

Airstrike destruction of power plant will cost U.S.

BY FARAH STOCKMAN

The Boston Globe

WASHINGTON – The Palestinian power plant bombed by Israeli forces Tuesday is insured by a U.S. government agency, and U.S. officials say they expect American money to be used to pay for the damage.

The destruction of the 140-megawatt reactor, the only one in the Gaza Strip, threatens to create a humanitarian disaster because the plant supplies electricity to two-thirds of Gaza's 1.3 million residents and operates pumps that provide water supplies.

But paying a claim on the plant, which was insured for \$48 million, could prove problematic for the United States, which cut off funding for all infrastructure projects in the Palestinian territories after the militant group Hamas won legislative elections in January.

Administration officials said the restrictions on working with a Hamas-led government could further complicate the repair of the electric facility, which could take weeks, if not months, to fix because of the escalating violence in Gaza.

The bombing of the plant could become a lasting problem for the Bush administration, which is appealing for an end to the showdown between Israelis and Palestinians in Gaza.

Israeli warplanes hit the power plant two days after Palestinian militants attacked an Israeli army unit, killing two soldiers and taking another one hostage. The power plant cost about \$150 million and took more than five years to build.

Plans for it began in 1999, when two private investors – the now-defunct Enron Corp. and a Palestinian-born construction mogul, Said Khoury – laid down the blueprint for making the Palestinian territories less reliant on buying electricity from Israel.

The project faltered when violence broke out in Gaza in 2000 and when Enron collapsed into bankruptcy, but Khoury continued to push forward. His construction company's U.S. subsidiary, Connecticut-based Morganti Group, bought out Enron's stake in the plant.

In 2002, the plant began operating, becoming the first such facility regulated by the Palestinian Energy Authority. In 2004, it reached full commercial capacity and its owners were able to purchase \$48 million in "political risk" insurance from the Overseas Private Investment Corp, an arm of the U.S. government that provides American businesses with financing abroad and promotes U.S. interests in emerging markets.

The insurance that Morganti purchased covers "political violence," which includes "wars, acts of terrorism, things like that," said Lawrence Spinelli, a spokesman for the investment corporation.

To be paid for the damage, the company must file a claim, and the investment corporation must determine whether the claim is covered by the policy, Spinelli said.

The corporation raises its reserve funds through insurance premiums and other charges to its clients, but its funds are kept in the U.S. Treasury and are controlled by Congress.