



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

*ANNUAL ADMINISTRATIVE REPORT
FOR THE YEAR JANUARY 01, 2008
TO DECEMBER 31, 2008 REQUESTED BY THE
MINISTRY OF ENERGY AND
ENERGY INDUSTRIES*

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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.

2. Organisation Structure

a. Organisation Profile

REGISTERED OFFICE: 6A Queen's Park West, Port of Spain

OPERATING LOCATIONS: PORT-OF-SPAIN POWER STATION, PT. LISAS POWER STATION
AND PENAL POWER STATION

INCORPORATION:

(a) Country: Trinidad and Tobago

(b) Formation Date: 22nd December, 1994 (c) Company No.: T-2280(C)

(d) Continuance Date: 22nd March 1999

(e) Fiscal Year End: 31st December

Minute Book and Corporate

Record Location: 6A Queen's Park West, Port of Spain

ANNUAL GENERAL MEETING:

AGM Required: Annually following the financial year which ends on December 31

AGM held on : AGM for 2008 was held on August 05, 2009

Meeting Location: Hyatt Regency Hotel, Trinidad

BUSINESS: Generation of Electricity

QUALIFIED TO DO BUSINESS IN: Trinidad and Tobago

ASSUMED NAMES: PowerGen

CAPITAL STOCK:

Ten percent (10%) – Amoco Trinidad Power Resources Corporation

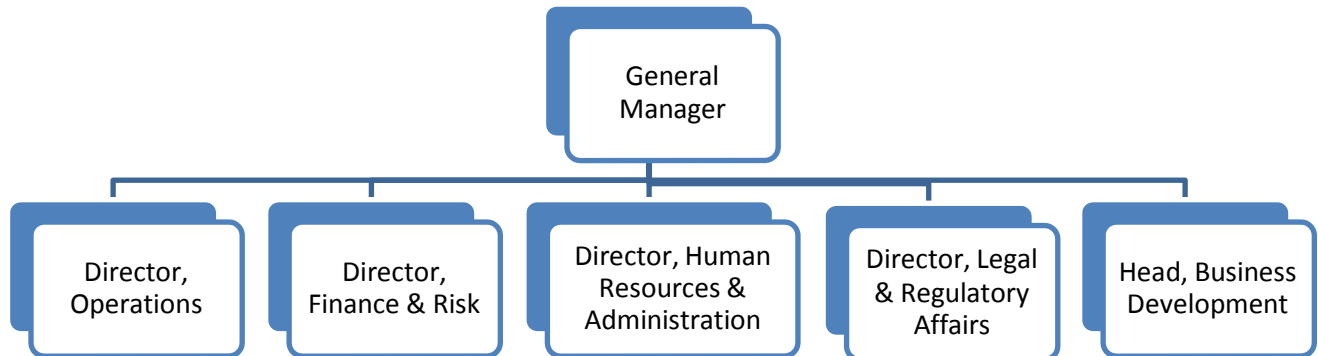
Thirty-nine percent (39%) - Maru Energy Trinidad LLC

Fifty-one percent (51%) – Trinidad and Tobago Electricity Commission

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 (2008)



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 2008, 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.

3. Policies and Development Initiatives

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

The Annual Review for 2008 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	2008
Absenteeism (days per employee)	<8

Days Away from Work Cases	≤2
2005 PPA - Avg. Declared Capacity (MW)	187
1994 PPA - Min. Declared Capacity (MW)	>819
New Plant- System Availability (%)	>90
Existing Plant- System Availability (%)	>82
FINANCIAL INDICATORS	2008
Net Income (US\$ million)	12.3
Dividends Declared	12.3
Dividends per share (US cents)	2.5
Debenture Repayments (US\$ million)	19.0
Repayment of Shareholder Loan	2.5
Outstanding Debenture	38.0

4. 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 2008 actual income versus the 2008 budget data.

- **Net Income** of US\$29.401 million represented a positive variance of US\$9.702 million over the budgeted US\$19.699 million. The actual Net Income included the recognition of the pension asset of US\$3.611 million after taxes. If the pension asset, which is not distributable were excluded, net income would be US\$25.790 million or US\$6.091 million over budget.
- **Lease and Service Income** of US\$107.743 million was US\$1.598 million below budget. The components of this variance were:
 - Service Income of the 1994 PPA had a positive variance of US\$1.045 million because the actual CPI of 215.29 was higher than the budget of 212.98.
 - Energy sales under the 1994 PPA were US\$0.258 million above budget as actual energy sold of 4,583 GWh was 163 GWh above projections.
 - Penalties were US\$2.075 million above budget due to capacity shortfalls under the 1994 PPA.
 - Net electricity sales for Units 13 and 14 were US\$0.826 million below the budget due to lower availability.
- **Operations and Maintenance** costs showed a favourable variance of US\$1.804 million. The

major contributor to this variance was a reduction in scope and postponement of inspections, with the most significant being the postponement of the Pt. Lisas 4 and 11 inspections.

- **Administrative Expenses** showed a positive variance of US\$6.361 million (including a pension asset of US\$ 4.815 million) as the actual achievement of US \$14.755 million was lower than the budgeted US\$21.116 million. Excluding the pension asset, Administrative Expenses would be US\$1.546 million below budget. Delays in filling budgeted vacancies and reduced scopes of administrative programmes contributed to this variance.
- **Depreciation and Amortization Expenses** were US\$1.585 million below budget due to delays in completing budgeted capital expenditure and major maintenance projects.
- **Other Income** recorded a favourable variance of US\$0.871 million. Higher interest income earned from higher than projected cash balances and higher foreign currency gains partially offset by losses on the disposal of capital spares contributed to this variance.
- **Current Taxes** were US\$0.892 million below budget due to a tax loss carry forward which was related to the capitalization of new units in 2007. This was partially offset by higher taxable income and lower tax depreciation resulting from the comparatively reduced 2008 capital expenditure.
- **Deferred Taxes** were US\$0.212 million above budget. This was the combined result of deferred taxes related to the pension adjustment and lower wear and tear due to a lower than anticipated level of capital and major maintenance expenditure.

Unadjusted Earnings per Share (EPS) was 6.09 US cents or 2.01 US cents above the budgeted 4.08 US cents. However, if EPS were adjusted to remove the pension asset, the revised EPS will be 5.34 US cents, an increase of 1.26 US cents above the budget.

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 2008 (see Attachment 2). The Board Approved Capital Expenditure Policy is set out in Attachment 3.

The Company's financial performance in 2008 was as follows:

	2008 GOAL	2008 ACTUAL
Net Income Unadjusted (US\$ million)	19,699	29,401
Net Income Adjusted for pension assets (US\$ million)	19,699	25,790

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 Company's findings on audits for the year 2008 are as follows

(1) Contracting Process

(i) Tender Policy should be updated to give clear guidelines on negotiation with tenderers and there should be documentation on the reasons for variations from award to the lowest bidder;

(ii) Annual pre-qualification of contractors for non-emergency work should be undertaken.

(2) Fixed Asset Count – This needed to be undertaken for Point Lisas Plant.

(3) Accounts Payable – These needed to be monitored closely by the Company to keep within the targets.

5. Human Resource Development Plan

• Optimisation of Human Resources

After a careful review of the organization and its human resource requirements, 34 new positions were added to support the growth objectives and introduce the project management function to improve the organisation's efficiency and effectiveness. The second phase of the Leadership Development Programmes aimed at improving work planning, time management and manager/employee relations continued. This programme is also an integral part of the Company's retention and succession plan strategies. Skills training continued for operations and maintenance personnel. This process proceeded seamlessly and without disrupting the work of the organisation.

• Employee Relations

The organisation undertook initiatives to rebuild the relationship between itself and the OWTU following the prolonged negotiating process of the previous year. Non-crisis meetings resumed and the HR Department held several meetings to update staff on the details and workings of the new industrial agreement.

a. Organisational Establishment

The organizational establishment for 2008 is attached as Attachment 7.

As at the end of December 31, 2008 the organization establishment comprised the following:

HEAD COUNT AS AT DECEMBER 2008

Department	No. of Staff		Total Headcount
	Management	Non-management	
Head Office			
Office of the GM	1	1	2
Human Resources & Administration	5	9	15
Business Development	3	1	4
Project Management Office	6	5	4
Corporate Communications	1	3	4
Legal & Regulatory	3	5	8
Operations	5	2	11
Information Resources	3	5	9
Finance	6	9	22
Total:	33	39	88
Purchasing & Materials	2	23	30
Point Lisas	10	116	132
Penal	8	87	104
Port of Spain	11	129	149
Plant Total:	31	355	415
Total Head Count:	64	394	503

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 2008 benefitted 86 persons.

In 2008, Staff Turnover was approximately 4%. 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 Company also has Wellness Incentive Activities annually such as health walks and hikes.

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.

6. 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 2008 and their values are attached at Attachment 15.

7. 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.