

Date: Wednesday 14 April 2021

Time: 10am

Location: Mallowa Irrigation Conference Room, St George

Attendees:

Independent Chair: Luke Stower

Representing customers: Scott Armstrong, David Moon, Rohan Thorogood, Louise Hill, Ross Landsberg

Council members: NA

Sunwater representatives: John Kelly

Guests: NA

Apologies: Nil

Agenda items		
Item no.	item	Presenter
1	Welcome and Introductions	Chair
2	Apologies	Chair
3	Storage Update	John K
4	FY21 Scheme Budget and Expenditure Review	John K
5	FY21 Planned Corrective Program Update	John K
6	Jack Taylor weir low level outlet valves	John K
7	Northern Basin Toolkit Measures	John K
8	Bathymetric/Lidar Survey – Beardmore dam and Jack Taylor weir	John K
9	21/22 Service and Performance Plan (SPP)	John K
10	General Business	John K

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1. Welcome and introductions

The Chair opened the meeting at 10:30am and thanked the committee members for their attendance.

2. Apologies

Nil

3. Storage Update

Sunwater advised the IAC that the current storage of Beardmore dam was 81,700ML or 100% and Jack Taylor weir was 10,100ML or 100%. Gates at Beardmore dam from the recent flood event were only just closed the evening prior (Tuesday 13 April).

4. FY21 Scheme budget and Expenditure review

Sunwater provided the IAC with the Profit and Loss (P&L) report for the scheme to 30 March 2021. Of note:

- Operating Revenue is ahead of budget by \$145k at \$1,622k
- Operating expenses are below budget by \$808k at \$1,063k
- Operating profit is ahead of budget at \$562

The full P&L for the scheme for to 30 March 2021 is available for review [here](#).

Post Meeting Note: The significant variance in the operating expenses is due to a year to date underspend on non-routine or R&E projects (capex). This variance will decrease in the coming months due to concreting work for scour protection downstream of Beardmore dam that is scheduled for May and the completion of input studies being completed as part of the Comprehensive Risk Assessment.

The IAC queried the line item 'Non-operating expenses' which was well below budget (noting the budget for this item is a loss of -\$1,348k). Sunwater advised it would look into the detail of this line item further and revert to the IAC.

Post Meeting Note: The Non-operating costs line item in the P&L represents an accounting principle called 'impairment'. Impairment is a reduction in the value of the asset.

5. FY21 R&E Program Review

Sunwater provided the IAC with a summary of the FY21 R&E program which is available for review [here](#) and includes actual costs to date for each project.

Sunwater advised that the concreting of scour damage at Beardmore dam was scheduled for May 2021 and that additional scouring identified downstream of the causeway would be included as a variation under the contract (note this work is budgeted for in FY22 but is being brought forward to take advantage of the contractor on site). Sunwater advised the IAC the quote received for this work was \$425k (noting the budget is \$370k) and as such additional funds will be required from contingency (unplanned capital replacements line item \$63k) and savings from the CRA input studies (\$145k)

Sunwater advised the budget for the Comprehensive Risk Assessment (CRA) of \$445k will be more than required with quotes for this work totalling approx. \$300k and as such unspent funds will be transferred to the scour repair project as mentioned above.

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6. Jack Taylor Weir Low Level Outlet Valves

Sunwater provided the IAC with [photos](#) detailing the condition of the low level outlet valves at Jack Taylor weir together with a summary of the cost estimates for different options investigated over a number of years. Sunwater provided a recommendation to the IAC on the way forward, being as follows:

The recommended course of action is to decommission the existing low-level valves and hire pumps when required. Noting that:

- Valves were not required to be operated in the most recent drought when Beardmore dam was empty and Jack Taylor Weir was down to 1,600ML in Dec 2020
- Current operational strategy is to top up the downstream waterhole prior to the level falling below the fixed crest
- Generally speaking, when such dry conditions exist there is very little to no allocation left downstream
- Frequency of supply issues to downstream customers when level in weir is below fixed crest is maybe every 5-7 yrs
- Pumps can be hired in the event that the downstream waterhole needs topping up and the weir is below the fixed crest level

The IAC endorsed the position to decommission the valves.

7. Northern Basin Toolkit Measures (NBTKM)

Sunwater advised the IAC that the NBTKM program was federal funding totalling \$180m for the delivery of projects that included environmental works and measures to promote fish movement and habitat (such as building fishways) in the northern part of the Murray Darling Basin.

Sunwater advised the IAC that the Dept of Regional Development, Manufacturing and Water (DRDMW) had made a submission to the federal government (in July 2020) through the Northern Basin Toolkit Measures (NBTKM) Program, for consideration of funding of fish passages on a number of structures in the northern basin including Sunwater infrastructure in the Cunnamulla, St George and Upper Condamine Water Supply Schemes.

Sunwater advised the IAC that it had received advice from the DRDMW that proposals for the development of fish passage structures on Jack Taylor weir and Beardmore Dam had been requested to be progressed through the business case stage by the federal Dept Agriculture, Water and Environment (DAWE).

The business case phase is essentially development of engineering design drawings and cost estimates to be considered for funding the construction in phase 2 of the program.

The IAC discussed the ongoing operations and maintenance costs associated with fish passage structures (most likely a fish lock given the height of Jack Taylor weir and Beardmore dam) and where the cost would come from. Sunwater advised it would seek to include the O&M costs for a period of time (possibly 5yrs) in the funding arrangements however this would not be in perpetuity and ultimately the scheme would need to fund the O&M costs. Discussion was also held on the water required to operate the structures. Sunwater advised allocation water could be used to operate the structure at Beardmore dam as this water could then be taken from Jack Taylor weir for consumptive use however water to operate a structure at Jack Taylor weir would require further consideration during the business case development phase.

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8. Bathymetric/Lidar survey of Beardmore Dam & Jack Taylor weir

Sunwater provided the IAC with the details of the Bathymetric/Lidar survey that was undertaken at Beardmore dam when the storage was low during the repair works at Thuraggi channel offtake in 2019. This data is available [here](#). Sunwater advised that at Full Supply Level of EL207.12m AHD the difference between the ROP approved storage curve and the survey was -543ML. Sunwater advised that this volume was insignificant (representing 0.7% of the total storage volume) and arguably is representative of the error bound in the original survey which was completed in 1993 and was compiled from a mix of 1993 surveys and air photos. Sunwater advised that at low levels (e.g. dead storage) the difference between the ROP approved storage curve and the survey was -330ML which once again was not considered significant. Sunwater advised that there are differences of up to 2,500ML at mid range elevations however it was agreed that the continuous sharing rules work well and there was no need for any amendments to the ROP based on the survey.

Sunwater advised the IAC that there were data gaps in the survey completed for Jack Taylor weir which didn't allow for a full storage curve model to be developed and that those gaps would be filled with either Lidar or Bathymetric survey as levels allowed.

9. 21/22 Draft Service and Performance Plan

Sunwater provided the IAC with the draft 21/22 Service and Performance Plan for the scheme. This plan is available for review [here](#) together with an Information sheet [here](#). Sunwater noted the key performance measures for 2019-20 as follows:

- Operating costs were \$1.26m or 10.2% less than forecast
- Annuity funded costs were \$3.19m or 10.4% less than forecast
- Total water deliveries were 49,766ML

Sunwater noted the outlook for 2021/22 as follows

- Forecast operating costs are \$1.35m
- Forecast annuity funded costs are \$0.78m

The IAC queried the final costs for the Thuraggi outlet repairs noting the 'At a glance' performance suggested that the annuity funded costs were 10% less than forecast in 19/20. Sunwater advised that the final Thuraggi cost was approximately \$7.3m with \$6.3m being scheme funded through the annuity and \$1m being funded by Sunwater as agreed with customers previously and relating to an efficiency review of the project and costs associated with larger diameter rock protection required downstream of the outlet structure.

The IAC queried the increased operations costs as detailed in Table 7 and in particular the increases in actual costs from 2017/18 (\$475k) to 2018/19 (\$767k) and 2019/20 (\$953k). Sunwater advised further detail in operating costs is provided in Appendix 2. From this table it can be seen that over this period there have been significant increases in labour costs, local area support costs and corporate support costs.

Post Meeting Note: Since 2017 there has been an increase in direct charging of labour (and vehicles) direct to the service contract where previously costs have been charged to overhead orders. This is reflected in the increased labour charges in the table in Appendix 2. Direct cost charging occurs from not only local dam operations staff but also from regional support staff including General manager, operations supervisor, work planner/scheduler, admin officer and flood operations staff. A significant portion of the increased labour

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charges in 19/20 can be attributed to additional direct labour charged to the service contract as a result of the 24/7 flood operations during the Feb/Mar flood event.

Sunwater spoke to the Annuity funded projects (detailed in Appendix 3 and 4 of the plan) noting there is a focus on refurbishment of winches/hoists and gate repainting at both Beardmore dam and Jack Taylor weir in the coming years. The IAC discussed the Annuity balance as detailed in Table 9 of the plan and in particular it was noted that the opening balance in 2017/18 was only \$24k. The IAC recalled that the annuity balance was \$1.2m previously. The footnote at the bottom of table 9 notes that 'The opening balances for the 2017/18, 2018/19 and 2019/20 reflect the QCA's 2020-2024 irrigation price investigation final recommendations'. Sunwater undertook to look into this footnote further and provide some further detail into the annuity opening balance.

Post meeting note: In reviewing previous Service and Performance Plans, it is noted that in the 2019/20 plan the opening balance in 2017/18 was \$600k. However it is noted that in the QCA's final report that the QCA has adjusted the annuity balances resulting in a starting annuity balance in 2017/18 of \$24k. Further it is noted that the annuity balance in 2011/12 was \$1.125m however after QCA's adjustments the 2011/12 opening annuity balance was reduced to \$193k. An extract from QCA's final report below provides further details.

4.2.2 Opening annuity balance

Sunwater's 2012–13 opening annuity balances across all schemes are significantly different to our recommended 2012–13 opening annuity balances. As a starting point for our analysis, we have therefore reconciled the 2011–12 opening annuity balances for each scheme between those used in the 2012 review, and those underlying Sunwater's November 2018 submission. The difference between prudent and efficient renewals expenditure over previous price path periods (past renewals expenditure) and the renewals annuity received over the same period is an important determinant of opening annuity balances for 1 July 2020. We assessed the prudence and efficiency of historical renewals expenditure (from 2011–12 to 2019–20) in Chapter 3.

We have rolled forward the opening 2011–12 annuity balance for each scheme through to end of the previous price path in 2016–17. The roll-forward occurs each year by making the following adjustments to each year's opening balance:

- Adding the renewals annuity allowance from our 2012 review.
- Subtracting our recommended prudent and efficient renewals costs (see Chapter 3).
- Adjusting for interest each year using the post-tax nominal WACC of 7.49 per cent from our 2012 review.

The opening 2017–18 annuity balance is then rolled forward to the commencement of the new price path by using the same approach. Our approved annuity revenue allowance for 2016–17 was increased by forecast inflation (2.5 per cent) each year, in line with the increase in the lower bound cost target used by the Government to set the transitional price path over this period.

<https://www.qca.org.au/wp-content/uploads/2020/02/irrigation-price-review-part-b-sunwater-final-report.pdf>

The tables below detail the adjustments to the 2011/12 annuity balance (opening balance of \$1.125m) and rolling through to the determination of the 2017/18 opening balance of \$24k.

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	2012	2013
IBS - St George WSCurrent View		
IBS - St George WSQCA - closing balance	1,125	
IBS - St George WSAAdjustments to QCA 2012 closing balance	-	
IBS - St George WS• 2007 to 2011 - Flood expenses	(277)	
IBS - St George WS• 2012 - Actual spend adjustment	(749)	
IBS - St George WS• Adjustment - insurance proceeds for 2010/11 claim event	94	
IBS - St George WS	-	
IBS - St George WSAnnuity roll forward	-	
IBS - St George WSOpening balance	-	193
IBS - St George WSAadjusted annuity funded spend	-	
IBS - St George WSAnnuity income same as (iv) above until 2019, consistent with the opening ba	-	
IBS - St George WSInterest (based on opening balance and annuity funded spend profile in this	-	
IBS - St George WSClosing balance	193	

Table 1 – QCA Adjustments made to the 2011/12 closing balance (\$1.125m) to arrive at the \$193k which is then the opening balance in the QCA price model (Table 2 below)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	192.56	99.83	293.27	452	402	24	279	(2,750)	-	
	(732.13)	(448.37)	(483.36)	(733.98)	(1,064.55)	(420.44)	(3,740.37)	(3,390.27)	(5,639)	(5,259)
	-	-	(20)	-	-	-	-	-	(193.84)	(475.08)
	-	-	-	-	-	-	-	-	-	-
	625	634	640	649	657	673	690.3	708	820	826
	14.42	7.48	21.97	33.88	30.08	1.81	20.90	(205.99)	(246.55)	(229.93)
	99.83	293.27	452.33	401.64	24.19	278.99	(2,750.20)	(5,638.93)	(5,258.95)	(5,138.46)

Table 2 – QCA Pricing model annuity table (January 2020) showing the stating annuity balance of \$193k rolling forward to the opening balance of \$24k in 2017/18

10. General Business

Nil

11. Approval and Review

Chair:	Luke Stower
Minutes:	John Kelly
Date:	28 April 2021