburse said expense to GPA within thirty (30) days after presentation of a bill therefore. GPA's meter test result shall be deemed final and conclusive.
6. The meters and metering transformers shall be in accordance with GPA's specifications
7. The meters, installed pursuant to this Agreement shall be tested by GPA at its own expense every six months against a Watt hour standard traceable to the U.S. National Bureau of Standards. Other tests may be conducted at any reasonable time upon request by either party, at the requesting party's expense. If the Proponent makes such a request, the Proponent shall reimburse said expense to GPA within thirty (30) days after the presentation of a bill therefor. GPA's meter test results shall be deemed final and conclusive; provided, that the Proponent reserves the right to employ, at its own expense, a qualified third party to check the calibration of the meter against a Watt hour standard traceable to the U.S. National Bureau of Standards. GPA shall have the right to witness any such third party testing. If the third party test indicates a change in the meter calibration is required, the meter shall be recalibrated by such third party unless GPA

disputes the results of the third party test. In the event GPA disputes the results of the third party calibration test, the parties shall resolve such dispute pursuant to the provisions of Article 20.

8. Metering equipment found to be inaccurate shall be repaired, adjusted or replaced by GPA at the Proponent's expense, such that the inaccuracy of said equipment shall be as near as possible to zero. If metering equipment inaccuracy exceeds plus or minus one percent (1%), the correct amount of energy delivered during the period of said inaccuracy shall be estimated by GPA and agreed to by the parties. Adjustment for meter inaccuracy shall cover only the current Month and the Month immediately preceding it.

EIGHTH SCHEDULE
DELIVERY OF POWER AND ENERGY

1. OBLIGATIONS OF PARTIES. The Proponent hereby agrees to convert fuel supplied by GPA into electricity and GPA hereby agrees to take at the high voltage side of the step-up transformer the electric power and energy delivered by the Proponent to GPA throughout the Co-operation Period
2. CAPACITY PROVISION. The Proponent shall provide and GPA shall pay for the electric power output capacity of the Power Station as provided in Section 4.1 of this Schedule in respect of the amount of Contracted Capacity which, in respect of each year, shall be the actual net Kilowatt (kW) capability of the Power Station nominated by the Proponent for such year provided that:
 - a. such Contracted Capacity may not exceed 105% of the current Net Maximum Capacity as stated in the Second Schedule; unless GPA so agrees at its sole option and terms;
 - b. if at the beginning of any year the Proponent nominates a Contracted Capacity less than 95% of the Nominal Capacity it may subsequently nominate an increased amount in which case such increase amount shall be the Contracted Capacity for the remainder of such year.

At the commencement of each year of the Co-operation Period, as required by GPA, the Proponent shall demonstrate its ability to provide GPA the Contracted Capacity within 14 days of any nomination by the Proponent.

If, on the Completion Date or any anniversary thereof the Proponent fails to notify GPA of the nominated amount of Contracted Capacity for the following year, GPA shall require the Proponent to demonstrate its capacity within 14 days, which will become the Contracted Capacity for the following year.

3. DELIVERED ENERGY. The Proponent shall convert fuel supplied by GPA into electricity and deliver it to GPA, and GPA shall take such electricity from the Proponent as requested by GPA. The energy delivered shall be paid for by GPA pursuant to the terms and conditions as provided in Section 4.2 of this Schedule.
4. TERMS OF PAYMENT
 - 4.1 CAPACITY FEES. The Capacity Fee shall be fixed at \$4.180 per kilowatt per month based upon the Nominal Capacity of the units from the Commencement Date through the Completion Date, and the Contract Capacity thereafter.

- 4.2 ENERGY CONVERSION FEES. Energy Conversion Fees shall start at a rate of \$0.001 per kilowatt hour delivered to GPA.
- 4.3 FIXED O&M FEE. The Fixed O&M Fee shall start at a rate of \$4.00 per kilowatt per month based upon the Nominal Capacity of the units from the Commencement Date through the Completion Date, and the Contracted Capacity thereafter.
- 4.3.1 Fees Adjustment Provisions. On the first day of every six-month period commencing from the Completion Date the amount of (i) the Energy Conversion Fee and (ii) the Fixed Operation and Maintenance Fee shall be increased/decreased in accordance with the U.S. Gross Domestic Product Implicit Price Deflator; provided however, at no time shall the fees exceed a rate equivalent to that of the initial rate escalated at 3.5 percent per year on a cumulative basis.
- 4.4 HEAT RATE BONUS/PENALTY FACTOR. GPA's objective is to assure the Project is operated economically with respect to fuel consumption which has a direct impact on the cost of energy supplied to GPA. Therefore, GPA shall provide an incentive to the Proponent to assure GPA's objectives are met.

GPA and Proponent agree to evaluate fuel consumption efficiency of the plant in terms of heat rate. This shall be done by comparing the actual fuel consumption for a given period to the theoretical fuel consumption based upon a Guaranteed Net Plant Heat Rate.

Heat Rate shall mean the measure of plant thermal efficiency expressed in British Thermal Units (BTU) per net kilowatt hour; for the purpose of the Heat Rate tests, kilowatts shall be measured at the high side of the main output transformer; fuel consumed shall be the amount of fuel consumed in the period as measured by day tank fuel meters.

The Guaranteed Net Plant Heat Rate is 12,750 BTU/kWH on a higher heating value basis. Within 1 (one) month after the Completion Date, or as otherwise agreed to by GPA and the Proponent, a short form ASME heat loss efficiency test will be conducted by the Proponent with calibrated test instruments. These tests will be conducted at nominal load points of 25%, 50%, 75% and 100% of maximum rating for each generating unit. Individual heat rate curves for each generating unit will be developed (see Appendix B for examples of these calculations) and, using then current fuel costs for RFO#6 delivered price to Tanguisson, will be the basis for the economic dispatch by GPA of each unit during the Co-operation Period. These individual curves will be averaged to create a composite unit heat rate curve. The composite unit heat rate curve will be shifted either up or down along the heat rate axis, with no change in shape, to have a 25 MW net load heat rate equal to the Guaranteed Net Plant Heat Rate. From this curve a heat input equation will be developed by regression analysis with the form,

$$M = A + BxL + CxL^2$$

Where

M is energy input in MBTU/hr,

L is unit load in MW, and

A, B, and C are the regression constants.

During operation throughout the Co-operation Period the electrical output of each Tanguisson unit will be measured in 15 minute increments during operation. See Appendix C for an example. These electrical outputs will then be used to calculate guaranteed energy input to each Tanguisson unit for each 15 minute period using the above equation ("Guaranteed Energy Input"). These 15 minute Guaranteed Energy Inputs will be summed up for each month, added to the number of starts times the energy required to start, to produce a monthly theoretical energy input ("Theoretical Energy Input"). The Theoretical Energy Input will be increased by 0.5% percent for each year or partial year between each major turbine overhaul to produce the adjusted theoretical energy input ("Adjusted Theoretical Energy Input").

Following the last day of the sixth month or partial month following the Completion Date, and every six months thereafter, the Adjusted Theoretical Energy Input will be summed for the preceding six month period (or the period following the completion date for the first six month period). The actual energy input for the same period will also be summed. The actual energy input will be determined by taking the actual fuel consumption for the period as measured by the day tank fuel meters (and verified by tank strappings) and multiplying it by the heating value for the fuel consumed ("Actual Energy Input"). The heating value for the fuel consumed will be a weighted average heating value using monthly heating values weighted by fuel consumption for the month.

If the Adjusted Theoretical Energy Input is within +/- 1.0 % of the Actual Energy Input, there shall be no bonus or penalty payment due. If the Actual Energy Input is greater than 101.0% of the Adjusted Theoretical Energy Input, 101 % of the Adjusted Theoretical Energy Input shall be subtracted from the Actual Energy Input and the result shall be the Penalty MBTU Base. The Proponent shall pay GPA an amount equal to the Penalty MBTU Base times the weighted average fuel cost for the period (in \$/MBTU, weighted on the basis of monthly fuel consumption during the period) times 0.5. If the Actual Energy Input is less than 99% of the Adjusted Theoretical Energy Input, the Actual Energy Input shall be subtracted from 99% of the Adjusted Theoretical Energy Input and the result shall be the Bonus MBTU Base. GPA shall pay the Proponent an amount equal to the Bonus MBTU base times the weighted average fuel cost for the period (in \$/MBTU, weighted on the basis of monthly fuel consumption during the period) times 0.5.

- 4.5 EQUIVALENT AVAILABILITY FACTOR BONUS/PENALTY FACTOR. GPA's objective is to assure that the Power Station achieves a high level of equivalent availability. The Proponent shall guarantee a minimum Equivalent Availability

Factor ("EAF") (as defined by the North American Electric Reliability Council) of 87% based upon a 2-year rolling average starting at the Completion Date; provided, however, that unavailable hours due in whole or in part to Force Majeure events, Catastrophic Equipment Failures, and/or GPA's failure to perform any of its obligations under this Agreement, the Fuel Management Agreement or the Personnel Management Agreement shall be treated as available hours for the computation of Equivalent Availability Factor.. For any year in which the EAF falls below 85%, the Proponent shall pay \$10,000 to GPA for each 1% below 85%. For any year in which the EAF exceeds 90%, GPA shall pay \$7,500 to the Proponent for each 1% above 90%.

- 4.6 EQUIVALENT FORCED OUTAGE RATE BONUS/ PENALTY FACTOR. To further enforce GPA's objective of high reliability, for the Power Station, the Proponent shall guarantee a maximum annual Equivalent Forced Outage Rate ("EFOR") (as defined by the North American Electric Reliability Council) of 2% starting at the Completion Date; provided, however, that unavailable hours due in whole or in part to Force Majeure events, Catastrophic Equipment Failures, and/or GPA's failure to perform any of its obligations under this Agreement, the Fuel Management Agreement or the Personnel Management Agreement shall be treated as available hours for the computation of Equivalent Forced Outage Rate. For any year in which the EFOR exceeds 2%, the Proponent shall pay to GPA \$5,000 for each 0.1% above 2.5%. For any year in which the EFOR is less than 2%, GPA shall pay \$7,500 to the Proponent for each 0.1% below 1.8%.

NINTH SCHEDULE
INSURANCE

1. INSURANCE DURING CONSTRUCTION. From the Effective Date until the commissioning of the Power Station, The Proponent shall, at its own expense, obtain and maintain in force the following insurance:
 - a. A Marine insurance in respect of plant and equipment to be imported into Guam;
 - b. All Risks "Builder's Risk Insurance" to cover the entire works from any and all kinds of damages arising out of any cause whatsoever; and, the Proponent shall cause GPA to be named as an additional insured;
 - c. "Third Party Liability Insurance" to cover injury to or death of persons (including those of GPA) or damages to property caused by the works or by the Proponent's tools and/or equipment or personnel including its sub-contractors and, the Proponent shall cause GPA to be named as an additional insured; and
 - d. "Workmen's Compensation Insurance" as required under applicable law.

2. INSURANCE DURING CO-OPERATION PERIOD.
 - a. During the Co-operation Period, the Proponent shall secure adequate insurance cover for its employees as may be required by law.
 - b. During the Co-operation Period, GPA shall secure and maintain boiler and machinery insurance and shall cause the Proponent to be named as an additional insured.
 - c. During the Co-operation Period, GPA shall secure and maintain "Third Party Liability Insurance" to cover injury to or death of persons (including those of the Proponent) or damages to property caused by the works or by the Proponent's tools and/or equipment or personnel including its sub-contractors and, GPA shall cause the Proponent to be named as an additional insured

3. The insurance effected shall be no less favorable to the insured in terms of risks covered than that normally effected in respect of its own similar operations.

TENTH SCHEDULE
FORM OF LEGAL OPINION OF GPA'S
GENERAL COUNSEL

FROM: General Legal Counsel to GPA

TO: The Proponent

Dear Sirs,

I have acted on behalf of GUAM POWER AUTHORITY (GPA) in connection with an agreement ("the Agreement") dated _____ 1996 and made between GPA (1) and the Proponent ("the Proponent") (2) dated [], 1996. I have examined an executed copy of the Agreement and such other documents as I have considered necessary or desirable to examine in order that I may give this opinion. Terms defined in the Agreement shall have the same meaning herein.

I am of the opinion that:

- (I) GPA is a public agency and validly existing under the laws of Guam pursuant to Organic Act No. _____ (as amended):
- (ii) GPA has the corporate or other power to enter into the Agreement and to exercise its rights and perform its obligations thereunder, and execution of the Agreement on behalf of GPA by the person(s) who executed the Agreement was duly authorized by GPA;
- (iii) all acts, conditions and things required by the laws and constitution of the United States of America, including those of the Territory of Guam, to be done, fulfilled and performed in order (a) to enable GPA lawfully to enter into, exercise its rights under and perform the obligations expressed to be assumed by it in the Agreement, (b) to ensure that the obligations expressed to be assumed by it in the Agreement are valid and enforceable by appropriate proceedings and (c) to make the Agreement admissible in evidence in Guam, have been done, fulfilled and performed in compliance with the laws and constitution of the United States of America;
- (iv) the obligations expressed to be assumed by GPA in the Agreement are legal and valid obligations binding on GPA enforceable in accordance with the terms thereof;

- (v) GPA is not entitled to claim any immunity from suit, execution, attachment or other legal process in Guam, and
- (vi) under the Constitution of the United States, it is recognized that no law impairing the obligation of contracts shall be passed and consequently the validity of the Agreement and the binding nature of the obligations of the parties thereunder are constitutionally safeguarded.

This opinion is confined to matters of U.S. law, including laws of the Territory of Guam, and no opinion is expressed as to the laws of any other jurisdiction.

Yours faithfully,

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ELEVENTH SCHEDULE
TESTING PROCEDURES

1 Guarantee Tests

(1) Purpose of the Guarantee Tests

Except as provided in Section 4.4 of the Eighth Schedule, to demonstrate to GPA that the Power Station generator output and the Plant Net Heat Rate are in accordance with the Specifications (the "Guarantee Tests").

(2) Test Conditions

- a) All generating units of the Power Station will be tested by the Proponent and the weighted average results compared to the Guaranteed Plant Net Heat Rate and generating capacity described in the Specifications.
- b) The measuring points will be the fuel supply meters, and the electricity billing meters.
- c) The Power Station is to be tested when the units are in clean condition and the tests will be conducted within 100 hrs of loaded operation of the unit, or of cleaning, or as agreed between the Proponent and GPA.
- d) Throughout the Guarantee Tests, measurements will be taken while the Power Station is operated at maximum continuous rating ("MCR").
- e) If the Proponent notifies GPA that the Power Station is to be tested for partial completion (for example, 10 MW) then the test conditions above and the test procedures below shall apply to such testing provided that (i) in respect of generating capacity, the Proponent shall only be required to achieve the minimum capacity which is the object of the test and (ii) in respect of the Tested Plant Net Heat Rate, a value in excess of the Guaranteed Tests for partial completion if, upon the weighted averaging of the Tested Plant Net Heat Rate with the results from the Guarantee Tests for plant completion, such average Tested Plant Net Heat Rate remains within the Guaranteed Plant Net Heat Rate.
- f) If the Proponent has successfully completed a partial completion test, then the final Guarantee Test for plant completion shall only be in respect of those units untested.

(3) Test Procedures

- a) During testing, both GPA and the Proponent will make every effort to maintain the frequency, load, power factor and stator voltage steady and as near possible to specified values.
- b) Electrical power output will be measured by a three phase integrating watt hour meter (the Billing meter), calibrated at a laboratory approved by the Proponent and GPA immediately prior to the tests.
- c) Fuel flow will be measured by the volumetric flow meter located on the fuel supply pipelines, the meter will be calibrated by an approved establishment for the load range and calibration curves will be produced for inspection.
- d) All test points are to be taken under steady state conditions. Steady-state conditions are assumed to exist when the variation in engine-generator exhaust temperatures reach stability for a period of 15 minutes.
- e) When the following fluctuations are exceeded the test results shall be considered by both GPA and the Proponent to determine whether they are acceptable or not, the term "fluctuation" is intended to mean the difference between the maximum or minimum value of a variable for a single test point and average of the values recorded for that variable at the test point.

Maximum Fluctuation

inlet air temperature	=	1.5 degree C
Fuel Rate	=	2%
Measured load	=	2%

- f) The tests will be conducted using normal operating fuel with specifications in accordance with the Fourth Schedule. Fuel heating value and specific gravity will be determined by a properly qualified laboratory.
- g) Test readings for the Guarantee Tests will be recorded at ten minutes intervals during a one hour period after the units have achieved a steady state condition.
- h) Instrumentation

Instruments used to measure performance are all panel instruments unless otherwise agreed to by the parties.

Instruments used to measure the quantities required for the Guarantee Tests will be calibrated over their expected operating ranges.

In addition other instruments will be monitored to ensure the units are operated under steady state conditions.

(4) ISO Standards

- a) The tests will be carried out in accordance with the relevant ISO Standards including 27.020, 27.040, ISO 2314 and ISO 8528.

5) Tolerance

Only output and heat rate at MCR are guaranteed with tolerance.

The measuring tolerance values at MCR are as follows:

Tolerance of output	:	1.75%
Tolerance of heat rate	:	3.0%

6) Heat Rate Calculation

$$\text{Station Heat Rate, } \frac{\text{BTU}}{\text{kWH}} = \frac{\text{Total Heat of Fuel Input}}{\text{Net Electrical Power Output}}$$

$$\text{Total Heat Input of Fuel, } \frac{\text{BTU}}{\text{hr}} = \text{Weight of Fuel Input}$$

$$\frac{\text{lb} \times \text{Heating Value, Btu}}{\text{hr}} \quad \text{lb}$$

Net Electrical output is measured by the kWh meter on the high voltage side of the generator transformer:

Note: The Tested Plant Net Guaranteed Net Heat Rate is the weighted average of the Tested Plant Net Heat Rates of the Guarantee Tests.

II. Information Tests

1) Purpose of Information Tests

To provide information only on the operating characteristics of the Power Station and its performance at various conditions.

2) Generator Tests

The following tests will be conducted at the time of the Guarantee Tests or as agreed between the Proponent and GPA.

No.	Test Items	Symbol	Remarks
1	Insulation resistance test	0	By a 1.00 V megger for alternator armature windings. By 500 V megger for field.
2	Temperature rise test	0	Temperature rise test will be made with the machine operating at rated loading condition.
3	Vibration test	0	Vibration will be measured at no-load and load.
4	Insulation of bearing	0	Bearing insulation will be checked at installation.

3) Instrumentation

In addition to the measurement items listed in the table above, the following information will also be taken:

- (i) Lube oil header pressure and temperature
- (ii) Bearing drain temperature

APPENDIX A

GPA Employees to be Assigned by GPA to the Tanguisson Power Station

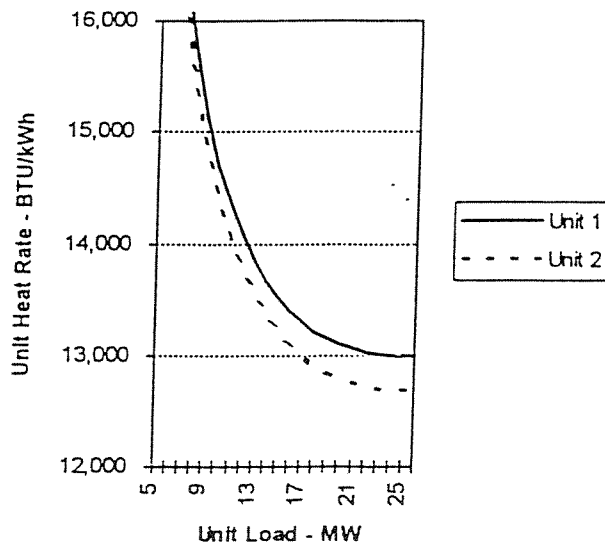
<u>Position</u>	<u>Req'd from GPA</u>	<u>Grade</u>
Storekeeper II	1	O
Maint. Supv.	1	L
Plt. Inst Tech II	3	J
Maint. Mech II	3	I
Plt. Utility Worker	1	D
Maint. Welder II	2	I
Plt. Maint Mech I	1	H
Plt. Elect Supv.	1	M
Plt Elect. I	1	H
Plt. Elect. II	2	I
Clerk Typist	1	B
Maint Planner	1	K
Shift Supervisor	5	M
Control Operator	5	K
Plt. Operator I	2	H
Plt. Operator II	5	I
Plt. Operator III	5	J
Results Supv.	1	L
Water Tech II	2	I
<i>Total</i>	<u>43</u>	

APPENDIX B

EXAMPLE GUARANTEED HEAT RATE CALCULATION

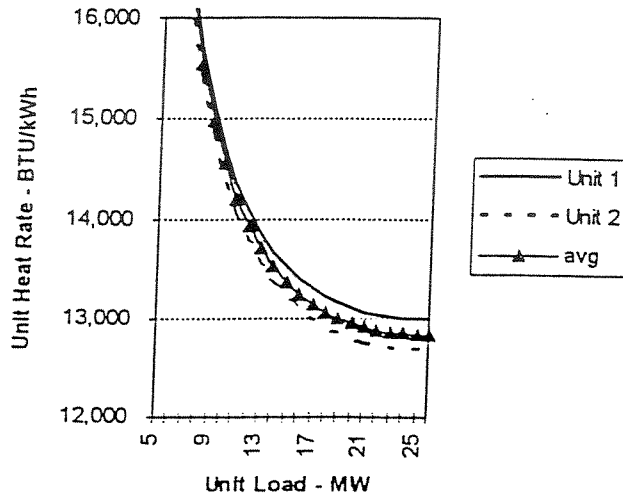
Within one month of the Completion Date, HPG will conduct an ASME short form heat rate tests at 25%, 50%, 75% and 100% load points on both Tanguisson units. It is expected that the resultant heat rate curves will be different for each unit. The following graph shows an example for the possible results, with the test points generating a heat rate curve using regression analysis on the test points. The data values for this graph, as well as other graphs in this section, are shown in a table at the end.

Example Unit Heat Rate Test Results



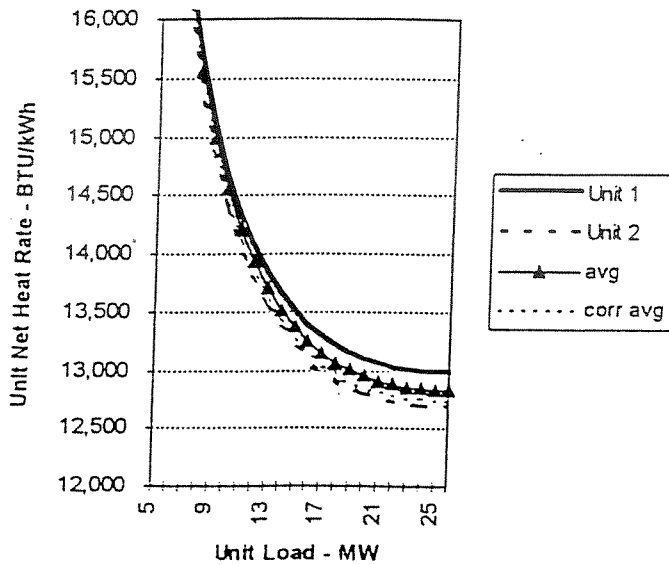
These unit heat rates will then be averaged to produce an average Tanguisson unit heat rate curve as shown on the following graph.

Example Unit Heat Rate Test Results
with Average Heat Rate



In this example, the average heat rate at maximum load is 12,839 BTU/kWH, which is different than the Guaranteed Net Plant Heat Rate of 12,750 BTU/kWH. The average heat rate is therefore shifted to adjust for this difference of 89 BTU/kWH by subtracting this difference at all load points, to produce the corrected average heat rate curve (corrected to the Guaranteed Net Plant Heat Rate). The following curve shows this adjustment.

Example Unit Heat Rate Test Results with
Average and Corr. Average



The corrected average heat rate is converted into MBTU input for each load point. This is also shown in the table at the end. Performing a regression for MBTU input vs. load and load squared produces the A, B, and C constants for the heat input equation. In this example, the constants are A = 46, B = 9.16076923, and C = 0.07. The heat input equation is therefore:

$$M = 46 + 9.16076923 \times L + 0.07 \times L^2$$

This equation determines the amount of theoretical heat energy input for one hour at the given unit load.

The following table shows the example data used in this example.

Unit Load MW	Unit 1 Heat Rate	Unit 2 Heat Rate	avg. Heat Rate	corr avg. Heat Rate	Energy Input MBTU/hr
5	18,950	18,650	18,800	18,711	93.5538
6	17,487	17,187	17,337	17,247	103.4846
7	16,461	16,161	16,311	16,222	113.5554
8	15,710	15,410	15,560	15,471	123.7662
9	15,141	14,841	14,991	14,902	134.1169
10	14,700	14,400	14,550	14,461	144.6077
11	14,352	14,052	14,202	14,113	155.2385
12	14,073	13,773	13,923	13,834	166.0092
13	13,848	13,548	13,698	13,609	176.9200
14	13,666	13,366	13,516	13,426	187.9708
15	13,517	13,217	13,367	13,277	199.1615
16	13,395	13,095	13,245	13,156	210.4923
17	13,296	12,996	13,146	13,057	221.9631
18	13,216	12,916	13,066	12,976	233.5738
19	13,151	12,851	13,001	12,912	245.3246
20	13,100	12,800	12,950	12,861	257.2154
21	13,060	12,760	12,910	12,821	269.2462
22	13,031	12,731	12,881	12,792	281.4169
23	13,010	12,710	12,860	12,771	293.7277
24	12,997	12,697	12,847	12,757	306.1785
25	12,990	12,690	12,840	12,751	318.7692
26	12,989	12,689	12,839	12,750	331.5000

APPENDIX C

SAMPLE INVOICE CALCULATION

This sample invoice calculation is based on the following assumptions for the one month billing period:

Number of hours in month	720 hours
Nominated Capacity	50,000 kW
Net Energy Delivered	23,040,000 kWh
Plant EAF for the month	87 %
Number of unit starts	4
Start-up Fuel Energy Requirements	90 MBTU/start (assumed)
Base GDPIPD	108.9
Period GDPIPD	120.3
Year of Contract	8
Years since Unit 1 Overhaul	4
Years since Unit 2 Overhaul	5
Current Fuel Cost	\$4.59 / MBTU
Fuel Consumed during Month	49,987 BBL
Weighted Average Fuel Heating Value	6.1245 MBTU/BBL

Capacity Payment

The Capacity Payment is the Nominated Capacity for the period times the Capacity Fee ((\$4.180) times the Plant EAF for the period. The formula is therefore:

$$CP = \text{Nominated Capacity} \times \text{Capacity Fee} \times \text{EAF}$$

In this example:

$$CP = 50,000 \times 4.180 \times .87$$
$$CP = \$181,830.00$$

Energy Conversion Payment

The Energy Conversion Payment (unadjusted) is the Energy Conversion Fee (\$0.001) times the Energy Delivered (23,040,000 kWh in the example). The formula is therefore:

EP = Energy Conversion Fee x Energy Delivered.

In this example:

$$EP = \$0.001 \times 23,040,000$$

$$EP = \$23,040.00$$

Fixed O&M Payment

The Fixed O&M Payment (unadjusted) is the Nominated Capacity for the period times the Fixed O&M Fee (\$4.00) times the Plant EAF for the period. The formula is therefore:

$$\text{Fixed O\&M} = \text{Nominated Capacity} \times \text{Fixed O\&M Fee} \times \text{EAF}$$

In this example:

$$\text{Fixed O\&M} = 50,000 \times 4.00 \times .87$$

$$\text{Fixed O\&M} = \$174,000.00$$

Fee Adjustment Provision

The Energy Conversion and Fixed O&M Payments are subject to escalation based on the ratio of the current GDPIPD to the base GDPIPD or the number of years of the contract times .035 plus 1. Both need to be calculated, and the lower of the two will be used. In this example, the equations are:

$$\text{GDPIPD Ratio} = \text{GDPIPD}_{\text{period}} / \text{GDPIPD}_{\text{base}}$$

$$\text{GDPIPD Ratio} = 120.3 / 108.9$$

$$\text{GDPIPD Ratio} = 1.104683$$

$$\text{Escalation Max.} = 0.035 \times 8 + 1$$

$$\text{Escalation Max.} = 0.28 + 1$$

$$\text{Escalation Max.} = 1.28$$

Since the GDPIPD Ratio is lower, it should be used to adjust the Energy Conversion and Fixed O&M Payment as follows:

$$\text{Adjusted Energy Conversion Payment} = \$23,040 \times 1.104683$$

Adjusted Energy Conversion Payment = \$25,451.90

Similarly, the Fixed O&M Payment should be adjusted as follows:

Adjusted Fixed O&M Payment = \$174,000 x 1.104683

Adjusted Fixed O&M Payment = \$192,214.84

Heat Rate Bonus / Penalty

This calculation will be made for every 15 minute increment during the month. To simplify this example, the heat rate calculation will be made for one 15 minute increment, with an assumed number based on the same calculation methodology used for the balance of the month. This adjustment will be made every 6 months; it is being illustrated solely as a monthly adjustment to simplify the example. Assumptions used in this calculation are:

Unit 1 energy delivered - 23,560 kW

Unit 2 energy delivered - 20,420 kW

The Heat Input equations, using assumed constants for the equation, are of the form:

$$M = 46 + 9.16076923 \times L + 0.07 \times L^2$$

This equation calculates the Heat Input for one hour. The heat input for the 15 minute increment, which is one fourth on an hour, is:

$$M = 0.25 \times (46 + 9.16076923 \times L + 0.07 \times L^2)$$

Applying this equation to the above energy deliveries yields:

$$M_{\text{unit 1}} = 0.25 \times (46 + 9.16076923 \times (23.560) + 0.07 \times (23.560)^2)$$

$$M_{\text{unit 1}} = 75.17072 \text{ MBTU}$$

Since Unit 1 has had 4 years of operation since its last overhaul, this number is increased by 4 times 0.5%, or 2 %, to yield 76.674 MBTU.

And for Unit 2

$$M_{\text{unit 2}} = 0.25 \times (46 + 9.16076923 \times (20.420) + 0.07 \times (20.420)^2)$$

$$M_{\text{unit 2}} = 65.71972 \text{ MBTU}$$

Since Unit 2 has had 5 years of operation since its last overhaul, this number is increased by 4 times 0.5%, or 2.5%, to yield 69.413 MBTU.

The heat input for the plant for this 15 minute increment is therefore:

$$M_{\text{plant}} = 76.674 + 69.413 \text{ MBTU}$$

$$M_{\text{plant}} = 146.084 \text{ MBTU}$$

The remaining 2,879 15 minutes during the month would be calculated in a similar manner. Rather than repeat these 2,879 calculations, let's assume that our computer has done the remaining calculations and produced a heat input of 300,717.2684 MBTU. This is added to the heat input for the first 15 minute increment previously calculated, plus the number of unit starts times the start up fuel energy to produce the total theoretical energy input for the month. The equation is:

$$M_{\text{month}} = 146.084 + 300,717.2684 + 4 \times 90$$

$$M_{\text{month}} = 301,223.34 \text{ MBTU}$$

If the actual energy input is greater than 301,223.34 MBTU plus 1% (a total of 304,235.57 MBTU), a penalty would be due from the Proponent to GPA. If the actual energy input is less than 301,223.34 MBTU minus 1% (a total of 298,211.1 MBTU), a bonus would be due from GPA to the proponent.

The actual energy input for the month the number of barrels of fuel oil consumed times the weighted average heating value of the fuel for the month. This is:

$$M_{\text{actual}} = 49,987 \times 6.1245$$

$$M_{\text{actual}} = 306,145.38 \text{ MBTU}$$

Since the actual energy input exceeds 304,235.57 MBTU, a penalty is due. The penalty is 50% of the difference times the weighted average fuel cost for the month. The equation for this is:

$$P_{\text{Heat Rate}} = 0.5 \times (306,145.38 - 304,235.57) \times \$4.59$$

$$P_{\text{Heat Rate}} = 0.5 \times 1,909.81 \times 4.59$$

$$P_{\text{Heat Rate}} = \$4,383.01.$$

To summarize for this month, the information on the following page, at a minimum, would be shown on an invoice.

INVOICE

to: Guam Power Authority
from: HEI Power Corp. Guam
for: Tanguisson ROM Services per Contract signed 9/30/96

period covered: (month name) 1, (year) to (month name), 30, (year)

Capacity Payment	\$ 181,830.00
Energy Conversion Payment	\$25,451.90
Fixed O&M Payment	\$192,214.84
Heat Rate Penalty	<u>-\$4,383.01</u>
Subtotal	\$395,113.73
Discount if Paid within 30 days (5% of Capacity Payment)	<u>-\$9,091.50</u>
Subtotal with Discount	\$386,022.23
Excise Tax @ 4.167 %	<u>\$16,085.55</u>
Total Amount Due	<u><u>\$402,107.78</u></u>

Payment due by (date 30 calendar days from invoice delivery)

Supporting documentation attached.

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