

# Statement of Corporate Intent 2009/2010

# For Parliamentary tabling

Prepared by the Directors and Management of CS Energy Ltd (ABN 54 078 848 745) for shareholding Ministers:

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Treasurer
and Minister for Employment and Economic Development

and

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# 29 May 2009

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# 1. Corporate objectives and strategies

### 1.1. Core business

CS Energy Ltd's (CS Energy) core business is to generate and sell electricity, including participation in electricity trading arrangements in the National Electricity Market (NEM) under the *Electricity Act 1994*. Pursuant to this Act, the Queensland Government has granted CS Energy an authority to connect Callide, Swanbank and Kogan Creek A generating plants to the Queensland electricity transmission grid. CS Energy holds an Australian Financial Services Licence, which enables it to manage revenue fluctuations, associated with the electricity pool, through contract arrangements in the derivative market. The Company also holds an electricity retail licence in Queensland.

Mica Creek Power Station in Mount Isa is not connected to the NEM transmission grid and sells power, under power purchase agreements, to customers in the north-west Minerals Province.

# 1.2. Corporate objectives

The energy industry in Australia is in a period of significant and fundamental change. The proposed introduction in 2010 of a national Carbon Pollution Reduction Scheme, together with a national Mandatory Renewable Energy Target of 20% renewable energy by 2020, will dramatically reshape the Australian electricity industry over the next 20 years.

CS Energy is positioning itself in this rapidly changing external environment, through a focus on maintaining and enhancing profitability from its current assets, as well as pursuing initiatives that will provide the foundation for a successful business into the future.

CS Energy is seeking to secure its long term profitability by continuing the development of a large, diverse, low cost asset portfolio. This strategy will ensure that CS Energy continues to be competitive in the rapidly changing energy market due to its scale, cost structure, plant and fuel diversity and low portfolio carbon footprint. This will equip the Company to meet the challenges of the Carbon Pollution Reduction Scheme, the mandatory renewables target and of vertically integrated competitors. A no growth option has also been evaluated, which would adversely impact on shareholder value as it would generate lower returns than the growth option and be progressively adversely impacted by the Carbon Pollution Reduction Scheme.

In the long term, CS Energy aims to have a portfolio that: By 2020:

- Has installed generation capacity in excess of 4,000 MW;
- Has 500 MW of renewable generation; and
- Is carbon neutral in its internal energy consumption.

### By 2030:

• Achieves a generation portfolio greenhouse emission intensity of less than 400 kgCO2/MWhso.

To meet these long term targets, CS Energy has set corporate goals for the medium term, with corresponding objectives and strategies to achieve them, which provide a balance between maintaining and enhancing profitability from the current business and pursuing growth initiatives needed to reposition the business for future success. This approach is essential to CS Energy preserving and growing its market share in the long-term and continuing to achieve a commercial return for its shareholders.

CS Energy's medium term goals focus on the key areas of people, portfolio, growth and social licence, aiming to be:

- Recognised as having people with commitment and skills to deliver business outcomes;
- Acknowledged as a safe and efficient operator of reliable generation plant;



- Controlling a secure and diverse mix of competitive fuel sources
- Leading the development of low emission plant; and
- Acknowledged as a financially viable, environmentally sound and corporately responsible company.

# 1.3. Operational objectives - 2009/2010

# **People**

- Competent, motivated and happy workforce.
- Zero industrial disputes.
- A revised leadership development program, to support the evolution of a new generation of leaders in the Company.
- Internal and industry wide learning and development programs, to build skills.
- Improved effectiveness of organisation.

### **Portfolio**

- Zero lost time injuries in a zero harm culture.
- 20 per cent reduction in total injuries and near misses.
- Top quartile availability and reliability for each generating unit.
- A carbon emission intensity below the National Electricity Market average.

### Growth

- Long-term economic gas supply arrangements for Swanbank E and F.
- Approval for the future of Swanbank B Power Station.
- Acquisition of renewable fuel resources.
- Complete feasibility study of preferred renewable technology options.
- Approval and funding for one new renewable energy project.
- Participation in low emission coal technology development.

### Social licence

- A company-wide carbon management plan.
- A reportable environment incident frequency rate (REIFR) of zero.
- ISO 14001 environmental accreditation for Kogan Creek A Power Station.
- ISO 14001 maintained at all other sites.

# 1.4. Corporate strategies - 2009/2010

### **People**

CS Energy needs its people to have the commitment and skills to deliver business outcomes, which involves:

- Extending attraction and retention strategies for our people.
- Providing a flexible work environment for our people.
- Implementing the Teamworks leadership development program across the Company.
- Continuing investment in both internal and industry wide development programs.
- Conduct second internal survey to determine effectiveness of organisational improvement objectives.

### **Portfolio**

CS Energy aims to reduce the carbon footprint of its portfolio, be acknowledged as a safe and efficient



operator of reliable generation plant, and secure a diverse mix of competitive fuel and water sources, which involves:

- Enhancing the Company's safety culture through initiatives, such as Chairman's Safe Move Awards, Fit for Duty program and other internal safety initiatives.
- Optimising revenue on a portfolio basis, through the implementation of an effective trading strategy and improved reliability of current plant.
- Implementing the Company's enhanced asset management, maintenance and overhaul processes, to deliver availability and reliability targets.
- Developing and implementing an efficiency improvement and carbon emission reduction plan for each site.
- Implementing a consistent management approach to core operations at sites and centralising delivery of specialist services.
- Develop a cost-conscious approach for all business decision making.
- Develop and implement plant reliability improvement plans for each site.

### Growth

CS Energy aims to position itself as a leader in commercialising low emission plant, which involves:

- Progressing the Callide Oxyfuel Project demonstration, to provide the platform for the subsequent successful commercialisation of the technology.
- Progressing renewable projects, such as solar thermal and geothermal projects.
- Developing and implementing an acquisition strategy for renewable fuel sources.

### Social licence

CS Energy is developing the skills and processes to ensure its readiness for the Carbon Pollution Reduction Scheme in 2010, to optimise revenue and deliver outstanding environmental performance, which involves:

- Developing and implementing a revised trading strategy, to manage market and operations risks under an emissions trading regime, including the use of domestic and international carbon permits.
- Developing and implementing a Carbon Management Plan, including investment in biosequestration to offset up to 10 per cent of the portfolio. Biosequestration activities include a joint Greening Australia research project into how much carbon native forests store (Phase 1 of forest restoration project) and investigations into other biosequestration options such as the potential of algae to sequester carbon dioxide.
- Participating in industry forums of key issues such as low emission coal research and development.

### 1.5. Performance drivers

External factors affecting CS Energy's business, during the life of this plan, are:

- Carbon Pollution Reduction Scheme: The Federal Government's Carbon Pollution Reduction Scheme (CPRS) is expected to be operational in 2010. CS Energy is developing the skills and processes to manage the impacts from the CPRS and ensure the Company complies with the scheme. Uncertainty in the market surrounding the impact of the CPRS has resulted in a hedging risk for CS Energy, with low contract volumes hedged past 2010.
- Mandatory Renewable Energy Target: By 2020, it will be mandatory for 20 per cent of Australia's electricity supply to come from renewable energy sources. For Australia to achieve this target, it is estimated that over 60 per cent of Australia's new generation will need to be from renewable energy. CS Energy is investigating potential renewable energy projects to add to its portfolio. Preliminary findings indicate that securing a project that is cost-competitive will be challenging. Without additional funding from either the government or a third party, these renewable energy



projects will not eventuate, as the technology is still experimental at this scale and electricity price above will not cover costs.

 Gas/LNG: The rapidly developing coal seam methane to liquid natural gas industry should place significant upward pressure on gas.



# 1.6. Corporate performance outcomes

In accordance with the Company's corporate objectives, CS Energy undertakes to achieve the following corporate performance outcomes in 2009/2010:

Our Aims and how we plan to succeed	Key Measures	Targets for 2009/2010
People [commitment and skills t	o deliver business outcomes]	
A competent, motivated workforce	Employee availability	>97%
	Employee retention rate	>89.5%
	Organisation effectiveness survey	5% improvement on last survey
Portfolio [safe and efficient opera diverse mix of fuel and water res	ator of commercial scale, reliable ources!	generation plant; with a secure and
Safety performance	Lost time injuries	Zero
	Category 3 Incident Frequency Rate	20% reduction from previous year
Cost competitiveness	Operating costs	
Top quartile availability and reliability	Unit reliability and availability	Station targets achieved
Carbon intensity below NEM average	Carbon strategy implementation	CPRS ready
Competitive and secure long term fuel sources	Additional gas secured to support existing and new gas fired generation	Gas supply secured to meet scheduled operating regime: Min 95% 1 year forward; Min 80% 2 years fwd; Min 50% 5 years fwd.
Growth [leader in commercialising		
Portfolio installed capacity of 4,000 MW by 2020	Swanbank B future	Strategy approved by Board October 2009
	Mica Creek redevelopment	Strategy approved by Board March 2010
Renewable generation capacity 500 MW by 2020	Renewable generation projects	Feasibility assessment of all main renewable technology options
Commercialisation of oxyfuel technology	Oxyfuel project development	Key project milestones met
Social licence [financially viable		
Commercial return to shareholders	EBITDAP	
Optimised revenue on a portfolio basis	Gearing	
Funding secured to underpin growth	Biosequestration investment	Complete phase 1 Greening Australia project
Carbon neutral internal energy by 2020 with emission intensity below 400kgCO <sub>2</sub> /MWh by 2030	Carbon intensity	< NEM average
Outstanding environmental performance	ISO14001 accreditation at all sites	Kogan Creek A accreditation by June 2010
Positive relationships with stakeholders	Compliance with Government. policies & guidelines	100%



# 2. Mandatory matters

CS Energy has invested in major capital programs to build Callide C, Swanbank E and Kogan Creek A. These investments make up the large bulk of the assets and are all in the early years of asset life. This asset profile will lead to lower returns in the short term than a portfolio of older plant. The return for 2008/2009 included a number of accounting adjustments which increased the level of returns. However, the adjusted returns for 2008/2009 were lower than the equivalent figures for 2009/2010. CS Energy has embarked on a series of initiatives to improve the reliability of the plant and hence the ability to increase revenues, which, together with an increased focus on cost control, will progressively improve the levels of returns.

# 2.1. Financial targets

	Quarter	2009/10		Performance targets	2007/08	2008/09	2008/09	2009/10
Sept	Dec	Mar	June		Actual	Budget	Est Act	Budget
8.7	47.1	115.7	12.6	EBIT (\$M)	130.9	182.5	191.7	184.1
46.6	86.5	156.0	53.4	EBITDA (\$M)	266.7	323.2	334.6	342.6
(4.9)	21.1	68.4	(2.6)	NPAT (\$M)	59.0	85.6	98.2	82.0
(116.8)	(15.5)	176.4	(108.0)	Economic profit	(33.4)	-	2.3	(14.5)
1.4	7.3	17.9	2.0	Return on total assets (%)	4.4	7.0	7.8	7.1
1.4	7.4	18.0	2.0	Return on operating assets (%)	4.5	6.9	7.6	7.4
(2.2)	9.4	29.0	(1.1)	Return on equity (%)	9.7	9.5	12.1	9.0

	Quarter	2009/10		Performance indicators	2007/08	2008/09	2008/09	2009/10
Sept	Dec	Mar	June		Actual	Budget	Est Act	Budget
						T	T	
49.6	50.6	47.0	48.2	Debt/debt + equity (%)	47.8	53.7	44.6	47.6
0.8	1.1	1.2	0.8	Current ratio (times)	0.8	0.7	0.6	0.8
0.5	2.7	6.4	0.8	Interest cover (times)	2.4	3.0	3.7	2.7
				O&M cost excl fuel (\$/MWh)				
				Fuel cost (\$/MWhso)				
(29.3)	(3.7)	42.5	(29.1)	SVA (\$M)	(3.4)	(33.1)	12.1	(19.6)



# 2.2. Operational performance targets

	Quarter 2	2009/2010			2007/08	2008/09	2008/09	2009/10
Sept	Dec	Mar	June		Actual	Budget	Est Act	Budget
%	%	%	%	Production	%	%	%	%
				Equivalent availability factor				
87.8	77.8	87.8	87.8	Swanbank B	83.3	89.8	78.4	85.2
69.0	95.0	97.0	97.0	Swanbank E	79.0	88.2	86.5	90.0
93.0	93.0	93.0	93.0	Callide B	83.6	79.2	72.9	93.0
76.0	92.0	92.0	92.0	Callide C	75.0	91.2	90.2	88.0
92.0	92.0	92.0	92.0	Kogan Creek	84.8	88.5	81.2	92.0
82.4	91.5	93.4	83.8	Mica Creek	91.0	92.9	90.4	87.8
84.7	89.8	92.1	92.1	CS Energy average (excl Mica)	80.9	86.7	82.1	92.2
				Reliability factor				
95.75	95.75	95.75	95.75	Swanbank B	94.7	91.8	90.6	95.8
97.00	97.00	97.00	97.00	Swanbank E	92.7	96.7	97.3	97.0
95.00	95.00	95.00	95.00	Callide B	93.9	95.8	92.6	95.0
94.00	94.00	94.00	94.00	Callide C	89.0	92.6	94.4	94.0
94.00	94.00	94.00	94.00	Kogan Creek	87.6	92.9	90.8	94.0
96.80	96.80	96.80	96.80	Mica Creek	98.1	98.0	96.0	98.0
95.0	95.0	95.0	95.0	CS Energy average (excl Mica)	91.0	93.6	92.9	95.0
				Planned outage factor				
0.0	10.0	0.0	0.0	Swanbank B	6.5	2.0	4.8	2.5
28.0	2.0	0.0	0.0	Swanbank E	7.5	8.5	4.0	7.0
0.0	0.0	0.0	0.0	Callide B	7.7	16.6	17.3	0.0
16.0	0.0	0.0	0.0	Callide C	6.8	1.4	0.8	4.0
0.0	0.0	0.0	0.0	Kogan Creek	2.1	4.4	4.8	0.0
11.3	2.3	0.4	10.0	Mica Creek	3.6	2.1	2.7	6.0
7.4	2.3	0	0	CS Energy average (excl Mica)	5.9	6.8	6.6	2.1
				Forced outage factor				
4.25	4.25	4.25	4.25	Swanbank B	5.3	8.2	9.5	4.3
3.0	3.0	3.0	3.0	Swanbank E	7.3	3.3	2.8	3.0
5.0	5.0	5.0	5.0	Callide B	6.1	4.2	9.3	5.0
6.0	6.0	6.0	6.0	Callide C	11.1	7.4	6.7	6.0
6.0	6.0	6.0	6.0	Kogan Creek	12.4	7.1	10.8	6.0
3.2	3.2	3.2	3.2	Mica Creek	1.9	2.1	4.0	3.2
5.0	5.0	5.0	5.0	CS Energy average (excl Mica)	9.0	6.4	7.7	5.0



	Quarter 2	009/2010			2007/08	2008/09	2008/09	2009/10
Sept	Dec	Mar	June		Actual	Budget	Est Act	Budget
				Maintenance outage factor <sup>1</sup>				
8.0	8.0	8.0	8.0	Swanbank B	5.0	0.0	7.7	8.0
0.0	0.0	0.0	0.0	Swanbank E	0.2	0.0	1.0	0.0
2.0	2.0	2.0	2.0	Callide B	2.5	0.0	0.6	2.0
2.0	2.0	2.0	2.0	Callide C	7.2	0.0	2.3	2.0
2.0	2.0	2.0	2.0	Kogan Creek	0.0	0.0	2.2	2.0
3.0	3.0	3.0	3.0	Mica Creek	2.9	3.0	2.1	3.0
2.9	2.9	2.9	2.9	CS Energy average (excl Mica)	3.3	0.0	3.5	2.9
				Energy sent out				
				Callide B (GWhSO)				
				Callide C (GwhSO)				
				Swanbank B (GWhSO)				
				Swanbank E (GwhSO)				
				Kogan Creek A (GwhSO)				
				Mica Creek (GWhSO)				
				Collinsville (GWhSO)				
4,767	5,009	5,041	5,045	Total sent out (GWhSO)	16,060	18,984	17,612	19,863
				Capacity factor				
88	91	90	90	Callide B (%)	75	75	67	90
89	85	95	91	Callide C (%)	72	86	78	90
55	50	53	50	Swanbank B (%)	51	48	45	52
57	76	77	79	Swanbank E (%)	63	65	65	72
93	87	91	91	Kogan Creek (%)	71	88	79	88
n/a	n/a	n/a	n/a	Mica Creek (%)	65	69	65	65
21	28	24	22	Collinsville (%)	46	30	35	24

<sup>1.</sup> Maintenance outage factor is as defined in the NEMMCO Guidebook for Forced Outage Data Recording: Definitions and Assumptions Version 1.0.



	Quarter 2	2009/2010			2007/08	2008/09	2008/09	2009/10
Sept	Dec	Mar	June		Actual	Budget	Est Act	Budget
				Environment				
0	0	0	0	EP Act enforcement actions <sup>1</sup>	0	0	0	0
All sites except Kogan	All sites except Kogan	All sites except Kogan	Kogan Creek certified	Certification to ISO 14001 (scope)	All sites except Kogan	All sites except Kogan	All sites except Kogan	Kogan Creek certified
793	793	793	793	Greenhouse gas intensity (kgCO₂e/MWh generated)²	778	771	774	778
3,796.9	3,796.9	3,796.9	3,796.9	Greenhouse emissions (ktCO <sub>2</sub> e)	13,532.3	15,242.7	14,204.8	16,255.7
8	8.5	8	8.5	Renewable energy production (GWh)	30	27	28	33
				Safety				
160.0	130.0	140.0	140.0	All injury frequency rate	120.6	200.0	180.4	200.0
5.0	3.0	0.0	0.0	Lost time injury frequency rate (LTIFR) employees <sup>3</sup>	3.1	0.0	6.0	0.0
4.0	2.0	0.0	0.0	Lost time injury duration rate (LTIDR) <i>employees</i> <sup>1</sup>	5.5	0.0	4.5	0.0
1.0	0.0	0.0	0.0	LTIFR contractors	4.9	0.0	2.0	0.0
				People				
10%	10%	8%	8%	Staff turnover (annualised)	13.8%	13%	12.5%	10%
663	663	663	663	Net FTE staff numbers	591	632	643	663

The number of enforcements actions taken against the Corporation or its officers under the *Environmental Protection Act 1994* including penalty infringement notices, environmental protection orders, restraint orders or convictions of offences.
 Calculations based on the National Greenhouse Energy Reporting System (NGERS) except 2007/2008 actual, which is based on

Calculations based on the National Greenhouse Energy Reporting System (NGERS) except 2007/2008 actual, which is based on Generator Efficiency Standard methodology. No abatement allowed under present NGERS rules for combustion of landfill gas at Swanbank B.

<sup>3.</sup> LTIFR and LTIDR are rolling, twelve-month figures. Quarterly figures may contain injuries sustained in the previous financial year.



# 2.3. Key assumptions

This plan is based on the following key assumptions.

	07/08 Actual	08/09 Budget	08/09 Est Actual	09/10 Budget
Economic indices				
CPI (average 10 years)	5.1	3.0	3.0	3.0
Wages growth (%)	4.5	4.5	4.5	4.5
Long term interest rate (%)	6.6	6.9	6.9	7.9
Dividend payout ratio (%)	80	80	65	85
Revenue	[			
Average on grid revenue (\$/MWhSO)				
Average total revenue (\$/MWhSO)				
Net on-grid contract revenue (\$M)				
Total revenue (\$M)				
Volume of contracts (MW)				
Peak				
Off peak				
Flat				
Other				
Average strike price for contracts (\$/MWh)				
Peak				
Off peak				
Flat				
Other				
Other revenue				
REC price (\$/certificate)				
REC volume sold				
GEC price (\$/certificate)				
GEC volume sold (,000s certificates)				
NEM				
Time-weighted average pool price (\$/MWh)				
Volume-weighted average pool price (\$/MWh)				
Energy				
Total energy produced (GWh)				
Total energy sent out (GWh)	16,060	18,985	17,612	19,863
Contract volume sold (GWh)				



	07/08 Actual	08/09 Budget	08/09 Est Actual	09/10 Budget
Capital expenditure				
Continuing investment in existing business (\$M)				
Other business development (\$M)				
Total capital expenditure	120.3	303.3	160.0	257.9

### Other relevant assumptions

### Market and revenue

 Forecast demand is based on the median growth scenario from the 2008 NEMMCO Statement of Opportunities (SOO).

### **Assets**

- Swanbank B available to run throughout planning period with refurbishment; subject to carbon impact.
- Major overhauls at Callide C station, Swanbank B and E stations and Mica Creek during 2009/2010, along with continuation of Callide B mid-life refit.
- Oxyfuel technology development and testing continues.
- Other renewable generation sought.
- Coal and gas is available at viable market prices.
- No asset impairment adjustments have been reflected.

# 2.4. Community service obligations

No community service obligations have been identified for CS Energy for 2009/2010.

# 2.5. Employment and industrial relations plan

An Employment and Industrial Relations Plan, meeting the requirements of Section 171 of the GOC Act, has been provided to the shareholding Ministers and is included as Attachment 1 to this Statement of Corporate Intent.



### 3. **Additional matters**

# 3.1. Financial results

# 3.1.1. Group results

### Income Statement

	Quarter 2	009/2010			2007/08	2008/09	2008/09	2009/10
Sept \$000	Dec \$000	Mar \$000	June \$000		Actual \$000	Budget \$000	Est Act \$000	Budget \$000
				Operating revenue				
187,703	220,554	290,306	185,392	Sales of electricity	739,924	813,653	766,126	883,955
1,418	3,730	1,532	1,306	Other <sup>1</sup>	90,767	10,775	40,874	7,987
189,121	224,284	291,838	186,698	Total operating revenue	830,691	824,427	807,001	891,942
				Operating expenses				
				Fuel				
				O&M (excluding overhaul & amortisation)				
				Depreciation and amortisation				
				Business development				
				Other <sup>2</sup>				
172,885	177,224	176,109	174,036	Total operating expenses	699,781	641,917	625,149	700,254
16,236	47,061	115,729	12,663	Operating profit/(loss)	130,910	182,511	181,851	191,688
				Non-operating revenue and expenses <sup>3</sup>				
				Non-operating revenue				
				Non-operating expenses				
(7,578)	0	0	0	Non-operating profit/(loss)	0	0	9,817	(7,578)
8,658	47,061	115,729	12,663	Earnings before interest and tax	130,910	182,511	191,668	184,110
15,756	17,123	18,140	16,553	Interest expense	54,209	61,300	52,098	67,572
(2,232)	8,877	29,171	(1,274)	Income tax expense	17,694	35,581	41,425	34,542
(4,866)	21,060	68,418	(2,616)	Profit/(loss) after tax	59,007	85,629	98,146	81,996
(14,495)	(19,361)	1,699	70,117	Opening retained profits	(46,258)	(33,285)	(46,345)	(14,495)
0	0	0	0	Adjustments to retained profits	(11,888)	0	0	0
(19,361)	1,699	70,117	67,502	Total available for appropriation	861	52,344	51,801	67,502
0	0	0	69,841	Dividends provided for	47,206	68,504	66,296	69,841
(19,361)	1,699	70,117	(2,339)	Closing retained profits	(46,345)	(16,160)	(14,495)	(2,339)

Other operating revenue 1)

Primarily mark to market gains, by-product sales, O&M services contribution, captive insurance revenue.

Other operating expenses

# 2)

Services (excluding business development), site rehabilitation provision, network charges & market fees, Collinsville capacity charges, research & development. Non-operating revenue and expenses

3)

Revaluation of onerous contracts.



### Balance sheet

	Quarter 2	009/2010			2007/08	2008/09	2008/09	2009/10
Sept \$000	Dec \$000	Mar \$000	June \$000		Actual \$000	Budget \$000	Est Act \$000	Budget \$000
				Current assets				
7,577	7,577	7,577	7,577	Cash	21,854	4,257	7,577	7,577
99,641	85,154	103,317	79,756	Receivables	134,113	72,679	68,016	79,756
66,651	66,549	66,448	65,434	Inventories	64,498	51,730	66,752	65,434
12,488	11,947	12,575	12,034	Other <sup>1</sup>	100,110	11,550	11,922	12,034
186,358	171,228	189,918	164,802	Total current assets	320,575	140,216	154,268	164,802
				Non-current assets				
370	744	1,123	1,507	Investments	1	4,785	1	1,507
12,617	11,936	12,649	11,968	Prepayments	13,336	33,647	11,904	11,968
28,049	29,914	29,715	29,517	Gas exploration, evaluation costs	30,724	47,175	20,433	29,517
				Property, plant and equipment:				
2,176,558	2,184,163	2,162,697	2,147,231	- Commissioned assets	2,061,227	2,225,378	2,106,416	2,147,231
20,719	22,262	32,116	42,223	- Non-commissioned assets <sup>2</sup>	26,223	77,453	2,552	42,223
139,080	139,080	139,080	129,859	Other <sup>3</sup>	188,584	181,822	139,080	129,859
2,377,393	2,388,099	2,377,381	2,362,304	Total non-current assets	2,320,095	2,570,260	2,2 80,387	2,362,304
2,563,750	2,559,327	2,567,299	2,527,106	Total assets	2,640,670	2,710,476	2,434,654	2,527,106
				Current liabilities				
83,803	65,652	62,039	59,428	Creditors	83,234	52,711	71,318	59,428
0	0	0	0	Borrowings	0	0	0	0
178,757	119,946	129,611	153,472	Other <sup>4</sup>	305,631	142,590	181,090	153,472
262,560	185,598	191,650	212,900	Total current liabilities	388,865	195,301	252,409	212,900
				Non-current liabilities				
875,167	931,329	868,148	864,683	Borrowings	830,272	1,062,620	755,162	864,683
538,005	533,322	530,004	521,616	Other <sup>5</sup>	689,328	537,232	534,199	521,616
1,413,172	1,464,651	1,398,152	1,386,299	Total non-current liabilities	1,519,600	1,599,851	1,289,362	1,386,299
1,675,732	1,650,249	1,589,802	1,599,199	Total liabilities	1,908,465	1,795,152	1,541,770	1,599,199
888,018	909,078	977,496	927,908	Net assets	732,205	915,324	892,884	927,908
				Shareholders equity				
953,115	953,115	953,115	953,115	Share capital	953,115	943,119	953,115	953,115
(45,736)	(45,736)	(45,736)	(22,868)	Hedging reserve	(174,565)	(11,635)	(45,736)	(22,868)
(19,361)	1,699	70,117	(2,339)	Retained earnings	(46,345)	(16,160)	(14,495)	(2,339)
888,018	909,078	977,496	927,908	Total shareholders equity	732,205	915,324	892,884	927,908

<sup>1)</sup> Other current assets

Primarily prepayments and derivative financial instruments. Non-commissioned PP&E assets

2)

Business development works in progress.

3) Other non-current assets

Deferred tax assets, derivative financial instruments and retirement benefit obligations.

4) Other current liabilities

Employee entitlement provisions, current tax provision, dividend provision, onerous contract provisions, derivative financial instruments.

Other non-current liabilities 5)

Employee entitlement provisions, site rehabilitation provisions, onerous contract provisions, deferred tax liability, derivative financial instruments.



# Cash flow statement

	Quarter 2	009/2010			2007/08	2008/09	2008/09	2009/10
Sept \$000	Dec \$000	Mar \$000	June \$000		Actual \$000	Budget \$000	Est Act \$000	Budget \$000
				Cash flows from operating activities				
220,963	273,700	316,227	244,476	Cash receipts in the course of operations	908,214	940,305	946,909	1,055,366
(187,305)	(194,436)	(182,447)	(169,701)	Cash payments in the course of operations	(506,014)	(648,265)	(627,369)	(733,889)
25	25	25	25	Interest received	4,648	100	262	100
(16,118)	(17,485)	(18,502)	(16,916)	Borrowing costs paid	(60,205)	(63,571)	(52,360)	(69,021)
0	0	(19,818)	0	Tax equivalent payments	0	(14,698)	0	(19,818)
17,565	61,804	95,486	57,884	Net cash provided by operating activities	346,643	213,871	267,442	232,739
				Cash flows from investing activities				
(137,201)	(51,296)	(31,926)	(36,119)	Payments for property, plant & equipment	(132,639)	(295,796)	(159,956)	(256,541)
0	0	0	0	Proceeds from sale of non-current assets	0	0	0	0
(369)	(374)	(379)	(18,300)	Other	108,857	0	553	(19,422)
(137,570)	(51,670)	(32,305)	(54,419)	Net cash used in investing activities	(23,782)	(295,796)	(159,403)	(275,963)
				Cash flows from financing activities				
120,005	56,161	15,412	19,236	Proceeds from borrowings	688,791	226,435	336,775	210,815
0	0	(78,593)	(22,701)	Repayment of borrowings	(968,444)	(22,811)	(411,885)	(101,294)
0	0	0	0	Equity contributions	10,000	0	0	0
0	(66,296)	0	0	Dividends paid	(34,640)	(121,558)	(47,206)	(66,296)
0	0	0	0	Other	0	0	0	0
120,005	(10,134)	(63,181)	(3,465)	Net cash used in financing activities	(304,293)	82,066	(122,316)	43,225
0	0	0	0	Net increase/(decrease) in cash held	18,568	141	(14,277)	0
7,577	7,577	7,577	7,577	Opening cash balance	3,286	4,116	21,854	7,577
7,577	7,577	7,577	7,577	Closing cash balance	21,854	4,257	7,577	7,577

# 3.1.2. Transactions with owners as owners

	2007/08	2008/09	2008/09	2009/10
	Actual	Budget	Est Act	Budget
Equity injections / withdrawals (\$M)	10.0	-	-	-
Dividends provided for (\$M)	47.2	68.5	66.3	69.8
Dividends paid (\$M)	34.6	121.6	47.2	66.3
Dividend payout ratio %	80	80	68	85
Adjustment to NPAT pre-dividend calculation (\$M)	-	-	(15.3)	5.3



### 3.1.3. Financial results for Callide Energy Pty Ltd

### 3.1.4. Financial results for CS Energy Mica Creek Pty Ltd

### 3.1.5. Financial contributions: subsidiaries

Through undertaking joint investments, CS Energy has established or acquired eight first tier subsidiary companies:

- CS Energy's 100% interest in Mica Creek Power Station is owned and operated by two wholly owned subsidiaries, CS Energy Mica Creek Pty Ltd and CS North West Pty Ltd. The function of CS Energy Mica Creek Pty Ltd is to own and develop Mica Creek Power Station, to supply power to the North West Minerals Province in North West Queensland. The function of CS North West Pty Ltd is to provide operation and maintenance services for Mica Creek Power Station and any other remote power generation opportunities entered into by CS Energy, pursuant to its business development strategy and in accordance with the terms of an operation and maintenance contract with the power station owner. Project financing is provided through Queensland Treasury Corporation. For the purposes of the budget, the activities of CS North West Pty Ltd have been consolidated with those of CS Energy Mica Creek Pty Ltd.
- A wholly owned subsidiary of CS Energy, Callide Energy Pty Ltd, holds a 50% interest in the Callide Power Project. Callide Energy Pty Ltd is also the joint owner (50%) with IG Power (Callide) Ltd (a company that is jointly owned by InterGen and the Huaneng Power Group of China) of two special purpose companies, being Callide Power Management Pty Ltd (the Project Manager) and Callide Power Trading Pty Ltd (the energy market trader).
- Two wholly-owned subsidiary companies, Swanbank Energy Pty Ltd and SE CSE Pty Ltd, have been established for the purpose of managing CS Energy's interest in the Swanbank E project and to facilitate any future sell-down of that interest to 50% ownership, if required.
- CS Energy's 100% interest in Kogan Creek Power Project is managed through the wholly-owned subsidiaries, CS Kogan (Australia) Pty Ltd and CS Energy Kogan Creek Pty Ltd.
- CS Energy's participation in the Callide Oxyfuel Project (a joint venture demonstration project to confirm the commercial scale viability of an oxyfuel and carbon capture and storage process) is managed through a special purpose company, CS Energy Oxyfuel Pty Ltd.

There are a number of second and third tier subsidiaries that support these companies but do not currently contribute to group profit.

The contributions of the first tier subsidiaries, excluding those related to the Kogan Creek Power Project, are outlined in the following table:

### Contribution to group profit - budget

	Ownership (%)	Contribution to group profit for 2009/2010 (\$M)
Subsidiary CS Energy Mica Creek Pty Ltd & CS North West Pty Ltd		
Callide Energy Pty Ltd		



# 3.2. Assets

CS Energy owns and operates the following assets as at 30 June 2009:

Power Station	Owner- ship	Туре	Fuel	Unit Size (MW)	No of Units	Total Capacity (MW)	CS Energy owned capacity (MW)
Southern Qld							
Swanbank B	100%	Steam turbine	Coal- fired	120	4	480	480
Swanbank E	100%	Gas turbine	Gas- fired	385	1	385	385
Central Qld							
Callide A 1	100%	Steam turbine	Coal- fired	30	4	120	120
Callide B	100%	Steam turbine	Coal- fired	350	2	700	700
Callide C	50%	Steam turbine	Coal- fired	450	2	900	450
North-west Qld							
Mica Creek A (Units 1,2,3,4)	100%	Steam turbine	Gas- fired	33	4	132	132
Mica Creek A (Units 5,6,7)	100%	Combined- cycle block	Gas- fired	35 33	2	103	103
Mica Creek B	100%	Gas turbine	Gas- fired	35	1	35	35
Mica Creek C	100%	Combined- cycle block	Gas- fired	55	1	55	55
Western Qld							
Kogan Creek A	100%	Steam turbine	Coal- fired	750	1	750	750
Total capacity						3,697	3,210

<sup>1</sup> Callide A was stored in December 2001.

# 3.3. Capital expenditure program

# 3.3.1. Continuing investment in existing business

Description	Total cost (\$M)	Budgeted cost 2009/2010 (\$M)	Purpose	Status
Swanbank	64.3	64.3	Maintain reliability	Continuing
Kogan Creek A	53.2	53.2	Maintain reliability	Continuing
Callide	43.1	43.1	Maintain reliability	Continuing
Mica Creek	32.9	32.9	Maintain reliability	Continuing
Gas field assets/Other	25.0	25.0	Maintain supply	Continuing
Total (includes overhauls)	218.5	218.5		



### 3.3.2. New business

Description	Estimated total cost to 2013/14(\$M)	Budgeted cost 2009/10 (\$M)	Project status
Swanbank F			Feasibility
Kogan Creek B			
Other			Feasibility
Total (including capitalised interest)			

# 3.4. Other undertakings

### 3.4.1. Prudent financial management

The Board and Chief Executive of CS Energy take full responsibility to ensure that prudent financial practices will be applied both within the Corporation and its subsidiaries (whether fully controlled or otherwise). Without limiting the obligations imposed on the Board and Chief Executive by the GOC Act and, where applicable, by the Corporation's Law, this commitment includes:

- Abiding by the Code of Practice for Government Owned Corporations' Financial Arrangements as issued by the Queensland Government; and
- Establishing, maintaining and implementing appropriate financial risk management practices and policies as required and specified in the Code of Practice.

# 3.4.2. Capital structure

CS Energy will prudently manage the financing of its existing business and new business developments. Over the longer term the Company's plan assumes new capital investment, and a corresponding capacity to finance these developments through appropriate debt and equity structures, commensurate with an investment grade credit rating. As an integral part of the financing of the Corporation, the overall debt will be managed to ensure that CS Energy maintains an investment grade credit rating, on a stand-alone basis, or other rating as directed by shareholding Ministers.

### 3.4.3. Weighted average cost of capital (WACC)

CS Energy reviews its WACC on an annual basis. As part of the SCI negotiation process, CS Energy's beta and optimal capital structure have been determined in consultation with shareholder representatives. Separate WACCs have been calculated for CS Energy's on grid and off-grid operations. Other than the annual review process, in the event that CS Energy encounters a significant change to the risk profiles of its business, its WACC will be recalculated, in consultation with shareholder representatives.

As part of the process for preparation of the annual financial statements, CS Energy undertakes an asset impairment evaluation using WACC to verify the book carrying value. This evaluation effectively reassesses the discounted future cash flows for the remaining asset life to confirm that they exceed the current written down book value. This process requires an estimate of the long term revenues and costs outlook.

Typically, assets with large initial capital outlays such as the Kogan Creek Power Station will show lower returns in the early part of the asset life (when the carrying value is very high) and much higher returns later in the asset life (when asset values are much lower).

CS Energy has invested heavily over the last ten years in major capital programs at Callide C, Swanbank E and Kogan Creek. These investments make up the bulk of the Company's assets and are all in the early years of asset life. As discussed, this asset profile will inevitably be reflected in lower percentage returns resulting in a comparatively lower group return than for portfolios of older assets.



Details of CS Energy's WACC calculations are provided in Attachment 2 to this SCI.

### 3.4.4. Dividend policy

CS Energy's dividend policy takes into account the return its shareholders expect on their investments. The Board of CS Energy will recommend a dividend amount equivalent to 80% of the Corporation's adjusted profit for the 2009/2010 financial year. The Board will adopt such a recommendation on the basis of its shareholders agreeing to provide the necessary funding for projects, which have received Board and shareholding Ministers' approval, or for the maintenance of CS Energy approved capital structure, or for ensuring the operational viability of CS Energy.

### 3.4.5. Borrowings

CS Energy's borrowing policy is in accordance with the Code of Practice for GOCs' Financial Arrangements 2002.

### 3.4.6 State borrowing programme

CS Energy is not proposing to seek approval for an allocation under the 2009/2010 State Borrowing Programme. Major expenditure is expected to be able to be funded from existing QTC redraw, offset and working capital facilities. The major expenditure items for 2009/2010 are:

- Additional capital works at Kogan Creek A Power Station, to meet operational requirements;
- Continuation of work on the mid-life refit at Callide B Power Station;
- Proposed business development initiatives in relation to renewable energy; and
- Routine overhaul programs at each of CS Energy's four operational sites.

### 3.4.7 Overdraft and credit facilities

A bank overdraft facility and credit card facility will be maintained. Both of these facilities are for short term working capital purposes only.

### 3.4.8 Corporate governance

CS Energy will continually monitor and review its corporate governance arrangements to reflect good practice, having regard to the Corporate Governance Guidelines for Government Owned Corporations.

CS Energy considers that it complies with the intent and form of matters discussed in the Guidelines. CS Energy Ltd has a Corporate Governance Charter and a Corporate Governance Policy, which takes account of each of the ten ASX enunciated principles, and has systems that underpin these stated principles.

### 3.4.9 Risk management

The Board of Directors of CS Energy is responsible for management of all actual and potential internal and external risks to the Corporation. The Board's Risk Committee monitors the Corporation's risk identification and management process. The Board Risk Committee is a subcommittee of the Board, consisting of all Directors.

The Chief Executive, through the executive management team, is responsible for identifying and monitoring elements of risk in each functional area of responsibility. In 2009, CS Energy streamlined its risk management committees, by forming the Risk and Compliance Committee. This committee amalgamates the former Risk Coordination Committee, Responsible Officers Committee and the Market Risk Management Committee. The main responsibilities of the new Risk and Compliance Committee are:



- To perform a review function of all formal control processes that manage risk and ensure compliance with policies, procedures and legal obligations including financial services, as regulated by CS Energy's Financial Services Licence; and
- In an advisory role, provide advice to the Chief Executive in the Trading/Finance risk area in recognition of the complexity of these areas.

The risk management framework is designed to ensure that all potential financial, operational and other risks are regularly identified, assessed, monitored and reported to the Board Risk Committee, along with appropriate risk mitigation and management plans.

The Company considers that the risk management system is capable of identifying, assessing and managing potential financial, operational and other risks. Risk management plans have been incorporated in the 2009/2010 budget process and milestone dates agreed for the implementation of actions.

### 3.4.10 Compliance with Government policies

CS Energy and its subsidiaries comply with the relevant Government policies and guidelines to the extent set out in Attachment 4. In particular, CS Energy and its subsidiaries comply with the approval, notification, reporting and other requirements of those policies and guidelines as noted in Attachment 4.

### 3.4.11 Sponsorship, advertising and hospitality

CS Energy's sponsorship activity is focused in Ipswich, Biloela, Chinchilla and Mount Isa, the regions in which the Company operates. This activity is organised in conjunction with local community groups and forms a key element of our local community relations program.

In June 2008, CS Energy established the workplace giving program, *Generosity*, whereby staff can make a pre-tax payroll deduction to one or more of six selected charities, with CS Energy matching staff donations up to a maximum of \$50,000 each year.

As an electricity generator, CS Energy sees limited value in advertising and does not undertake any corporate campaigns targeting the general public. Some regional activity takes place to support local initiatives, but recruitment makes up the significant proportion of the Corporation's advertising expenditure.

Hospitality and entertainment are undertaken prudently, often taking advantage of benefits offered through partnerships with arts organisations, pursuant to the Queensland Government Policy (Refer Attachment 5).

CS Energy will provide details of any significant changes to the commitments in quarterly reports to shareholding Ministers, and will notify shareholding Ministers of any significant proposed sponsorship arrangements prior to the signing of a binding contract. In addition, the Company will also include, in its quarterly reports details of events over \$5,000 and corporate entertainment and hospitality expenditure for the quarter.

A post audit/review will be conducted to verify outcomes against specific corporate objectives for significant sponsorship and advertising programs, with a report provided to shareholding Ministers in the June quarterly report.

Activity	Budget 2008-09 (\$'000)	Est Actuals 2008-09 (\$'000)	Budget 2009-10 (\$'000)
Sponsorship	112	91	72
Advertising	32	51	6.8
Corporate Entertainment	281	181	184.7
Donations	275	262	148
Other Related Activities	0	0	0
Total	700	585	411.5



### 3.4.12 GOC Review

CS Energy acknowledges that this document may require amendments following the current State Government review into the structure and preparedness of Government Owned entities to meet new challenges facing their businesses. CS Energy will await the Government's advice on the outcomes of this review.

# 3.5. Mid-year review reforms

The Board and Chief Executive of CS Energy have noted the requirements of the Treasurer's letter of 9 December 2008 which requested a number of actions be taken to improve the commercial returns of GOC's to the State. CS Energy will undertake the following actions in respect of the 2009/2010 financial year.

### 3.5.1 Operational Efficiency Savings Targets

CS Energy's 2009/2010 EBIT is budgeted to improve from \$149 million (projected in the October 2008 Mid Year Review) to \$184 million. If achieved, this improvement is in excess of the requested \$4 million. The Company is proposing a number of other initiatives to help maximise operational efficiencies, focusing on the areas of asset management, cost reduction and overhaul improvement. These three strategies are related and, rather than focus on costs, per se, will work together to reduce unit cost of production and thereby deliver overall margin improvements on increased generation.

The asset management project has seen the development of reliability improvements plans for each station during the 2008/2009 financial year. These plans will be implemented from July 2009.

CS Energy has adopted an industry leading overhaul management process, In Full On Time, which will be implemented across all sites and progressively lead to a 20% reduction on overhaul cost and time over the next three to five years.

CS Energy's cost reduction program focuses on achieving a 2% reduction in forced outage factors across the portfolio. This will reduce costs associated with unscheduled maintenance and increase revenue as generation increases,

### 3.5.2 Rate of Return Targets

CS Energy applies its corporate Weighted Average Cost of Capital (WACC) (adjusted for project specific risk where appropriate) in assessing all new investments. As part of the annual WACC assessment each June, CS Energy will ensure the rate is reviewed consistent with the re-pricing of risks in financial markets. In the event the June review determines a WACC outcome materially different from that shown in Attachment 2, CS Energy will discuss the proposed rate with the Office of Government Owned Corporations with a view to adopting a rate consistent with Shareholder expectations.

### 3.5.3 Capital Expenditure Reviews

As part of the process for formulating its SCI targets, CS Energy has reviewed all proposed capital expenditure to identify opportunities for optimising capital investment without materially impacting reliability targets.

### 3.5.4 Surplus Assets

As part of the process for formulating its SCI targets, CS Energy has reviewed its asset holdings for surplus, nonperforming and non-core assets. No material assets have been identified in this category following that review. However, the position of Mica Creek, in the light of a potential transmission link, is being reviewed.



### 3.5.5 Capital Structure Reviews

CS Energy will continue to target an investment grade credit rating and support the Government's review of GOC capital structure. CS Energy considers that any commitment to a major new investment project may require additional equity in order to maintain an investment grade credit rating.

### 3.5.6 New Electricity Generation, including private sector involvement

### 3.6. Remuneration arrangements

### 3.6.1. Non-Executive Directors

Directors' fees for Board and Committee activities are set by the shareholding Ministers. Fees are paid in accordance with a schedule provided by the shareholding Ministers, determined by Government based on:

- 1. An amount for being a Board member:
- 2. An amount for being on a Committee; and
- 3. An amount for being a Chair of a Committee.

The following fees (estimated to 30 June 2009) will be paid to CS Energy directors for the 2008/2009 year:

Director	Director's Fees (\$)	Committee fees (\$)	Superannuation (\$)	Total (\$)
S Lonie (Chairman)	\$64,234	\$13,167	\$0	\$77,401
R Henricks	\$26,336	\$6,584	\$2,963	\$35,883
J Leaver	\$26,336	\$5,267	\$2,844	\$34,447
S Israel	\$26,336	\$3,950	\$2,725	\$33,011
T Crommelin*	\$6,584	\$0	\$0^	\$6,584
M Bucknall	\$26,336	\$4,828	\$2,805	\$33,969
T White*	\$6,584	\$2,304	\$800	\$9,688
T Dare**	\$19,752	\$2,633	\$2,015	\$24,400
R Kempnich**	\$19,752	\$2,633	\$2,015	\$24,400

<sup>\*</sup>Term expired on 30<sup>th</sup> September 2008 ^ Fees paid to Company therefore no superannuation is paid

The Company has the following Committees and Committee Chairs:

Committee	Chair
Audit Committee	J Leaver
Major Capital &Technical	S Lonie
Remuneration	M Bucknall
Board Risk	S Israel

# 3.6.2. CEO and Senior Executives

The CS Energy Board Staff and Remuneration Committee advises the full Board on CS Energy's remuneration policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for the Chief Executive and senior executives. It comprises three non-executive Directors appointed by the full Board of CS Energy, including the Chairman.

Remuneration details for the Chief Executive and senior executives for the 2008/2009 financial year, as well as actual performance payments for the 2007/2008 year, together with the performance payments for the 2006/2007 year, which were paid in the 2007/2008 year, are provided in the following table. These payments, which are approved by the Board, are provided in the following table and range between 0% and 15% depending on the individual's performance.

<sup>\*\*</sup> Commenced 1 October 2008



These remuneration arrangements are reviewed annually in accordance with the Company's remuneration policy. Based on current contract arrangements, the performance payment for 2007/2008 is capped at 15% maximum for each executive.

CEO / Senior Executives	Total Fixed Remuneration <sup>1</sup>	Superannuation <sup>2</sup>	Total Remuneration	Performance Payment 2007/08
Chief Executive D Brown	\$458,947	\$41,305	\$500,252	
General Manager Operations G Campbell	\$259,596	\$23,364	\$282,960	
General Manager Corporate Services C Turnbull	\$254,891	\$20,791	\$275,682	
Chief Finance Officer R Boys	\$254,113	\$20,729	\$274,842	
General Manager Organisational Development W Andrew	\$237,283	\$21,355	\$258,638	
General Manager Portfolio Services J James	\$228,655	\$18,293	\$246,948	

### Notes

- 1 Total Fixed Remuneration includes a value for a Motor Vehicle Allowance.
- 2 Employer Contributions to superannuation (other than by salary sacrifice).
- 3 Performance Payments for 2006/2007 were paid in the 2007/2008 year.

# 3.7. Employment and industrial relations philosophy and direction

### 3.7.1. Approach

The Company's ongoing viability and success is critically dependant on the engagement of its staff and the utilisation of their skills.

CS Energy has taken a proactive approach to attracting, retaining and developing staff through a new development "centre of excellence", the introduction of remote area policy initiatives, and an improved workforce planning regime.

Stakeholder relationships have improved markedly through a cooperative review of site industrial relations with unions and the successful negotiation of site enterprise bargaining agreements.

There has been a substantial commitment to addressing organisation and staff issues identified through the Company's employee survey and follow up workshops.

The Company has worked with staff and unions and other generators on the development and implementation of a drug and alcohol policy and fatigue management policy.

CS Energy has also ensured compliance with legislation and Queensland Government IR policy.

CS Energy is looking at reviewing its employment framework. It is proposed to review the impact of new Federal Industrial Relations legislation on CS Energy. This will occur in conjunction with government requirements.

Greater organisational workforce flexibility is also a strategic goal of CS Energy. Strategies include the implementation of leadership development programs/initiatives and a proactive approach to stakeholder relationships.

A recently completed Industrial Relationships Working Party (IRWP) Report was a joint management/union report that assessed how CS Energy undertakes all facets of industrial relations, including interactions with



employees and their industrial representatives and industrial relations processes at site. Improvement strategies have been developed and communicated to each of the Company's site's Consultative Committees to be the subject of discussion of each group.

### 3.7.2. Significant and emerging issues

In 2009/10, there will be an increased emphasis on improving productivity and efficiency, to meet the challenges of carbon trading and costs containment.

The past few years have been challenging to attract and retain skilled employees given the highly competitive labour market. In more recent times, with the broader financial and economic downturn, there has been some relief, with both the number and quality of skilled applicants increasing. However, securing engineering, technical and trades staff and filling regional and remote vacancies remains challenging.

A detailed planning workforce regime is being implemented in 2009/2010, in conjunction with the Company's budgeting process. This process will formalise planning for staffing and succession. Specific training and development initiatives to be pursued include skills development for critical operations roles, operations career pathing, development of operations plant knowledge, attainment of relevant qualifications for technicians and graduate scholarships and cadetships.

Staff engagement and development initiatives will be pursued through the implementation of the internal staff survey outcomes and improved leadership development programs, encompassing a renewed emphasis on teamwork.

The promotion of mobility of staff across sites will be pursued under the portfolio approach to servicing site needs. CS Energy has both relocation and secondment procedures in place, which are currently being reviewed.

Any necessary flexibility under site enterprise agreements will be investigated with staff and unions. Consideration will also be given to further remote area policy initiatives as required. The obligations and opportunities available under revised Federal Industrial Relations laws will also be investigated, including award rationalisation.

CS Energy has seen, over a recent period, an increase in asbestos related claims from employees and contractors, relating back to the construction of the power stations. The Company expects a further increase in future periods, due to the period of time that has expired since the construction of the stations and the latency period of asbestos related illnesses.

All asbestos claims are covered by CS Energy's insurance policies with WorkCover Queensland. All claims are handled by CS Energy's legal unit and external lawyers.

In line with the increasing public awareness and concern about climate change, there is the potential for further protests at power stations by community groups.

A higher incidence of health related issues in an aging workforce has become a reality for CS Energy over the recent past. In response to this trend, the Company has put in place annual medicals for staff over 50 years of age.

CS Energy has also implemented pre-employment medicals, medicals for 'at risk' workers and annual vaccinations.



# 4. Performance agreement

decision of the Board of CS Energy Ltd.

# Directors' statement and agreement of shareholding Ministers

"This Statement of Corporate Intent ("SCI"), for the financial year 2009/2010, is presented in accordance with Section 7 and Chapter 3, Part 8 of the *Government Owned Corporations Act 1993* (GOC Act)."

The SCI represents a formal performance agreement between the Board of Directors of CS Energy Ltd and its shareholding Ministers, the Treasurer and Minister for Natural Resources, Mines and Energy and Minister for Trade, with respect to the financial and non-financial performance targets specified for the financial year. The SCI also represents an acknowledgement and agreement on major activities, the objectives, undertakings, policies, investments and borrowings of CS Energy for the financial year.

The SCI is consistent with CS Energy's Corporate Plan, submitted to the shareholding Ministers in accordance with Part 7 of the GOC Act.

In signing this document, the CS Energy Board has taken all reasonable steps to ensure that the document, and all reports to shareholding Ministers, are prepared with accuracy and timeliness.

Major changes to key assumptions and outcomes detailed in this SCI, and which come to CS Energy's attention during the year, will be brought to the attention of the shareholding Ministers. Any modifications to this SCI will be dealt with in accordance with the GOC Act.

This document is signed by the Chairman on behalf of all the Directors, in accordance with a unanimous

Mr Stephen Lonie
Chairman – CS Energy Ltd

Date:

The Hon. Andrew Fraser, MP
Treasurer and
Minister for Natural Resources, Mines and Energy and Minister for Trade
Economic Development

Date:

Date:



# 5. Attachments

# Attachment 1: Employment and Industrial Relations Plan

CS Energy continues to recognise the value of its staff and their integral role in ensuring ongoing business success. CS Energy acknowledges the role of unions and the need for stakeholders to develop and maintain good working relationships and will continue to work cooperatively with all stakeholders, including staff and unions to maintain these relationships.

The Company continually strives to meet the challenge faced by all Government Owned Corporations (GOCs) to balance, in terms of its industrial relations practices, the commerciality of its operations with community expectations, demands on government for accountability and the implementation of best practice standards.

CS Energy will maintain a flexible, consultative and progressive working environment, where employees are rewarded for their knowledge, competence and personal attributes in line with the Company's business objectives and policies.

### **Employment Conditions**

General conditions of employment are provided in various industrial and employment agreements (including both Federal collective agreements and preserved state agreements), the *Electricity Generation, Transmission and Supply Award - State* (EGT&S Award) as well as CS Energy human resources policies.

CS Energy and its employees are also governed by the *Government Owned Corporations Act 1993* and Regulations, the *Electricity Act 1994* and Regulations, the *Industrial Relations Act 1999 and the Workplace Relations Act 1996 (Cth)* adheres to the principles as prescribed in the Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation Employees document.

Where there are differences between those conditions contained in the Minimum Standard Provisions Schedule and those conditions contained in CS Energy's industrial instruments or policies, as at March 2006, the 26 March 2006 provisions from CS Energy's industrial instruments will prevail.

The EGT&S Award will be subject to the process of award modernisation from early 2009 with the final modern award due to be developed by early September 2009. For award modernisation purposes the Electrical Power Industry is considered a Stage 3 Industry. CS Energy has joined with other electrical power industry GOCs in engaging legal firm Blake Dawson to undertake work associated with the award modernisation process.

CS Energy remains open to negotiating with unions, during the enterprise bargaining process, an extension of, and variation to, current Preserved State Agreements (PSA) permissible under the recent legislative changes to the Federal Work Choices legislation. By doing this, PSAs are enabled to continue to operate inclusive of prohibited matters such as references to unions, outlawed under the previous Work Choices legislation.

CS Energy also complies with the Government Policy Guidelines for conduct of industrial relations and the development and negotiation of agreements being those principles contained in the document Agreement Making in Government Owned Corporations Guidance for Chief Executive Officers. The Company's existing employment policy remains one where the principle of collective bargaining with unions is the preferred medium for establishing rates of pay and conditions of employment for employees.

The principle of encouraging union membership within the CS Energy workforce remains a key part of CS Energy's industrial relations modus operandi.

Alternative Individual Agreements (AIAs) provided for under collective/certified agreements will continue to be offered where roles require special skills or employment flexibility, to ensure that CS Energy can attract and retain employees of the quality needed to ensure it can continue to compete effectively in the electricity market.



These AIAs will remain voluntary, available for those engaged at level 11 (\$80,422 pa plus superannuation) and above and the general terms of these arrangements such as annualising salaries for hours of work provisions and leave loading were negotiated with the relevant unions. The AIAs will operate in conjunction with the agreement.

CS Energy has already negotiated in one agreement and will seek to negotiate in future agreements with relevant unions where the company believes there is a benefit to the parties in offering an AIA for a position below level 11.

CS Energy's rationale for the use of AIAs including the ability to widen eligibility is to provide the company and the employee in roles, where warranted, with an ability to provide remuneration in a total fixed remuneration package to fairly and adequately compensate for the hours necessary to undertake the role, including the performance based variable pay component.

The predominant hours of work arrangement in CS Energy agreements is ordinary hours of work of 36.25 hours per week. Exceptions to this arrangement exist in the Kogan Creek Power Station Greenfields Collective Agreement and the Mica Creek CS North West Certified Agreement where employees work a 40-hour week but receive a loading for the additional hours. The current agreements are specified in the following table:

	Scope	Reference	Expiry	Coverage
CS Energy Ltd Corporate Office Collective Workplace Agreement 2007	Employees of CS Energy Ltd at Corporate Office	072574650	30 June 2009	185 employees
CS Energy Ltd Callide Power Station Certified Agreement	Employees of CS Energy Ltd at Callide Power Station	AG2008/1420	12 June 2011*	208 employees
CS North West Enterprise certified Agreement	Award Employees of CS North West Operations	085500560	31 August 2011	87 employees
CS Energy Ltd Swanbank Power Station Certified Agreement*	Employees of CS Energy at Swanbank Power Station	CA341/2004	10 March 2009	150 employees
Kogan Creek Power Station Greenfield Collective Agreement 2006	Employees employed in the classifications within the Agreement	No: 06650819	1 October 2010	37 employees

<sup>\*</sup> Prescribed in the Agreement that negotiations will commence with staff and unions no later than 6 months prior to the expiry date of the agreement.



# Enterprise Bargaining and Productivity Initiatives

### **Enterprise Bargaining**

CS Energy maintains enterprise agreements at Swanbank, Callide, Kogan Creek and Mica Creek Power Stations and the Corporate Office in Brisbane. Each enterprise agreement is designed to take advantage of differing technology, characteristics of the workforce and already implemented work place efficiencies.

Replacement agreements were negotiated for Callide and Mica Creek power stations in 2008 without any industrial action. In the case of Callide, CS Energy and the unions utilised changes to the Federal industrial relations legislation in order to retain the existing PSA and thus not be required to negotiate a Work Choices agreement.

A summary of the key outcomes of the Callide agreement is as follows:

- A 2 year 10 month agreement with a 4.5% per annum pay increase;
- Application of CPI indexation to the maximum yearly performance pay amount;
- Increase in paid maternity and adoption leave to 14 weeks;
- · Review of artificial caps in the salary structure; and
- Reinvigoration of the consultative committee.

Although robust, negotiations that took place resulting in the development of the Callide enterprise agreement did not result in a diminution of the company's relationship with employees or unions. This is evidenced, it is contended by CS Energy, by the ballot result that saw a 99% acceptance vote and a close to two-thirds eligible voter turnout.

The following new provisions included in the extended and varied agreement are currently in the process of being implemented.

- Development of KPIs to assess the performance payment;
- Reviewing artificial caps in the salary structure; and
- Renewal of the consultative committee.

The agreement is, however, in its infancy having not been enlivened by the Australian Industrial Relations Commission (AIRC) until 5 December 2008 and therefore these provisions are at various stages of implementation with work on the most labour dependant provision (review of the salary structure as per clause 1.4 of the agreement) that involves an external subject matter expert who commenced in early January 2009 with a completion date of 1 March 2009 prescribed in the agreement.

The agreement negotiated at Mica Creek Power Station was a federal agreement with the following features:

- A 3 year agreement with a 4.5% per annum pay increase;
- Application of CPI indexation to the maximum performance pay amount;
- Introduction of an on call roster with associated call out payment and availability allowance;
- Increase in annual leave to five weeks for employees on the EBA, thus matching that provided to Mica Creek contract staff and public sector employees who work in Mt Isa; and
- Removal of requirement to work public holidays.



Negotiations for the Mica enterprise agreement were undertaken locally by site management and site employee representatives.

The Swanbank Power Station and Corporate Office agreements expire in 2009. The new Swanbank agreement has been signed by all Unions and is being filed with the Australian Industrial Relations Commission in April 2009. The Corporate agreement expires on 30 June 2009 and a draft negotiating framework is with the Queensland Government for consideration. Discussions commence in early May 2009.

The CS Energy Corporate Office agreement expires in June 2009. The parties are seeking to commence negotiations towards a replacement agreement following Government approval of the Corporate Office EBA Framework.

Attraction and retention continues to be a significant focus for CS Energy. Through the development and utilisation of a specific working party to look at this area, CS Energy is continuing to explore further initiatives aimed at attracting and retaining employees. A number of initiatives have already been delivered through company policy in the areas of airfares and travel related expense reimbursement, study/development allowances and accommodation assistance.

### **Productivity Initiatives**

Refer to the following table.



Productivity program	Source of Productivity initiative	Target	Achievement to date	Action required if target/s not met	Other comments/explan ation
Callide Continue to improved reliability of generating units	Business Improvement Committee (BIC)	Two key initiatives –  1.Implementation of a revised overload strategy 2.Enhanced planning and scheduling of maintenance work have been the focus	Initiatives implemented. Forced outage rate reduced and maintenance backlog at lowest level ever	Review at next EBA	
Meeting cost budget targets	BIC	Improved supervisor cost reports for overtime and contract services are being shared with teams	Base reports prepared. Signed off by Business Improvement Committee Tues 21 January for next Callide Incentive Payment Scheme payment	No CIPS payment in June 09	
Appropriate returns over time from Callide "C" Operations and Maintenance Agreement	BIC	Achieved Budget O&M cost targets	Good progress is being made and currently tracking \$1M under budget year to date		
Continued improved relationship with InterGen	BIC	Continued positive feedback from IG	Good employee support for the revised IG arrangements and acceptance of owners obligations		
Effective employee engagement and satisfaction	BIC	Improved performance from last Generating In-sight Survey	Next Generating Insight survey scheduled for June 2009	Develop enhanced supervisor training to address	
Health and safety imperatives	BIC	Alcohol and other drugs testing	Alcohol and other drugs testing policy complete. Scheduled to start in April/May	Return to negotiating team with unions and management	

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Productivity program	Source of productivity initiative	Target	Achievement to date	Action required if target/s not met	Other comments/expl anation
Mica Safety	Business Plan	Zero LTIFR	2	Effects Workgroup Incentive Payment Scheme(WIPS) Payments	One Contractor LTI in last 12 months (February 08)
		Category 3 & 4 Incidents: <5	6 Category 3 Incidents	Effects WIPS Payments	
		Incident Investigation and Reporting: 100%	All complete		
		Statutory Safety Training 100% complete	Training complete to date	Review Training dates to ensure 100% attendance	Ongoing – Working with L&D centre to achieve. Steam Ticket Training for Selected Employees. Operator Training Budget \$450k
Environment	Business Plan	Reportable Environmental Incidents Frequency Rate (REIFR): 0	0	Review Incident and implement measures	
		ISO 14001 Status: 100% Compliance	100%		Compliance Audit completed December 2008
		Environmental Complaints: <2 per year	0	Review Incident and implement measures	
Efficiency	Business Plan	Heat rate: < Budget	0.23 GJ/MWh above budget	Effects WIPS Payments	Act 11.34, Budget 11.11

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Productivity program	Source of productivity initiative	Target	Achievement to date	Action required if target/s not met	Other comments/expl anation
Reliability	Business Plan	Trips per 2000 hours: <1	Above Target 1.31		GJ/MWh. A5 Unit Overhaul beyond budgeted timeframe 15 trips since July A1 Unit-4,
		Contractual Reliability: >99.95%	99.97%		A4 Unit – 3, A6 – 1,B1Unit –1, C2 Unit - 6
		Reliability: >98%	Below Target 96.32%	Effects WIPS Payments	A1 Unit off during October for Boiler Feed Pump (BFP) failure, A4 Unit off for most of July due to Feedwater Regulator and Balancing
		EFOR (forced outage rate): >2%	Above Target 3.68%	Effects WIPS Payments	As Above
Completion and closing Operational Incidents	Business Plan	Repeat Incidents: <2	0		

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Kogan Creek	Productivity payment of 1% base rate payment is guaranteed				
Corporate  Improving or maintaining the high skill levels combined with flexible work		None prescribed	Sick leave from 1/1/06 to 30/06/07 (1.5 years) was 663.69 hrs and overtime was 314.23 hrs.	Causal analysis	
practices, levels of overtime and low absenteeism			Sick leave from 1/1/07 to 31/12/08 (1.5 yrs) was 1,231.01 hrs and overtime was 772.13 hrs (overtime would have increased because of the	Causal analysis	
_Improving or maintaining the high level of productivity currently delivered through employees on AIA delivering high skill levels combined with low absenteeism		None prescribed	graduates working on the Kogan overhaul)		



# Employee Flexibility

CS Energy continues to use site-specific Collective Agreements therefore allowing greater ability for the parties to negotiate flexibilities in specific agreements that are both relevant and workable. An important option for the company, available within the parameters of an agreement is the consideration of the use of Alternative Individual Agreements (AIAs).

The current Corporate Office Agreement was negotiated with relevant unions to potentially provide for a greater number of employees to have the choice of being employed under AIA conditions that may better suit them. Employees are free not to accept an offer of an AIA arrangement, or subsequently opt out of an AIA arrangement by giving one month's notice to transfer out of an AIA and hence would retain provisions such as that provided in the agreement for a '40 hour week' employee to vary their standard hours of attendance with mutual agreement i.e. work more hours (up to 10) or less hours (down to 6) in one attendance.

CS Energy will continue to pursue the obtainment of expanded AIA flexibility in site agreements or alternatively, the ability to offer voluntary opt out of the modernised award for high income earners (as discussed above). Such a provision is currently being sought by CS Energy in the Swanbank agreement negotiations.

Part-time arrangements	Policy exists. Provided where it suits both CS Energy and the employee. Employment between 15 and 32.2 hours per week.	
Flexible work hours	Practice exists. Employees on individual arrangements particularly have flexibility with start and finish times	
Reduced working year	Purchased leave policy exists. Employees have the ability to access up to an additional 4 weeks per annum.	
	Half pay long service leave policy exists formally at Mica and Callide with this provision to be provided at other sites shortly. Employees can take this leave at half pay and therefore 'double' the period of absence.	
Paid maternity/paternity/adoption leave	Policies exist. Paid maternity and adoption leave of 14 weeks, including the ability to take this leave at half pay was negotiated into the recently developed Mica and Callide EBAs. This will be provided at other sites shortly.	
	Paternity leave entitlement is 5 days leave debited from sick leave balance with the exception of Callide who have 5 days without any leave deduction with a further 5 days allowed with debit to sick leave balance. CS Energy is mindful of the fact that, with the exception of Callide, the public sector standard of 1 weeks not debited from sick leave is not applied to CS Energy sites.	
Telecommuting (work from home)	No	



### Type of Employment and Workforce Planning

Attraction and retention in remote areas are important issues to CS Energy. Whilst they have been further highlighted in the current employment climate, they have been an ongoing concern of CS Energy for some time and are expected to continue to be, well into the future. CS Energy has a number of initiatives in place to address these issues, namely:

- A graduate Professional Development Program for engineering, health and safety, chemistry and environment disciplines;
- Sponsor of the Power Engineering Alliance for students currently studying power engineering, coordinated by QUT;
- A program for apprentices and trainees, employed by CS Energy and via group training schemes;
- Providing vacation employment and work experience to students;
- Post graduate studies for employees in conjunction with QUT for the post graduate Power Engineering studies program;
- Supervisor and emerging supervisor development programs for staff who are in supervisory roles or who regularly relieve in such roles; and
- A number of other employee development opportunities, dependant on the individual employee's career plan.

A highlight in 2008 was the opening of the CS Energy Learning and Development Centre. The L&D Centre will provide expertise in training initiatives to improve employees' general skill levels and quality of training, provide training needs analyses, and overall performance through the provision of structured role development plans and the use of online learning to assist with knowledge management within CS Energy.

A review of the workforce planning process was undertaken. All supervisors received refresher training on the process, as well as the roll-out of a new Manager-one-Removed process, including critical role succession planning. This is expected to assist with retention of staff, particularly in the roles requiring specialist knowledge (eg operations, engineering, overhauls).



### Type of employment

#### Format for provision of Workforce Numbers in E&IR Plans 2009-2012

	30 June 2009	30 June 2010	30 June 2011	30 June 2012
Employment Category:				
Permanent Full Time <sup>^</sup>	609.12	629.12	638.12	638.12
Permanent Part-time (FTE)	6.7	6.7	6.7	6.7
Other Contract	5	5	3	3
Senior Executive Contract	7	7	7	7
Apprentices (In House)	5	5	5	5
Trainees (In House)	2	2	2	2
Casual Employees (FTE)	4.18	4.18	4.18	4.18
Total Directly Employed Workforce:	639	659	666	666
Apprentices (Group)	28	28	28	28
Trainees (Group)	9	9	9	9
Contractor Employees	55	47	46	43
(Trade/Technical)				
Contractor Employees	19	8	8	8
(Professional/Administrative/				
Clerical)				
Labour Hire (Trade/Technical - FTE)	-	-	-	-
Labour Hire	-	-	-	-
(Professional/Administrative/Clerical -				
FTE)				
s457 Temporary Visa	4	4	0	0
Number of employees engaged on	-	-	-	-
AWAs with contractors				
Total Workforce:	754	755	757	754

<sup>^</sup> includes 17 temporary employees

#### Workforce Planning

Attraction and retention in remote areas are important issues to CS Energy. Whilst they have been further highlighted in the current employment climate, they have been an ongoing concern of CS Energy for some time. CS Energy has a number of initiatives in place to address these issues, namely:

- A graduate Professional Development Program for engineering, health and safety, chemistry and environment disciplines;
- Sponsor of the Power Engineering Alliance for students currently studying power engineering, coordinated by QUT;
- A program for apprentices and trainees, employed by CS Energy and via group training schemes;
- Providing vacation employment and work experience to students;
- Post graduate studies for employees in conjunction with QUT for the post graduate Power Engineering studies program;
- Supervisor and emerging supervisor development programs for staff who are in supervisory roles or who regularly relieve in such roles; and
- A number of other employee development opportunities, dependant on the individual employee's career plan.



Each of these initiatives assists with attracting quality candidates to CS Energy, as they market CS Energy as a preferred employer by showing CS Energy's commitment to developing staff and building their technical and people management skills, and providing career opportunities for students, graduates, apprentices and trainees.

A highlight in 2008 was the opening of the CS Energy Learning and Development Centre. The L&D Centre will provide expertise in training initiatives to improve employees' general skill levels and quality of training, provide training needs analyses, and overall performance through the provision of structured role development plans and the use of online learning to assist with knowledge management and retention of staff of CS Energy.

A review of the workforce planning process was undertaken during 2008. All supervisors received refresher training on the process, as well as the roll-out of a new Manager-one-Removed process, including critical role succession planning. This is expected to assist with retention of staff, particularly in the roles requiring specialist knowledge (eg operations, engineering, overhauls).

The impact of recent changes in the global economic climate are yet to be seen by CS Energy from a workforce planning viewpoint. It is expected however that it may have an influence in decreasing the turnover of staff, and increase the number of job applicants CS Energy receives, in particular in our remote areas where other large industrial employers are releasing staff.

#### Workplace Health & Safety

CS Energy has completed an active year in 2007/2008 to address the following business plan targets and aims:

- That no one is injured and the Company will operate in a manner that does not harm people or plant;
   and
- CS Energy will continue to promote its Safe Move initiatives and safety leadership principles.

The major achievements for the period have included the transition from construction to commissioning and the final operational phase of Kogan Creek Power Station with the Company's health and safety management systems effectively in place.

CS Energy's Occupational Health and Safety Management System provides a uniform approach to safety at all sites which is being continuously improved. These improvements include changes to the Company's policies, procedures safety manuals and forms. Information is now more readily available to our employees via a dedicated site based Health and Safety intranet site and to our contractors from our CS Energy website.

#### Health and Safety Statistics

CS Energy's health and safety business aim is based on culture of responsibility and a workplace free from occupational illness and injury. In the reporting period to December 2008 we did not achieve that target. Nine injuries resulted in lost time as follows:

- A Swanbank Power Station employee suffered a back injury muscle strain while tensioning some bolts on the plant.
- A Swanbank Power Station employee strained his abdomen while lifting a manhole cover causing a hernia that required surgery.
- A Kogan Creek contractor truck driver fell from the back tray of his semi-trailer. He was trying to shift
  a load and the post he was pulling on failed causing him to lose his balance and fall 1.2 metres
  injuring his shoulder and head. He suffered concussion and a dislocated shoulder.
- A Callide Power Station operator technician suffered minor burns to his face and eye as a result of coming into contact with hot ash when clearing a blockage on the unit grit bin.
- A Callide power Station employee suffered a hernia while lifting and shifting furniture in the southern workshop.
- A Mica Creek Power Station contractor fitter suffered an injury to his thigh when using a buffing wheel not rated at the correct speed for the grinder. A wire dislodged and struck him in the leg – requiring an X-ray and minor surgery to remove it.
- A Kogan Creek Power Station contractor worker suffered a fractured palette and received stitches to his face and upper lip from a high pressure water hose fitting failure. The worker was using the water hose to clear ash blockages to the boiler economiser.



- A Mica Creek Power Station employee suffered an injury to the end of his left hand ring finger when he placed his hand against an air register bar for support when observing the igniter flame. The air register bar activated trapping the workers finger causing the loss of the nail and a fractured bone.
- A Swanbank Power Station employee suffered a lower back injury muscle strain as he bent over to pick up a scaffold tube. He required a week in bed to rest.

The statistical indicators for the period were:

Statistical Indicator	Target	Result	Reduction
Lost Time Injury frequency rate	0	5.3	Nil
Medical Treatment frequency rate	(26) 20% lower	30.9	18% increase
Near Miss incident rate	26) 20% lower	22.8	12% decrease
First Aid injuries	(280) 20% lower	123.2	55% decrease

#### Health and Safety Improvements

CS Energy's 2007/2008 Health and Safety Business Plan activities have included the following actions.

- 1. Consultative meetings were held with the other GOC generation entities Tarong Energy and Stanwell Corporation, site delegates, suppliers, contractors, expert consultants and safety representatives to develop a common policy and procedures for the management of fatigue and alcohol and other drugs. The final processes of preparing the policies, procedures, forms, processes and processes for implementing this initiative are in place.
- 2. A number of health and safety resources commenced with CS Energy a Health and Safety Coordinator was appointed for Callide Power Station, a Senior Health and Safety Adviser was appointed to the Corporate Office and a health and safety consultant was contracted to Kogan Creek for a six month period.
- 3. All site video inductions were edited and footage filmed to include changes to site rules and update the high visibility clothing requirements. Footage was also included on our permit to work system and fatigue control measures. Translation of the induction program has commenced for consultants and others visiting from Japan and Germany to work on our plant.
- 4. Crisis training exercises were conducted at Mica Creek and Swanbank Power Stations during the year. The exercises involved site emergency response teams, shift operators, testing of our recovery and rescue gear and equipment, site evacuation wardens, fire fighting personnel, human resources, counselling, local emergency services and media. These exercises allow CS Energy to interact with local services to develop effective communications systems and emergency planning, coordination and response capabilities. The issues raised in the exercises are discussed at the debrief sessions and actions put in place to address any deficiencies. Both sites have already actioned items raised during the exercises communications, training and hazard recognition.
- 5. The CS Energy SAP Incident Management Database system has been rolled out across all sites and is used to notify, capture and record, report, investigate, analyse, monitor and close out health and safety incidents.
- 6. Mica Creek Power Station took delivery of a second hand fire and emergency vehicle which is being refitted for operational capacity. Kogan Creek Power Station has procured a site emergency recovery vehicle, environment spill response trailer and a fire response utility.
- 7. Four ground penetrating radar units were purchased to assist in the site location of underground cables and services. Several types of monitoring instruments were also procured to assist sites undertake testing infrared laser thermometers, sound level meters, light meters and electromagnetic field sensing guass/tesla meters.



# Health and Safety Initiatives

Issue	Status	Date of implementation
Ensure CS Energy's H&S management System meets as a minimum standard, the requirements of Australian Standard 4801- Health & Safety Management Systems.	Action plans are in place based on an audit conducted by external consultants (NCSI).  A workshop is scheduled to plan and develop changes to the H&S manuals, corporate procedures and other outstanding items in the report.	30 Dec 2009
Roll out arc flash flame retardant personal protective clothing for electrical workers to protect against arc thermal flash energies.	Implementation of the arc flash high energy flame retardant clothing is underway with clothing on order with Hylec Industries. The draft procedure and plant identification and guideline is being developed Implementation of arc flash clothing is ongoing	30 Jun 2009
The Chairman's Safe Move awards have commenced and are in place for each quarter.	The quarterly awards were commenced in the last half of 2008 and winners received a trophy presented by the Chief Executive.	Ongoing – awards are judged each quarter.
Continuation of the roll out of a behaviour based safety management system – SafeMap across all CS Energy sites,	Training in the SafeMap behaviour based system was conducted at Swanbank, Kogan Creek and Swanbank Power Stations during the year.	Completed
To improve site security systems to address fatigue, alcohol and drugs monitoring requirements.	The site Cardax security system was upgraded at Kogan Creek to enable checking and monitoring of work time duration, drug and alcohol testing protocols. Implementation on the other sites is planned for the first 6 months of 2009. This upgrade will improve consistency in regards to site access. Photo ID's are now on Cardax cards.	Kogan Creek Suresight security implementation December 2008 and other sites in 2009.
Annual flu vaccinations and medicals for at risk workers. continue to be conducted	Vaccinations, medicals, skin cancer checks, lifestyle and food safety training sessions have been conducted at a number of the sites as part of their health and wellbeing initiatives.	Ongoing implementation and improvement has been targeted for 2009.
Implementation of CS Energy's Fit for Duty - Fatigue Management and Drug & Alcohol procedures.	Consultation has been completed with site union representatives, groups and other GOC's. The policies and procedures have been approved and the trial implementation period will commence with extensive site training and communication plans in place.	Implementation targeted for February 2009 onwards

# Health and Safety Audits

NCS International completed an AS/NZS 4801 – Health and Safety Management System gap analysis at all sites during April 2007. The gap analysis for each site provided recommendations of improvement to be compliant with the Australian Standard. Action plans are in place and resources are being allocated and scheduled for the 2009 year. Specific audits were targeted during the period in response to high priority safety issues:-



- An internal risk and assurance audit and review was conducted on CS Energy's Permit to Work system and processes.
- Workplace Health and Safety Officer Annual Assessments were conducted on all sites and reports provided to the Site Managers.
- Signage and line marking audits were conducted at each of the sites.
- An external consultant EIM conducted a gas safety Safe Operations (SafeOp) audit of Mica Creek Power Station's gas pipeline number 49.
- Coffey Environments consultants conducted an illumination, noise and vibration assessment of Mica Creek Power Station.
- Parsons Brinckerhoff consultants conducted an asbestos audit and annual review of Mica Creek Power Stations asbestos register and management plan.
- Welcon Consultants conducted arc flash analysis reviews of the site electrical systems at Kogan Creek, Swanbank and Mica Creek Power Stations.
- Connell Wagner conducted and engineering assessment of Mica Creek Power Stations concrete
  columns beams and walls to identify causes of concrete spalling and develop preventative and repair
  control measures.
- An internal review was conducted on a number of high potential near miss electrical incidents. The
  report identified a number of options that have been included into site notification systems and plant
  improvements.
- An internal site assessment and review was conducted on radiation safety EMF exposure at Callide Power Station for workers located in facilities in proximity to the overhead power lines. The exposure was well below national occupational guidelines.
- Safety Management Plan audits were conducted on contractors during overhauls at Swanbank, Callide and Kogan Creek power stations.

Audit reports were provided to the site management teams, site specialists and the contractors involved in the reviews and audits. All of the report recommendations were tabled at Site Management meetings and site action plans have been developed.

CS Energy AS4801 Health and Safety Stems audits are scheduled for 2009/2010.

#### Training

CS Energy focused on the behaviour based safety training and electrical safety training during the period. The safety training conducted included: -

- Incident investigation training for site health, safety and environment coordinators.
- Safe Move safety inspection and safety observation training for managers and supervisors.
- Asbestos management training for site workers involved in asbestos removal,
- Emergency response team training in fire fighting and rescue and recovery at the Queensland Combined Emergency Services Fire and Rescue training centre at Lytton.

#### Employee Heath and Wellbeing

Corporate office and the sites have provided a number of initiatives and programs to promote a healthy lifestyle. The Employee Assistance Program providers continue to support employees with regular onsite contacts to assist in life and workplace counselling and lifestyle balance. Pre-employment and free over 50 year old medicals are provided along with flu vacciniations. A major weight loss campaign at Callide Power Station was coordinated with the onsite nurse that resulted in a dramatic weight loss effort across those who were supported during the program.

#### Equal Employment Opportunity and Anti-Discrimination

CS Energy continues to support its EEO Management Plan 2008-2012, and submitted EEO statistical data to Office of Public Sector Commissioner in July 08 as part of our requirement as a GOC. The EEO Management Plan reflects CS Energy's commitment to the creation and maintenance of an environment where all staff are able to contribute and operate to their full capacity and be recognised accordingly.

All employees have access to the CS Energy EEO Policy, the procedure for Achieving and Maintaining a Workplace free from discrimination, harassment, bullying and vilification, and the Fair Treatment and Grievance resolution procedure. These are available on the intranet or in hard copy from the Human Resources team, and are included in the induction process. An extensive online EEO training course has been developed, and is being rolled out across the organisation to all employees. This will refresh their



knowledge on all EEO related matters, ensure they understand their responsibilities, and provide an update of who to contact for assistance.

In 2008, the CS Energy Recruitment procedure was reviewed, and resulted in the creation of a Recruitment Policy, Recruitment Guidelines, and an updated recruitment Procedure. Supervisors who regularly participate in recruitment and selection attended training to build their skils and knowledge in this area, and also to ensure they follow the EEO requirements during recruitment.

#### Interstate Acquisitions/Operations

CS Energy has no interstate acquisitions or operations.

#### Joint Venture Projects

CS Energy remains in joint venture with IG Power at Callide C Power Station. Operations and maintenance services for Callide C are provided by CS Energy under a contract to the joint venture entity. All employees undertaking work for the joint venture are employees of CS Energy.

All employees of CS Energy at Callide Power Station are covered by the CS Energy Ltd Callide Power Station Certified Agreement 2005.

CS Energy has a joint venture arrangement with Arrow Energy at Kogan North, Metgasco at Casino and is part of a joint venture with IHI, J Power Group, Mitsui & Co, Schlumberger and Xstrata Coal for the oxyfiring project at Callide A.

CS Energy employees will be seconded to work for the Joint Venture Project for the period of the oxyfiring project. There is no-one directly employed by the Project, although nothing precludes this.

### Management of the Relationship Between GOCs and Unions

Consultation is the cornerstone in the maintenance of the industrial relationship between CS Energy and Unions, as employees' industrial representatives. Consultative forums, comprising local management and employee representatives will be in place in every CS Energy power station by early 2009. The only CS Energy power station presently without such a forum (Kogan Creek) is currently developing a charter and meetings commenced in early 2009.

A Peak Consultative Committee (PCC) comprising senior management from the company and union officials meets at least quarterly, with a referral forum with union delegate representation sitting below. This group recently oversaw a Working Party (Industrial Relationships Working Party) that was established to assess the status of the industrial relationship at site level and making recommendations for further improvement to the industrial relationships at CS Energy.

In addition to site specific recommendations for the improvement of the industrial relationships, an important general recommendation arising from the Industrial Relationships Working Party is the development of a charter of union delegates' rights, responsibilities and obligations. Also, that the company develops and maintains a contact list on the intranet of all CS Energy Union Delegates for the benefit of delegates and employees. The anticipated date for the implementation of these recommendations is by end of April 2009.

CS Energy recognises the importance of the maintenance of the relationship with Unions and the fact that during periods of enterprise bargaining the relationship can be tested. In order to mitigate, as much as possible, strained relations between the company and Unions during EBA negotiations, CS Energy engages a facilitator. CS Energy contends that the engagement of a facilitator has assisted in the maintenance of a good working relationship with Unions in the recent Callide EBA. CS Energy and the union parties reached agreement on the terms of the new Swanbank EBA and a subsequent ballot of staff reported 100% support for the agreement.

CS Energy's continues to practically demonstrate its commitment to the encouragement of union membership by providing unions with advice regarding new employees, as well as providing all new starters with the details of the recognised union workplace delegates at their workplace.



# Redundancy Provisions

CS Energy and its subsidiaries remain a party to redundancy arrangements formalised by industrial agreement, which provide for retraining and redeployment, including salary maintenance, as a first alternative to retrenchment. Severance payments contained in the arrangements are three weeks for every year of service, with a maximum of 75 weeks, plus an early separation payment of 13 weeks, pro-rata long service leave and a re-training and outplacement support costing between \$1,000 and \$2,000 per employee.

CS Energy does not intend seeking to reduce redundancy provisions in the upcoming Swanbank and Corporate Office agreements.

#### Job Security

CS Energy has provided a commitment to "no forced redundancies" unless formally approved by the Shareholding Ministers, in its enterprise agreements, subject to employees accepting reasonable redeployment and retraining.

Ideally, any new Agreement will need to take into account the life expectancy and future operational requirements of each plant. However, this will be the subject of negotiation with unions and consultation with Government on the issue.

#### **Contracting Out**

Subject to legislative requirements and directions of Shareholding Ministers, CS Energy remains committed to orderly and sustainable best practices in relation to the use of contractors, the use of labour hire arrangements and the employment of skilled overseas staff to cover labour shortages through employer sponsored Temporary Long Stay Subclass 457 Visas.

The attraction and retention initiatives of CS Energy (as detailed in Section 7 – Workforce Planning) are valuable in retaining key staff, and in attracting candidates too hard to fill vacancies, particularly in remote areas. However in some cases where positions were unable to be filled, applicants on 457 visas were employed. There are currently four employees in this category at CS Energy who are engaged as a minimum on the same terms and conditions as CS Energy staff on EBAs and in accordance with the relevant legislation. One previous 457 visa holder obtained permanent residency during 2008, and one obtained a Regional Rural Sponsorship Program work permit.

CS Energy continues to engage supplementary labour in accordance with the Minimum Standards Principles, where the need can be demonstrated through a sound business case and/or where specialist skills are required. In accordance with Shareholding Ministers' requirements, CS Energy undertakes industrial audits of contractors, which perform work during major shutdowns, and plant overhauls. These audits ensure that contractors are correctly employing and remunerating workers they engage to undertake work on CS Energy sites. A schedule for the completion of audits for 2008/2009 is completed, and audits will occur during 2009. CS Energy tender documentation includes the requirement for contractors to meet all statutory and licensing requirements. Site engagement processes include vertification that successful contractors meet these requirements.

CS Energy conducts regular audits of contractors onsite and during major overhauls. The audit reports and recommendations are tabled at the site management team meetings. The site teams develop action plans and set milestones for implementation. The action plans are reviewed at the monthly Operations Management Team meeting. The audit reports are also reviewed by the Board Risk Subcommittee. Major overhaul contractors regularly meet with Portfolio Services for KPI reviews.

#### Superannuation

The Defined Benefit Fund, closed to new employees in 2002, has an employee contribution rate of 5% and an employer contribution rate of 8% (rate reviewed every 2 years). Presently, 37.5% of the CS Energy workforce remains in this plan.

The remainder of the workforce are in the Defined Contribution Fund of which 25.5% of the workforce is in the 9% Superannuation Guarantee Contribution (SGC) Employer Fund and 36.9% in the Defined Contribution Fund where the employee contribution is 5% for CS Energy employees and 4% for CS North West employees with CS Energy as the employer contributing 10% and 11% respectively.



CS Energy maintains reserves, subject to actuarial advice, with ESI Superannuation to ensure future liabilities can be met. This position is reviewed automatically every two years with extraordinary events triggering more frequent reviews.

#### Consultation

Employees, unions, representatives of the Office of Government Owned Corporations, the Department of Mines and Energy, the Department of Employment and Industrial Relations and the Department of the Premier and Cabinet were consulted in the preparation of this Plan. Feedback was considered and, if relevant, incorporated.

### Reporting

CS Energy will provide feedback on performance against the Plan to DEIR and OGOC in January 2010:

- Confirming the implementation of this Plan;
- Outlining if there have been any events or matters that have occurred or due to occur that vary to the E&IR Plan provisions for that cycle and explanation for those variations; and
- Detailing any contentious issues that have arisen or are expected to arise during the current E&IR Plan cycle.



# Attachment 2: WACC Calculations

The 2009/2010 WACC methodology and calculation has been based on a detailed consultants report on in May 2005, and is consistent with Queensland Treasury Guidelines. Key variables have been reviewed and updated where appropriate, based on current Statement of Corporate Intent assumptions. The outcomes are subject to further revision based on material changes in assumptions prior to 30 June 2009.



# Attachment 3: Corporate governance guidelines for government owned corporations

The CS Energy Corporate Governance Policies and Procedures are based on the ASX best practice guidelines and, to that extent, are consistent with the requirements of these guidelines.



### Attachment 4: Government policies

# Government Owned Corporation Subsidiaries - Key Shareholder Requirements for Constitutions (2006)

CS Energy executive management act as directors on CS Energy subsidiary boards. CS Energy has a number of subsidiaries associated with the Kogan Creek Power Station, the constitutions of which were established prior to acquisition. The guide will be taken into account in establishing new subsidiaries.

# Guidelines for the Preparation of Statements of Corporate Intent and Corporate Plans For Government Owned Corporations (2006)

CS Energy complies with the requirements of these guidelines.

#### **Government Owned Corporations Air Travel Policy (2008)**

CS Energy's internal air travel policy reflects the principles of the GOC policy.

#### **Government Owned Corporations – Cost of Capital Principles (2006)**

CS Energy's internal Financial Policies have been formulated taking into consideration the requirements of the Government's cost of capital principles.

#### Corporate Governance Guidelines for Government Owned Corporations (2005) (Note 1)

The CS Energy Corporate Governance Policies and Procedures are based on the ASX best practice guidelines and, to that extent, are consistent with the requirements of the above guidelines.

#### **Investment Guidelines for Government Owned Corporations (2008)**

CS Energy complies with the requirements of the investment guidelines.

#### Code of Practice for Government Owned Corporations' Financial Arrangements (2004)

The Board and CEO take full responsibility to ensure that prudent financial practices will be applied both within the corporation and within its subsidiaries (whether fully controlled or otherwise). Without limiting the obligations imposed on the Board and the CEO by the GOC Act and, where applicable, the Corporation's Law, which includes a commitment to:

- Abide with the Code of Practice for Government Owned Corporations' Financial Arrangements (1999) as issued by the Queensland Government; and
- Establish, maintain and implement appropriate financial risk management practices and policies required and as specified in the Code of Practice.

# Agreement Making in Government Owned Corporations - Guidance for Chief Executive Officers (2004)

CS Energy endeavours to comply with State and Commonwealth legislation and Government policy. The guidelines are followed to the extent that they are not inconsistent with current legislation.

# Guidelines for the Development of Employment and Industrial Relations Plans in Government Owned Corporations (2008)

CS Energy complies with this policy.

# Audit and Reporting Requirements for Government Owned Corporation Controlled Entities and Investments (2001)

CS Energy complies with the audit and reporting requirements.

# Guidelines for Export of Services by Government Owned Corporations (2001)

CS Energy is not engaged in the export of services and as such the policy is not relevant to the operations of CS Energy.

# State Procurement Policy (2007) / State Purchasing Policy (2000) (Note 2)

CS Energy's internal Purchasing Policies and Procedures are consistent with the requirements of the Sate Purchasing Policy.

#### Queensland Code of Practice for the Building and Construction Industry (2000)

CS Energy complies with this code.



Queensland Port Government Owned Corporations - Local Government General Rates Equivalents Regime: Guidelines for Assessment, Collection & Payment (2000) (Note 3)

Not applicable.

Community Service Obligations - A Policy Framework (1999) Not applicable.

#### Local Industry Policy: A Fair Go for Local Industry (2007)

CS Energy complies with the main principles of the policy and is endeavouring to comply with the policy's reporting requirements.

# Government Owned Corporations Governance Arrangements for Chief and Senior Executives (2009)

CS Energy complies with this policy.

### **Guidelines for the Issue of Harbour Towage Licence (Note 3)**

Not applicable.

# Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation Employees (2008)

CS Energy complies with this policy.

# The spirit and intent of the Government Land Disposal Policies (Note 3)

Not applicable.

Transport Portfolio Code of Practice for Close Circuit Television Systems (2007) (Note 3) Not applicable.

#### **QFleet ClimateSmart Policy (2008)**

CS Energy complies with this policy for vehicles leased or procured through QFleet. CS Energy also endeavours to comply with this policy for all other vehicles purchased or leased by CS Energy outside of QFleet.

# Purchasing Carbon Offsets for Queensland Government Air Travel (2008)

Government Owned Corporations Corporate Entertainment and Hospitality Guidelines (2008) CS Energy complies with this policy.

#### Government Owned Corporations Release of Information Arrangements (2009)

CS Energy complies with this policy.

#### Notes:

- 1. New 2009 version likely to be applicable by late March 2009.
- 2. As at 5 February 2009, State Procurement Policy applies only to SunWater Ltd and Queensland Investment Corporation Ltd. All other GOCs are still required to comply with the State Purchasing Policy (2000) until notified otherwise.
- 3. Applies only to ports GOCs.



# Attachment 5: Sponsorship, advertising, entertainment and donations

CS Energy's sponsorship activity is focused in Ipswich, Biloela, Chinchilla and Mount Isa, the regions in which the Company operates. This activity is organised in conjunction with local community groups and forms a key element of our local community relations program.

CS Energy also has a workplace giving program, *Generosity*, which involves staff making pre-tax payroll deductions to a charity and CS Energy matching staff donations up to a maximum of \$50,000 each year.

As an electricity generator, CS Energy sees only limited value in advertising and does not undertake any corporate campaigns targeting the general public. Some regional activity takes place to support local initiatives, but recruitment makes up the significant proportion of the Company's advertising expenditure.

Hospitality and entertainment are undertaken prudently, often taking advantage of benefits offered through partnerships with arts organisations.

Expenditure committed for the 2009/2010 financial year is detailed in the following tables:



Table 1: Sponsorship, Advertising, Corporate Entertainment, Donations and Other Activities for Activities \$5,000 and above.

Activity	Description / Benefit	Date or Timeframe	Budget 2008-09	Est Actuals 2008-09	Budget 2009-10	Per Head Amount 2009-10 Budget
Sponsorship  • Moving Opera in-school workshops,	Personal development for participants, Professional development for teachers, community investment and profile for CSE	Chinchilla 1-5 June Biloela 9- 13 June	\$30,000	\$30,000	\$30,000	N/A
• Qld Theatre Company - regional tour of School of Arts	Q150 event in Biloela and Chinchilla, community investment and profile	Biloela 8 August Chinchilla 13 August	\$27,000	\$27,000	N/A	N/A
Rockfest	Community music festival	March 2009	\$6,500	\$6,500	\$6,500	N/A
Business awards	Mount Isa business community event	October each year	\$10000	\$10000	\$10000	
Western games	Inaugural community sports carnival	July 2009	\$5000		N/A	N/A
Total Sponsorship (1)	Sports Carriivai		\$78,500	\$73,500	\$46,500	N/A
Advertising						
Various site and community advertising	Supporting community events		\$11,200	\$11,200	\$1,200	N/A
Total Advertising (2)			\$11,200	\$11,200	\$1,200	N/A
Corporate						
• Christmas	Staff and family	5/12/08	\$22,000	\$21,435.65	\$10,250	\$50
function – Callide • Christmas function –	Christmas function Staff and family Christmas function	13/12/09	\$12,000	\$11,131.82	\$7,500	\$50
Swanbank Christmas function - Brisbane	Staff Christmas function	19/12/09	\$10,000	\$6,667.82	\$6,000	\$50
Service recognition function	To recognise and reward long service to CS Energy and its predecessors	28/2/2009	\$6,370	\$5,595.61	\$8,500	\$130
• 8,000 hr outage function	Staff and contractor function to mark the end of the Station's first overhaul	November	\$7,000	\$6,613	N/A	N/A
Total Corporate Entertainment (3)			\$57,370	\$51,443.84	\$29,782.5	N/A
Donations						
Generosity – CS     Energy's     workplace giving     program     Chinchilla	CS Energy matches staff donations to a small number of staff-selected charities Trust established by	ongoing  November	\$50,000 \$100,000	\$55,000 \$100,000	\$50,000 \$25,000	N/A
Community Benefit Trust	original proponents of KCPS and taken over by CS Energy on purchase.					



Activity	Description / Benefit	Date or Timeframe	Budget 2008-09	Est Actuals 2008-09	Budget 2009-10	Per Head Amount 2009-10 Budget
Biloela PCYC  Luara Johnson	Contributes to community infrastructure projects Donation to support operating costs Furniture	April 2008	\$10,000	\$10,000 \$24,000	\$10,000 \$15,000	N/A
home Mount Isa Mount Isa community	Sponsoring of various Mount Isa community & sporting activities @\$300- \$2500 / event		\$50,000	\$21,000	\$35,000	N/A
Total Donations (4)			\$210,000	\$205,000	\$135,000	N/A
Other Related Activities						
Swanbank     Community Open     Day			N/A	N/A	\$10,000	N/A
Swanbank     Community     Reference Group			\$13,000	\$13,000	\$13,000	N/A
Total Other Related Activities (5)			\$13,000	\$13,000	\$23,000	N/A
TOTAL for ALL ACTIVITIES greater than \$5,000 (1+2+3+4+5)	N/A	N/A	\$358,870	\$342,943.87	\$228,280	N/A

Table 2: Corporate Entertainment: Activities less than \$5,000 per event.

	Budget 2008-09	Est Actuals 2008-09	Budget 2009-10
Staff Functions:			
Number of functions			
Expenditure (Total \$) (1)	9,000	33,870	29,000
Business Development:			
Number of functions			
Expenditure (Total \$) (2)	202,500	51,262	154,917.5
Stakeholder and Community Engagement			
Number of functions			
Expenditure (Total \$) (3)	2,000	500	2,000
Total Expenditure on corporate entertainment and hospitality below \$5,000 (1+2+3)	213,500	85,632	191,917.5

All CS Energy events are managed within guidelines agreed with the Office of Government Owned Corporations.



#### Attachment 6: Calculations

Debt/debt + equity <u>Debt</u>

Debt plus equity

Equivalent availability factor (%) [Installed plant capacity (MW) x 8760-MWh losses due to outages] x 100%

Installed plant capacity (MW) x 8760 hours

Interest cover (times) Earnings before interest and tax (but after abnormals)

Interest expense

Lost time injury duration rate Lost injury time

Number of Injuries

LTIFR Lost time injury frequency rate:

Lost injury time

Employee hours (million)

Planned outage factor (%) MWh out of service due to planned outage x 100%

Installed plant capacity (MW) x 8760 hours

REIFR Reportable environment incident frequency rate:

Number of reportable environment incidents

Employee hours (million)

Reliability factor (%) 100% - MWh out of service due to forced outage x 100%

Installed plant capacity (MW) x 8760 hours

Return on equity (%) Operating profit and extraordinary items after tax

Total average equity

Return on productive assets (%) <u>Earnings before interest and tax - Investment income x 100%</u>

Average Total Assets - Average Financial Assets

Return on total assets (%) <u>Earnings before interest and tax (but after abnormals)</u>

Total average assets

Shareholder Value Added Net Profit after interest and tax (as at end of the period) less an

Equity Charge.

The Equity Charge is CSE's equity return requirement multiplied by the

average of CSE's equity for the last 13 months.

Equity Charge based on Government advised methodology.

System capacity factor (%) Total annual energy sent out (MWh) x 100 %

Installed plant capacity (MW) x 8760 hours

O&M cost (\$/MWh) O&M cost includes cost of generation system operation, system

maintenance, support services, network charges and fixed costs. Fixed costs refer to interest payments, depreciation & site rehabilitation and

leasing charges.



#### **OPERATIONS**

#### Callide Power Station

PO Box 392 Biloela Queensland 4715 Telephone +61 7 4992 9329 Facsimile +61 7 4992 9328

#### Mica Creek Power Station

PO Box 1077 Mailing Distribution Centre Mount Isa Queensland 4825 Telephone +61 7 4740 0700 Facsimile +61 7 4740 0710

#### Swanbank Power Station

Mail Service 460 Ipswich Queensland 4306 Telephone +61 7 3810 8800 Facsimile +61 7 3810 8777

#### Kogan Creek Power Station

PO Box 41 Brigalow Queensland 4412 Telephone +61 7 4665 2500 Facsimile +61 7 4665 2599

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