



**THE POWER GENERATION COMPANY OF
TRINIDAD AND TOBAGO LIMITED**

*ANNUAL ADMINISTRATIVE REPORT
FOR THE YEAR JANUARY 01, 2009
TO DECEMBER 31, 2009 REQUESTED BY THE
MINISTRY OF ENERGY AND ENERGY AFFAIRS*

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1. Vision, Mission, Philosophy and Strategic Objectives

Vision Statement

Our vision is to be the leading supplier of quality energy, committed to the needs of our customers and sensitive to the environment.

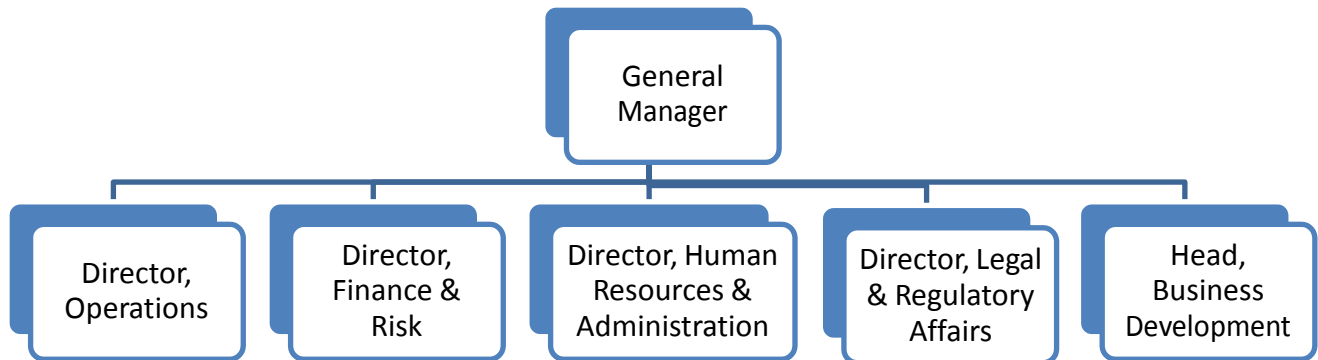
Mission Statement

Our mission is to exceed our customers' expectations for quality energy in a safe and environmentally responsible manner, creating value for our customers, employees and shareholders.

OFFICERS:

Full Name	Address	Date of Appointment
Garth Chatoor – General Manager	6A Queen’s Park West, Port of Spain, Trinidad	2000
Dawn Callendar – Director of Finance	6A Queen’s Park West, Port of Spain, Trinidad	2001
Joy Ramlogan – Director of Legal & Regulatory Affairs	6A Queen’s Park West, Port of Spain, Trinidad	1998
Hyacinth Guy – Director of Human Resources & Administration	6A Queen’s Park West, Port of Spain, Trinidad	1998
Michael Joseph – Director of Operations	6A Queen’s Park West, Port of Spain, Trinidad	2006
John Scott – Head, New Business	6A Queen’s Park West, Port of Spain, Trinidad	2006

b. Corporate Structure (2009)



Function of Each Division:

The General Manager is a position established in the original Shareholders Agreement dated December 23, 1994 as amended by the Amended and Restated Shareholders Agreement dated December 19, 2005. The General Manager reports to the Management Committee of the Board and to the Board of Directors. His reports are:

Director, Operations – responsible for the operations and maintenance of the three power stations at Port-of-Spain, Point Lisas and Penal and the dispatch, engineering and reliability functions.

Director, Finance & Risk – responsible for management of finances in the Company, financial reporting, payroll and benefits, treasury, cost and budgets, purchasing and materials and risk management functions.

Director, Human Resources & Administration– responsible for human resources management, training, industrial relations, employee benefits and programs, corporate communications, information technology and security.

Director, Legal & Regulatory – responsible for legal advice, major contract negotiations, property matters, litigation, corporate secretarial function, regulatory affairs and corporate health, safety and the environment management.

Head, New Business – responsible for new business projects.

c. Services Products provided and Special Projects embarked upon

The Company is licensed under the T&TEC Act to produce bulk electrical power under its power purchase agreements.

d. Delegated Levels of Authority

The Company's delegated levels of authority are in accordance with the attached Board Approved Policy – See Attachment 1.

e. Legislative and Regulatory Framework

The Company is an approved generator under the T&TEC Act and it supplies bulk electrical power to T&TEC under two power purchase agreements pursuant to a licence under the T&TEC Act. Its main regulatory agencies are as follows:

- *Regulated Industries Commission-* PowerGen maintains a mutually beneficial relationship with the Regulated Industries Commission (“RIC”) by being a source of reliable industry information, actively participating in any initiatives of the RIC.
- *Environmental Management Authority-* PowerGen adheres to the environmental rules and terms of certificates of environmental compliance as well as monitoring and reporting under the Water Pollution Rules as required by the Environmental Management Authority (EMA).
- *Occupational Safety and Health Act Chap. 88:08-* PowerGen complies with the provisions of the Act and also notifies the OSH Agency of any incidents at our Plants which require medical attention.

- *Ministry of Energy and Energy Industries & Governmental Relationships*-PowerGen continues to keep the Ministry of Energy updated on its activities in light of the Government Implementation Agreement, the Company's environmental indemnity under the 1994 PPA and the thrust for growth opportunities.

- *Other Government Approvals* – PowerGen also has to obtain, inter alia, the following approvals:
 - Fire Certificates for the three Plants
 - Boiler Inspection Certificates for Port of Spain Plant
 - Water Abstraction Licences for Port of Spain and Penal Plants

f. Reporting Functions

In 2009, PowerGen was owned by T&TEC (51%), MaruEnergy Trinidad LLC (39%) and Amoco Trinidad Power Resources Corporation (10%).

PowerGen is not considered to be a state enterprise as control of the entity is with the overseas shareholders and not T&TEC and the government is not a direct shareholder through the Corporation Sole. As such, its accounts are not reviewed by the Auditor General, and based on advice from senior counsel, it is not subject to the Freedom of Information Act nor the Integrity in Public Life Act.

Accordingly, PowerGen only carries out regulatory reporting functions to the Regulated Industries Commission, Environmental Management Authority and Occupational Safety and Health Agency and other agencies as may be required from time to time.

2. Policies and Development Initiatives

Short, medium and Long term plans, Performance objectives and accomplishments

The Annual Review for 2009 sets out the plans and performance for that year and is attached as Attachment 2. The Company operates under two Power Purchase Agreements, the 1994 Power Purchase Agreement for 819MW from all three power plants and the 2005 Power Purchase Agreement for a contracted availability of 90% of 208MW. By law, the Company is only permitted to generate electrical power from the power plants and sell same to T&TEC. Its performance indicators are therefore based on these two agreements:

	GOAL
INDICATORS	2009
Absenteeism (days per employee)	<10
Days Away from Work Cases	≤2
2005 PPA - Avg. Declared Capacity (MW)	≥187
1994 PPA - Avg. Declared Capacity (MW)	>919
New Plant- System Availability (%)	>90
Existing Plant- System Availability (%)	>82
FINANCIAL INDICATORS	2009
Net Income (US\$ million)	5.107
Dividends Declared	22.000
Dividends per share (US cents)	4.555
Debenture Repayments (US\$ million)	0.000
Outstanding Debenture	47.000

3. Financial Operations

The Company's financial operations are conducted in accordance with its Amended and Restated Shareholders' Agreement dated December 19, 2005 and Board Approved Policies. The

Company's accounts are audited annually by external audit firms and presented annually at the Annual General Meetings of the Company.

a. Highlights for the Fiscal Year - Financial Performance

➤ **Comparison to Budget**

Below is a comparative analysis of the 2009 actual income versus the restated 2009 budget income.

- **Net Income** of US\$23.311 million represented a positive variance of US\$8.068 million over the budgeted US\$15.243 million. The actual Net Income included the recognition of the pension asset of US\$3.316 million. If the pension asset, which is not distributable, had been excluded, net income would have been US\$19.995 million, or US\$4.752 million over budget.
- **Lease and Service Income** of US\$103.140 million was US\$4.734 million below budget. The components of this variance were:
 - Lower US CPI affected both PPAs with an unfavourable variance of US\$3.732 million, as the actual average US CPI of 214.54 was lower than the budgeted 222.92.
 - Net electricity sales for Units 13 and 14 were US\$0.960 million below budget due to the forced outages in the first quarter.
 - Energy sales under the 1994 PPA were US\$0.053 million above budget, as sales of 4,713 GWh were 251 GWh above budget.
 - Penalties were US\$0.095 million above budget as a result of capacity shortfalls under the 1994 PPA.

- **Operations and Maintenance** costs showed a favourable variance of US\$4.215 million. The major contributors to this variance were the reduction in scope and the postponement of inspections. These were due, in part, to a decision to reduce maintenance expenses in light of lower than budgeted US CPI. The above items were partially offset by an obsolescence inventory provision consistent with the initial findings of the Wood Group report and the inventory rationalisation exercise. In addition, higher than budgeted overtime costs were recorded because of the extended and forced outages during the year.
- **Administrative Expenses** showed a positive variance of US\$9.682 million (including the abovementioned before tax pension asset of US\$ 4.422 million) as the actual achievement of US\$15.008 million was lower than the budgeted US\$24.690 million. Excluding the pension asset adjustment, Administrative Expenses were US\$5.260 million below budget. This reflects decisions made by the Company, during the year, to reduce Administrative Expenses. These decisions included reducing the scope of work on administrative projects such as Outage Management and Business Development projects, and reducing aspects of routine administrative expenses including training, conferences, public relations, company functions and professional expenses.
- **Depreciation and Amortization Expenses** were US\$0.826 million below budget as there were cancellations and postponements in completing budgeted capital expenditure projects in order to offset the reduced revenue.
- **Other Income** recorded a favourable variance of US\$0.119 million. The major contributor to this was higher interest income earned from higher-than-projected cash balances as a result of cancellation in capital projects.
- **Current Taxes** were US\$2.321 million above budget as a result of higher income than budgeted. In addition, there was lower tax depreciation resulting from the comparatively reduced 2009 capital expenditure.

- **Deferred Taxes** were US\$0.298 million below budget. The major factor affecting this was the difference between the actual and budgeted capital schedules.

Unadjusted Earnings per Share (EPS) was US 4.83 cents or 1.67 US cents above the budgeted 3.16 US cents. However, if EPS were adjusted to remove the pension asset, the revised EPS will be 4.14 US cents, an increase of 0.98 US cents above the budget. In 2009, total returns to shareholders were US\$26.500 million, or US\$6.621 million above the budgeted US\$19.879 million. This performance was generally attributable to income which was higher than budgeted.

b. Budget Formulation

Budget formulation is an annual exercise incorporating all line functions. The format of the budget is in accordance with the Amended and Restated Shareholders' Agreement dated December 19, 2005. The budget is presented to Management Committee of the Board which then recommends same for approval by the Board. The Annual Budget and Strategic Business Plan is normally approved in October of the prior year to the fiscal year commencing on January 01.

c. Expenditure vs Budget

The financial performance of the Company is set out in the Annual Review for 2009 (see Attachment 2). The Board Approved Capital Expenditure Policy is set out in Attachment 3.

The Company's financial performance in 2009 was as follows:

	2009 GOAL	2009 ACTUAL
Net Income Unadjusted (US\$ million)	15,243	23,311
Net Income Adjusted for pension assets (US\$ million)	15,243	19,995

d. Debt Policy

The Company's debt policy is a Board Approved Policy which is set out in Attachment 4. A summary of the main provisions are as follows:

- The debt financing policy seeks to establish guidelines in connection with any indebtedness to be incurred by the Company. The Company may obtain debt financing from (i) any reputable lending or financial institution; or (ii) the issuance of privately placed or publicly registered note or security; or (iii) any individual, company or other body, including any Shareholder or Affiliate thereof, which may be approved by Unanimous Board Approval.
- However, such indebtedness so incurred shall:
 - (i) be in accordance with the Shareholders Agreement and the relevant Annual Budget;
 - (ii) be obtained on commercially reasonable terms; and
 - (iii) not cause the Company's debt/equity ratio at any time to exceed 1.5
- Such indebtedness must be:
 - (a) necessary for the purposes of enabling the Company to meet its obligations under any applicable laws or regulations;

- (b) otherwise required in order to enable the Company to manage its Business efficiently; or
- (c) in furtherance of, or otherwise for the purpose of expanding, the business of the Company as may be approved by the Majority Shareholders from time to time.

e. Investment Policy

The Company's investment policy is a Board Approved Policy which is set out in Attachment 5. A summary of the main provisions are as follows:

- The Company shall invest its liquid assets in the following types of investments only and then in accordance with prudent business practice:
 - (i) investment grade marketable direct obligations issued or guaranteed by the Government of the United States of America or the Government of the Republic of Trinidad and Tobago or issued by an agency of either of the foregoing and backed by the full faith and credit of any of the foregoing;
 - (ii) investment grade marketable direct obligations issued by any state of the United States of America;
 - (iii) investment grade commercial paper and bonds issued by corporations organized under the laws of any state of the United States of America or the Republic of Trinidad and Tobago; or
 - (iv) Eurodollar certificates of deposit or time deposits or bankers acceptances issued by any commercial bank organized under the laws of the United States of America or any state thereof or the Republic of Trinidad and Tobago having combined capital and surplus of not less than US\$50,000,000;
 - (v) and, in the case of paragraphs (i) to (iv) above, having a final maturity of one year or less from the date of acquisition by the Company.

- The investments to be made by the Company (other than the temporary investment of its reserves and cash on current account) in any Financial year will be set out in the Annual Budget for such year as approved and amended in accordance with the Shareholders Agreement.
- Save in exceptional circumstances the Company shall not have any single investment or investments of the type described in paragraphs (i) to (iv) above in any one organization which, whether individually or in the aggregate, comprises more than 40% of the cash, reserves and other liquid assets of the Company. If there are such exceptional circumstances, the Management Committee shall in any event ensure that the holding in excess of the 40% limit does not continue for more than 3 months.

f. Internal Audit Function

The Company's internal audit function is outsourced to an auditing firm and reports to a sub-committee of the Board, the Internal Audit Oversight Committee. A copy of the Terms of Reference is set out in Attachment 6. The major findings on audits for the year 2009 are as follows:

- Special Review Of Procurement Processes
 - Recording of the evaluations and documentation of awards procedures to be complied with consistently
 - Close out of completed work orders in the computer system "MAXIMO" to be followed up for higher close out rates
 - There was also a need for better development of scopes of work for contracting
- Review Of Generate Electricity Process Dated April 2009
 - Operations practices to be standardized for better monitoring of performance
 - Trip reporting should be performed more consistently
 - Reporting of availability from the plants needed to be standardised

- In relation to Random Load tests, timeliness in declarations of unit unavailability could lead to failure of a random load test
- Operate And Maintain Generation Systems
 - Usage of the MAXIMO system needed to be increased to minimize inaccurate reports.
 - Process for tracking unused spares/materials to enforced consistently.
 - Outage Planning resulted in the intervals of outages exceeding the fired hours as recommended by the OEM.
 - Records of statutory inspections on plant equipment to be brought up to date
 - Predictive and Preventative maintenance to be carried out to schedule – the ratio is below the target of 70:30 for PM to CM.

4. Human Resource Development Plan

- **Rationalisation of Staff Resources**

The impending end of the 1994 PPA signals from the customer that its terms would be significantly changed upon renewal, indicated the need to review the organisation's structure and staffing and determine a new direction forward. In May 2009, PowerGen began the process of restructuring the organisation, and a rationalisation of its human resources. In late 2009, the organisation implemented an attrition programme and at the end of the year, 37 positions that had become vacant were not filled.

The Company continued its training programme to broaden the skills of employees and so promote development. In addition, Phase 2 of the Leadership Development Programme was completed, with development activities being undertaken by all Heads of Departments along with their direct reports.

During 2009, the Company also began negotiations with the Oilfields Workers Trade Union for a new collective agreement period from 1 January 2009 to 31 December 2011. The Company also continued negotiations with the Senior Staff Association for the previous negotiating period. The focus during these negotiations was to identify and revise work rules that do not support the new business model. This includes a new 12-hour shift to improve shift continuity and reduce the overtime costs, both in Operations and Maintenance.

a. Organisational Establishment

The organizational establishment for 2009 is attached as Attachment 7.

As at the end of December 31, 2009 the organization establishment comprised the following:

HEAD COUNT AS AT DECEMBER 2009

Department	No. of Staff		Vacant Positions	Total Headcount
	Management	Non-Management		
Head Office				
Office of the GM	1	1	0	2
Human Resources & Administration	5	10	0	15
Business Development	2	1	1	4
Project Management Office	8	6	0	14
Corporate Communications	1	2	1	4
Legal & Regulatory	3	5	0	8
Operations	5	2	3	10
Information Resources	3	6	0	9
Finance	9	9	4	22
Total:	37	42	9	88
Purchasing & Materials	2	24	4	30
Point Lisas	11	119	3	133
Penal	9	89	5	103
Port of Spain	11	128	10	149
Plant Total:	33	360	22	415
Total Head Count	70	402	31	503

	Contract Employees	Trainees		
		Engineers	MIC	Gen./Other
Head Office	5	0	0	1
Purchasing & Materials	0	0	0	0
Penal	0	6	5	7
Point Lisas	1	4	3	15
Port of Spain	2	5	4	4

b. Category of Employees

The Company employs the following categories of employees:

- (1) Management Professionals
- (2) Senior Staff Association Members
- (3) Oilfields Workers Trade Union Members (registered trade union)

c. Career Path Systems

The Company supports the development of its personnel and where applicable has potential for career development. The Company has a Career Planning Policy and Training and Development Policy, both of which are attached in Attachment 8.

Career planning in the technical areas is centered on structured competency assessment. Technical training and refresher training supports this progression utilizing the Prior Learning Assessment system. There is also an Engineer in Training and Generator Trainee programme to ensure that new graduates and technical vocational trainees are trained and competent in power plant operations. The formal trainee programmes in 2009 benefitted 54 persons.

The Company recognises that effective management is essential to staff retention. There is a need for managers to create and sustain employee engagement, manage change effectively, and conduct succession planning in a proactive systematic way.

Managers are therefore required to attend training courses aimed at building effective teams and healthy workplace climates conducive to employee commitment, which courses include:

- Developing competence in people skills (soft skills)
- Building cohesive and productive teams
- Developing approaches to effective work teams
- Assessing and developing strategies for organisational problems
- Reviewing change management approaches
- Doing strategic planning
- Developing approaches to enhanced competence in engaging and motivating employees
- Communicating effectively in a variety of situations

To address the issue of current managers retiring or leaving for other opportunities, PowerGen's training and development plans are aligned to meet the needs of employees. To that end, staff development entails the following:

- individual external courses focused on needs of employees; and
- internal department-specific custom training services.

d. Performance Assessment/Management Strategies

Since inception, the Company has implemented performance assessment systems. The applicable policies on Performance Evaluation and Performance Management are attached in Attachment 9.

e. Promotion- selection procedures

The Company's Recruitment and Selection policy is attached as Attachment 10.

f. Employee Support Services

The Company has an active Employee Assistance and Wellness Programme and the policy is attached as Attachment 11. Employee support includes counseling, psychological support for employees, anti-addiction support and extends to families where persons have encountered traumatic situations including family issues.

The Employee Education Assistance Programme is also a key employee support service. The policy is attached as Attachment 12. This Programme provides employees with financial support for formal education and training. Offering employees continuing education opportunities leads to a well-trained work force. It also allows eligible employees to achieve professional growth and greater job satisfaction by enrolling in undergraduate, graduate or Ph.D. degree or job-related courses.

The Computer Literacy Programme is another avenue for professional development that PowerGen employees can utilise. The policy is attached as Attachment 13. The Programme allows employees to access a computer allowance through various options.

5. Procurement Procedures

a. Open tender

b. Selected tender

c. Sole tender

The Company has a Tenders Procedure and a Board Approved Purchasing Policy which governs the procurement of goods and services, please see Attachment 14. The list of tenders issued for the year 2009 and their values are attached at Attachment 15.

6. Public and Community Relations

a. Client and Public Access to services

The Company has one customer (by law, PowerGen is only allowed to generate bulk electrical power and sell to T&TEC) and therefore there is no client or public access to services.

b. Community and Stakeholder Relations

The Company is one of the largest sponsors of youth cricket in the country through its support of the PowerGen Secondary Schools Cricket League and also sponsors the Annual Special Children's Sports Day for all special schools. It is an active provider of scholarships to primary and tertiary level students as well as its employees are leaders in community based outreach projects.

The Company also sponsors the PowerGen Cricket Club which is a community based club which both plays competitive cricket and provides training and support to young sportsmen and women in the community.

The Company's local partners would include the Trinidad and Tobago Cricket Board (for the youth cricket programmes); and the University of the West Indies, the National Centre for Persons with Disabilities, YTEPP, the National Energy Skills Center (for educational scholarships).

The Company's board approved Philanthropic Policy is attached as Attachment 16.

c. Strategic Partnerships (local, regional, international)

PowerGen has no strategic partnerships with other local, regional and international parties.