

2017/18 ANNUAL NETWORK SERVICE PLAN

# BUNDABERG DISTRIBUTION

30 JUNE 2017



MAKING WATER WORK

# CONTENTS

Introduction .....	3
Financial Summary .....	4
Water Data .....	5
Revenue .....	6
Routine Expenditure.....	8
Operations .....	8
Preventive maintenance .....	9
Corrective maintenance.....	9
Routine Cost Summary and Charts .....	11
Non-Routine Expenditure.....	12
Non-Routine Budget .....	13
Annuity Balance .....	16
Overview of annuity-funded, non-routine projects to 2043.....	17
Material projects 2018 and 2019.....	17
Material projects 2020–24 .....	17
Material projects 2025–43 .....	17
Appendix 1: Total Expenditure by Expense Type .....	18
Notes.....	21

We're focused on reliability, efficiency and safety, ensuring the Bundaberg Distribution Scheme continues to meet the needs and expectations of our diverse customer base.

In this Network Service Plan (NSP) we outline a range of proposed immediate and longer-term improvement projects, and provide a detailed breakdown of anticipated revenue and costs for review.

Our focus for 2017/18 is maintaining a reliable water supply and continuing safe operations. Forecast for this year are a number of Switch Board upgrades and an extensive program of investigations and repairs. This is part of our commitment to maintaining high standards and delivering ongoing value.

It is important to us that our customers are involved in making important decisions. We welcome and encourage your feedback on this NSP, and look forward to working with you to deliver the programs of work.

**Milton Pukallus**  
Service Manager

# INTRODUCTION

At SunWater, we are committed to working collaboratively with our customers to deliver value and fit-for-purpose water solutions.

A recommendation from the 2013-17 review of SunWater's irrigation pricing was for SunWater to produce annual Network Service Plans (NSPs) to help keep customers informed throughout the pricing period. These annual NSPs will focus on both routine expenditure (opex) and non-routine expenditure. In particular, the NSPs will cover:

- past performance for opex and non-routine expenditure
- forecast opex and non-routine expenditure for the approaching year
- the long-term outlook for material non-routine spend.

In the past NSPs compared SunWater's costs with QCA targets set in the 2012 price review. The 2017/18 NSP is the first to fall outside the QCA price path which expires 30 June 2017. The price path has been extended for two years but new targets have not been formally set. For routine expenditure SunWater has adjusted the 2017 QCA targets for CPI and adopted that as the target spend.

Whilst adopting targets for routine spend is relatively simple, adopting a target for non-routine is more problematic. To improve transparency SunWater is presenting non-routine expenditure for both 2018 and 2019. No QCA targets exist so for this draft NSP SunWater has compared the budgeted non-routine spend for both years with the "projected" spend taken from the QCA's renewals annuity profile as provided in 2012. As the QCA renewals profile was developed based on assessments undertaken back in 2011 there is extensive divergence in the scope and cost of projects to be undertaken. Therefore, in the draft NSP, SunWater is presenting non-routine budgets for both 2018 and 2019 so that customers have visibility of non-routine maintenance activities over the two years.

The prior year figures are provided for information only, with the focus for NSP consultation being the draft budget figures for 2018. Given the 2018 figures are draft, they are subject to change. The 2018 budget will be finalised following customer and shareholder consultation.

SunWater values customer feedback and will publish all submissions and SunWater's responses on our website. Customers can provide their feedback via email or post using one of the following addresses:

Email: [nspfeedback@sunwater.com.au](mailto:nspfeedback@sunwater.com.au)

Post: NSP Feedback  
PO Box 15536 City East  
Brisbane Qld 4002

# FINANCIAL SUMMARY

For 2017/18, SunWater plans to increase both revenue and routine expenditure.

A high-level summary of the budgeted financial performance of the Bundaberg Distribution service contract is presented in Table 1 below. Further detail on the planned spend, together with estimated revenue, is outlined on subsequent pages of this plan.

**TABLE 1: OPERATING REVENUE LESS SPEND**

Bundaberg IS	Table reference	2014 Actual \$000	2015 Actual \$000	2016 Actual \$000	2017 Forecast \$000	2018 Budget \$000
Revenue	Table 3	12,381	10,510	12,479	11,294	9,062
Less – Routine Expenditure	Table 4 & Table 7	12,782	10,160	10,477	10,711	11,189
Less – Non-Routine Expenditure						
• Annuity Funded	Table 5, Table 6 & Table 7	811	960	1,120	2,687	1,902
• Non Annuity Funded	Table 5	63	102	114	-	-
<b>Surplus (Deficit)</b>		<b>1,275</b>	<b>(712)</b>	<b>768</b>	<b>(2,105)</b>	<b>(4,029)</b>

For 2017/18, SunWater plans to increase both revenue and routine expenditure.

A high-level summary of the budgeted financial performance of the Bundaberg Distribution service contract is presented in Table 1 below. Further detail on the planned spend, together with estimated revenue, is outlined on subsequent pages of this plan.

Table 1 is a high level summary of the budgeted financial performance of the service contract. This document provides further detail of the planned spend on routine functions and non-routine projects across the 2018 year together with an estimate of revenue expected to be generated.

Figure 1: Breakdown of total scheme costs – 2018 budget

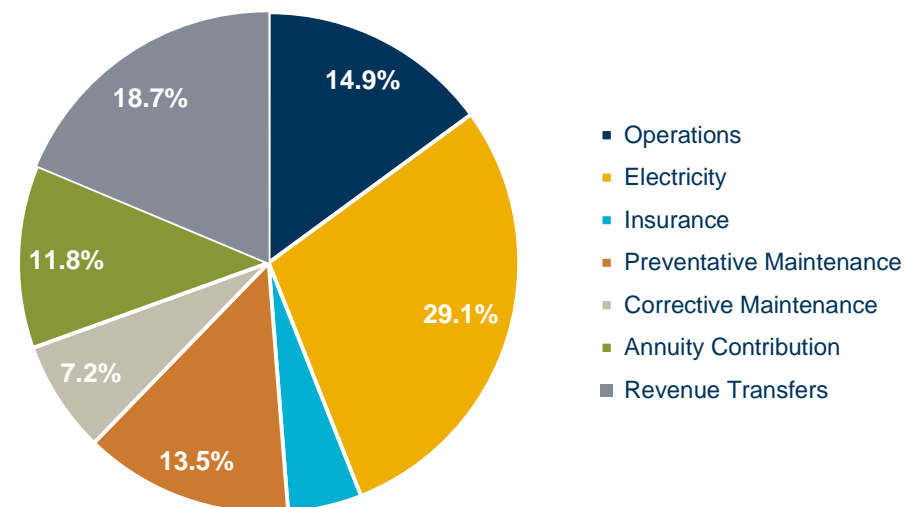


Figure 1 shows a high level summary of scheme costs and provides an indication of where revenue from irrigation water charges is applied. The item “Annuity Contribution” refers to the component of irrigation water charges that is applied toward the renewals annuity each year. The item “Revenue Transfers” refers to the contribution towards the cost of the bulk water scheme.

# WATER DATA

Bundaberg Distribution's customer base includes industrial, irrigation and urban customers, as well as SunWater. SunWater's entitlements relate to channel system distribution losses

**TABLE 2: WATER DATA**

Scheme	Service Contract	Customer Segment	No. of Customers	Water Entitlements (ML)
Bundaberg	BIG - Bundaberg IS	Industrial		386
		Irrigation		155,108
		Urban		1,859
		Other		46
		SunWater		41,590
		Service Contract Total	946	198,989

QCA Assumed water use 48%

# REVENUE

SunWater's anticipated revenue for 2017/18 is provided in Table 3..

**TABLE 3: REVENUE**

Bundaberg IS	2014 Actual \$000	2015 Actual \$000	2016 Actual \$000	2017 Forecast \$000	2018 Budget \$000
Irrigation	11,921	9,855	12,019	11,742	11,344
Industrial	96	103	93	109	112
Urban	586	609	628	601	616
Irrigation CSO	761	467	157	-	- <sup>1</sup>
Revenue Transfers	(1,105)	(1,101)	(1,134)	(1,158)	(3,010) <sup>2</sup>
Drainage	-	-	-	-	-
Other	122	114	185	-	-
Insurance Proceeds – Flood	-	463	529	-	-
<b>Revenue Total</b>	<b>12,381</b>	<b>10,510</b>	<b>12,479</b>	<b>11,294</b>	<b>9,062</b>

<sup>1</sup> The draft NSP published in April 2017 included SunWater's estimate of the required CSO for the service contract. Since publication of the draft NSP SunWater has been advised by Government of the actual CSO to be paid. The actual CSO will be based on the 2017 CSO adjusted downwards for any real price increase paid by customers. The Government's decision to not fully fund the required CSO results in a state wide short fall of approximately \$8 million which is funded via cross-subsidy from SunWater's commercial activities.

<sup>2</sup> Revenue Transfers represent the cost of bulk water supplies delivered through the distribution system(s). The revenue accrues to the distribution system before it is transferred to the Bulk Water Supply Scheme as a contribution to the cost of the bulk water service. In 2012, the QCA established the transfer cost for irrigation supplies at the cost reflective bulk water tariff. Now that the QCA prices path has ended SunWater has recalculated the cost reflective tariff and revenue transfers based on the actual cost for providing bulk water services. Any increases reflect increases in uncontrollable cost like insurance premiums, electricity, IGEM cost and flood damage. The revisions to revenue transfer arrangements will not affect prices paid by customers in 2018 and 2019, however it is important for SunWater to be transparent and signal to customers the cost pressures being experienced. These cost pressure will not flow to prices until after the completion of the next pricing review. Note also that the revenue transfer costs above do not include the bulk water costs of SunWater's channel distribution system losses.



# ROUTINE EXPENDITURE

TABLE 4: ROUTINE OPERATING EXPENDITURE

Bundaberg IS	2014			2015			2016			2017			2018			
	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Forecast \$000	QCA Target \$000	Variance \$000	SW Budget \$000	QCA Forecast \$000	Variance \$000	% of target
Operations	2,428	1,917	(511)	2,510	1,960	(550)	2,218	1,967	(251)	2,351	1,947	(404)	2,404	1,996	(409)	120
Electricity	5,678	3,166	(2,512)	3,356	3,387	31	4,344	3,658	(686)	4,356	3,914	(442)	4,682	4,012	(670)	117
Insurance	1,055	547	(508)	794	557	(237)	720	566	(153)	767	576	(191)	767	591	(176)	130
<b>Operations Total</b>	9,161	5,630	(3,531)	6,660	5,904	(757)	7,282	6,192	(1,090)	7,474	6,437	(1,037)	7,853	6,598	(1,255)	119
Preventative Maintenance	2,203	1,774	(430)	2,207	1,817	(391)	2,231	1,838	(393)	2,089	1,834	(255)	2,174	1,880	(294)	116
Corrective Maintenance	1,418	1,025	(393)	1,293	1,050	(243)	964	1,062	98	1,148	1,060	(88)	1,162	1,086	(75)	107
<b>Routine Total</b>	12,782	8,429	(4,353)	10,160	8,770	(1,390)	10,477	9,091	(1,385)	10,711	9,331	(1,380)	11,189	9,565	(1,624)	117

The budget routine spend is 117% above the QCA's target for 2018 however the budget falls to within the target when the above-QCA increases in insurance are taken into account.

## Operations

Operation activities include the day-to-day costs of the administration and management of the scheme, water delivery and meeting compliance obligations. Specific activities include the direct and non-direct cost of<sup>3</sup>:

- Scheduling and delivering water, including processing water orders, releasing water, operating pump stations, regulation and monitoring of channel flows and monitoring of customer deliveries;
- Emergency responses for channel overflows and other emergency events;
- Meter reading;

- Administration of water accounts, billing, and receipting payments;
- Customer management, including enquiries, complaints and maintaining the customer service help desk;
- Scheme management, including licences and permits, rates, land management, planning and reporting;
- Insurance;
- Monitoring the security of infrastructure and unauthorised access and trespass;
- Managing public relations associated with the scheme; and
- Managing enquiries from adjoining landholders, and in some cases developers, that require input and negotiations with SunWater's property and legal sections to resolve issues.

<sup>3</sup> Activities listed will not apply to all service contracts.



## Preventive maintenance

Preventive maintenance is maintaining the ongoing operational performance and service capacity of physical assets to the required standard. Preventive maintenance is cyclical in nature with a typical interval of 12 months or less. Preventive maintenance activities are based on the updated work instructions developed for operating the scheme and include an estimate of the resources required to implement that scope of work. Preventive maintenance includes<sup>4</sup>:

- Condition monitoring – the inspection, testing or measurement of physical assets to report and record its condition and performance for determination of maintenance requirements. Condition monitoring is carried out on electrical, mechanical and civil assets including pump stations (pumps, electrical motors, valves, switchboards and associated equipment), channels (regulator gates, civil works, signs, structures, etc.), drains (civil works, structures etc.), pipelines (valves, air valves, scours easements etc.), and other infrastructure;
- Servicing – planned maintenance activities normally expected to be carried out routinely on physical assets including valves, cranes, sump pumps and associated equipment; and
- Weed control – which includes the following activities:
  - Slashing channels and drains;
  - Acrolein treatment of channels;
  - Copper Sulphate treatment; and
  - Spraying and other activities to control operational and noxious weeds within dams, channel and drainage reserves and balancing storages and other land managed by SunWater

Preventive maintenance is budgeted 14% above the QCA's target for 2018, mainly due to allowance for additional contractors. Ongoing review of work required will be undertaken to minimise costs over QCA target.

---

<sup>4</sup> Activities listed will not apply to all service contracts.

## Corrective maintenance

Corrective maintenance includes activities to correct unexpected failures or to return an asset to an acceptable level of performance or condition. While these are difficult to forecast with accuracy, history has shown that such events can be expected and need to be factored into expenditure forecasts. Forecasts include provision for labour, materials and plant hire.

The corrective maintenance forecast does not include any costs of damage arising from major unexpected events, such as floods. These costs are categorised as non-routine corrective maintenance which is discussed in the following section.

There are two types of corrective maintenance – scheduled and emergency<sup>5</sup>.

- Scheduled corrective maintenance is maintenance that can be planned and scheduled, and includes:
  - Channels
    - De-silting channels and catch drains;
    - Erosion control and repair of rock protection works;
    - Repair fencing;
    - Repair concrete structures; and
    - Repair regulator gates, control valves, etc.
  - Drains
    - De-silting drains;
    - Erosion control and repair of rock protection works;
    - Repair fencing; and
    - Repair concrete structures.
  - Pipelines
    - Pipe breaks
    - Repair air valves, scour valves, etc.;
    - Erosion control and repair of rock protection works; and
    - Repair concrete structures.

---

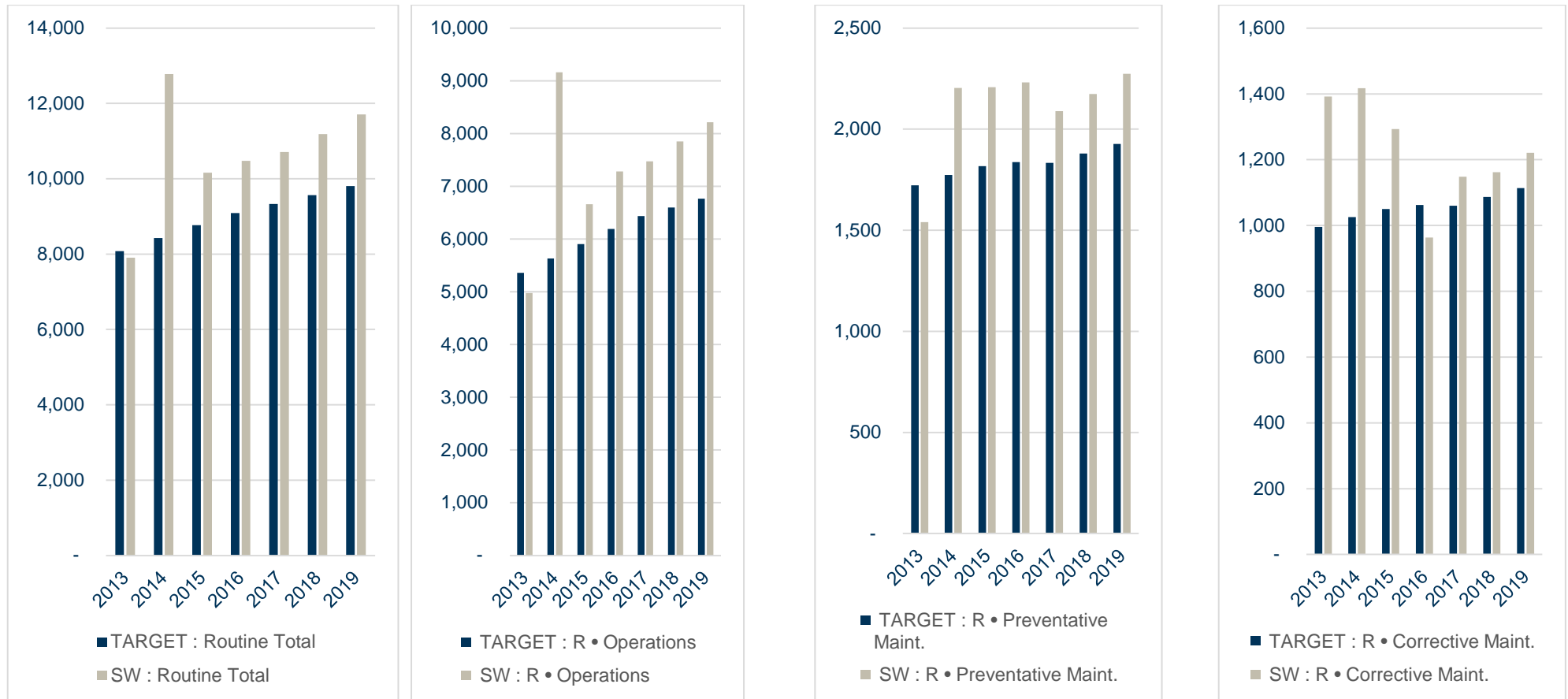
<sup>5</sup> Activities listed will not apply to all service contracts.

- Scheme Roads
  - Repair pot holes;
  - Grade roads; and
  - Repair, replace and paint guide posts and signs.
- Pump stations
  - Repair pumps and motors;
  - De-silt intake structures;
  - Repair concrete structure; and
  - Repair control building.
- Storages (balancing storages and reservoirs)
  - Repair control gates and valves;
  - Repair walls, embankments and spillways; and
  - Repair concrete structures.
- Meters
  - Repair bulk water meters; and
  - Repair customer meters.
- Emergency corrective maintenance is maintenance that has to be carried out immediately to restore normal operation or supply to customers or to meet regulatory obligations (e.g. rectify a safety hazard) and includes:
  - Repair or correction of pump station faults;
  - Repair or correction of channel faults;
  - Repair or correction of pipeline faults; and
  - Response to theft or vandalism associated with scheme assets.

## Routine Cost Summary and Charts

In summary the key challenges in managing routine costs is managing the rising cost of insurance premiums. The information in Table 4 above is re-presented in the charts below to graphically show SunWater's performance against the QCA targets.

**FIGURE 2: ROUTINE EXPENDITURE BY ACTIVITY COMPARED TO QCA TARGET (\$'000)**



# NON-ROUTINE EXPENDITURE

SunWater has developed a whole of life strategy around the replacement and maintenance of its asset portfolio which is based on the concept of optimised life. The key drivers in this approach are the risk and condition of each asset. The current condition of an asset drives an estimate of the future work required to ensure an asset continues to be able to provide the required level of service into the future. SunWater maintains a program of asset inspections and condition assessments which continually updates our knowledge of asset condition. This information feeds into the annual review of the renewals program, the most recent of which was completed in February 2017; items requiring immediate maintenance or replacement are included in the budget for the following year.

While the immediate program for the next year's budget is well defined; the further into the planning timeline, the more uncertain the estimates become. Consequently, the program of works is not a specific forecast of when individual projects are expected to be executed but rather it is portfolio level estimate of works based on the best-available risk and condition information for the service contract as a whole. This information feeds into calculation of the annuity to fund renewals. Having an annuity funding arrangement acknowledges that a long-term view of renewals spend is required to ensure adequate funding and to address issues such as inter-generational equity.

The QCA targets were set against an indicative program of works from the 2010-11 year. While this was the best estimate of expected work at the time, in some cases, the QCA's funding allowance for renewals work across the price path does not cover the total expenditure required to maintain asset condition to the required standard. In addition, there have been unexpected events, such as floods, that were not allowed for in the QCA's annuity funding allowance.

SunWater is focusing effort on reviewing renewals profiles so that assets are maintained to the required standard with the minimum spend. This review extends to considering the key asset replacement assumptions so that the profile better reflects likely spend each year and moves away from assuming assets are replaced at end of standard life, based on their replacement costs. This is expected to reduce the renewals profile going forward, reducing upward pressure on water charges.

For 2018 and 2019 no QCA targets exist so for this draft NSP SunWater has compared the budgeted non-routine spend for both years with the "projected" spend taken from the QCA's renewals annuity profile as provided in 2012. As the QCA renewals profile was developed based on assessments undertaken back in 2011 there is extensive divergence in the scope and cost of projects to be undertaken. Therefore, in the draft NSP, SunWater is presenting non-routine budgets for both 2018 and 2019 so that customers have visibility of non-routine maintenance activities over the two years prior to the next price review.

## Non-Routine Budget

The budget non-routine spend for 2018 is shown in the table below; along with the actual spend for prior years.

**TABLE 5: NON-ROUTINE EXPENDITURE**

Bundaberg IS	2014			2015			2016			2017			2018				2019			
	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Budget \$000	QCA Forecast \$000	Variance \$000	% of target	SW Forecast \$000	QCA Forecast \$000	Variance \$000	% of target
<b>Annuity Funded</b>																				
Operations	1	-	(1)	5	15	10	17	195	178	-	-	-	-	-	-	-	-	-	-	-
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	139	-	(139)	18	-	(18)	178	-	(178)	1,005	-	(1,005)	-	-	-	-	-	-	-	-
R&E	671	777	106	937	1,057	120	924	756	(168)	1,657	891	(766)	1,902	1,318	(583)	144	2,138	1,718	(420)	124
<b>Non-Routine Total</b>	<b>811</b>	<b>777</b>	<b>(34)</b>	<b>960</b>	<b>1,071</b>	<b>111</b>	<b>1,120</b>	<b>952</b>	<b>(168)</b>	<b>2,663</b>	<b>891</b>	<b>(1,771)</b>	<b>1,902</b>	<b>1,318</b>	<b>(583)</b>	<b>144</b>	<b>2,138</b>	<b>1,718</b>	<b>(420)</b>	<b>124</b>
<b>Non Annuity Funded</b>																				

Details of the five major non-routine projects planned for 2018 and 2019 are provided below in Table 6 and Table 7.

**TABLE 6: NON-ROUTINE PROJECTS 2018**

<b>Project title</b>	<b>Project scope</b>	<b>2018 budget (\$'000)</b>
<b>17BIA40 Install Components for PLC and SCADA system</b>	Quart Pot Pump Station Switchboard/Control System, Installation phase of the PLC and SCADA upgrade	192
<b>17BIA25 Replace Electrical Equipment (Switchboard HV) Procurement and Supply</b> <b>17BIA25 Replace Electrical Equipment (Mains Cable) Procurement and Supply</b> <b>17BIA25 Replace Electrical Equipment (Common Control) Procurement and Supply</b>	Woongarra PSTN Conclude Design/Drafting phase of the HV Switchboard upgrade, this project will modernise the dated High Voltage switch board, to ensure reliability.  Common control upgrade, to ensure reliability of control and monitoring systems at Woongarra Pump Station.	328
<b>15BIA52 - Install Survey Targets - Slope Stability - Don Beattie PSTN</b>	Investigate Bank Instability Don Beattie PSTN, Install additional monitoring points on embankment	77
<b>Refurbish Motor - bearings, bake, slip rings etc.</b>	Monduran Unit 2, 3.3Kv Elect Motor Overhaul	71
<b>16BIA11 Replace #1 Submersible Pump Unit</b>	Abbotsford Pump Station, Replace with like for like Submersible pump, current unit at end of economical life	57
<b>Other works</b>	There are eighty-eight other non-routine projects for 2018 ranging from \$2,000 to \$50,000. Further detail will be tabled at the IAC meeting.	1,177
<b>Total</b>		<b>1,902</b>

**TABLE 7: NON-ROUTINE PROJECTS 2019**

<b>Project title</b>	<b>Project scope</b>	<b>2019 budget (\$'000)</b>
<b>17BIA25 Replace Electrical Equipment (Switchboard HV) Procurement and Supply (Stage 2)</b>	Installation phase of HV switch board	337
<b>17BIA25 Replace Electrical Equipment (Mains Cable) Procurement and Supply (Stage 2)</b>		
<b>17BIA25 Replace Electrical Equipment (Common Control) Procurement and Supply (stage 2 )</b>	Installation phase ,Common control upgrade, to ensure reliability of control and monitoring systems at Woongarra Pump Station.	
<b>13BIA09 Replace flow meter - Gooburrum PSTN</b>	Install new dual pass ultrasonic flow meter	86
<b>Replace incomer section of cable</b>	This project is to replace the incomer power cable at Monduran Pump Station. The requirement for the project will be confirmed by condition assessment and testing of the cable in 2018..	81
<b>Refurbish Motor - bearings, bake etc.</b>	Quart Pot Ck Pump Station refurbishment of High Voltage Elect Motor	67
<b>Refurbish Pump - bearings, casing, wear rings etc.</b>	Quart Pot Ck Pump Station Overhaul Farnsfield Pump 2	58
<b>Other works</b>	There are ninety-three other non-routine projects for 2018 ranging from \$4,000 to \$51,000.	1,510
<b>Total</b>		<b>2,138</b>

# ANNUITY BALANCE

The estimated 2017 and 2018 annuity balances are shown below; the annuity contribution shown has been set by the QCA and assumed to apply in 2018. SunWater aims to limit the annuity spend to the QCA's targets over the 5-year price path in order to manage the annuity balance to reasonable levels.

The impacts of budgeted non-routine spend on the annuity balance for 2018 is shown in the following table.

**TABLE 8: ANNUITY BALANCE\***

Bundaberg IS	Table Reference	2014 Actual \$000	2015 Actual \$000	2016 Actual \$000	2017 Forecast \$000	2018 Budget \$000	2019 Forecast \$000
<b>Annuity</b>							
Opening Balance		2,605	3,601	5,288	6,883	6,571	7,068
Net Spend	See below	(811)	(266)	(590)	(2,663)	(1,902)	(2,138)
Annuity Contribution		1,613	1,683	1,789	1,860	1,906	1,954
Interest		195	270	396	516	492	529
<b>SunWater – Closing Balance</b>		3,601	5,288	6,883	6,596	7,068	7,414
<b>QCA – Closing Balance</b>		4,981	5,965	7,250	8,762	10,006	10,992
<b>Difference</b>		(1,380)	(678)	(367)	(2,166)	(2,937)	(3,578)
<b>Net Spend Analysis</b>							
Spend	Table 5 Table 7	(811)	(960)	(1,120)	(2,663)	(1,902)	(2,138)
Insurance Proceeds Receipts							
• Prior Year		-	231	-	-	-	-
• Current Year		-	463	529	-	-	-
<b>Net Spend</b>		<b>(811)</b>	<b>(266)</b>	<b>(590)</b>	<b>(2,663)</b>	<b>(1,902)</b>	<b>(2,138)</b>

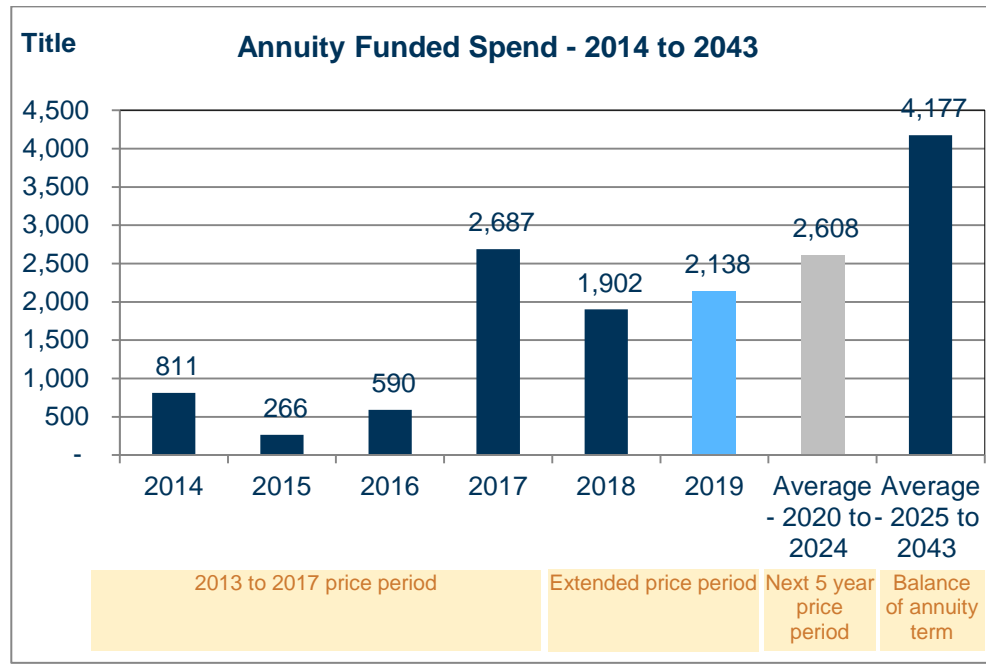
\*All 2017 and 2018 figures are subject to change once actual spend is known.



## Overview of annuity-funded, non-routine projects to 2043

The renewals annuity is calculated over a 20-year planning period; given that the following pricing period ends in 2024, the estimated renewals spend out until 2043 will affect the next pricing review. The estimated renewals expenditure out to 2043 is shown in the chart following.

**FIGURE 3: ANNUITY EXPENDITURE TO 2043**



All material renewals items out until 2043 are discussed in the sections following. Materiality is defined as >10% of the present value of the period in question. SunWater will develop options analyses for all material items in the annuity calculation planning period. These reports will be tailored to suit project complexity and budget, with detailed options analyses being completed within the current and following 5-year pricing periods and high-level options analyses for the 20-year period beyond the next price path. The materiality tests will be applied each year as part of annual planning process. Given that there will be project variations, some items will no longer require options analysis in future years and new items may join the list.

### Material projects 2018 and 2019

The evenness in the spread of estimated project costs means there are no projects which exceed the materiality threshold for this service contract for the 2018-19 period.

### Material projects 2020–24

Projects in the program of works for 2020-24 should be viewed as indicative at this stage and will be refined as the next pricing review draws closer.

### Material projects 2025–43

The evenness in the spread of estimated project costs means there are no projects which exceed the materiality threshold for this service contract for the 2025-43 period.

# APPENDIX 1: TOTAL EXPENDITURE BY EXPENSE TYPE

TABLE 9: EXPENDITURE FOR ACTIVITY BY TYPE

Bundaberg IS	2014			2015			2016			2017			2018		
	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Budget \$000	QCA Forecast \$000	Variance \$000
Revenue	12,381			10,510			12,479			11,294			9,062		
<b>Routine Spend</b>															
<b>Operations</b>															
Labour	863	703	(160)	864	726	(138)	752	749	(3)	748	773	25	773	792	19
Contractors	13	1	(12)	40	1	(39)	13	1	(12)	189	1	(188)	10	1	(10)
Materials	19	0	(19)	10	0	(10)	12	0	(12)	8	0	(8)	10	0	(10)
Electricity	5,678	3,166	(2,512)	3,356	3,387	31	4,344	3,658	(686)	4,356	3,914	(442)	4,682	4,012	(670)
Insurance	1,055	547	(508)	794	557	(237)	720	566	(153)	767	576	(191)	767	591	(176)
Other	80	38	(43)	103	38	(65)	102	39	(63)	51	40	(11)	115	41	(74)
Non-directs	1,452	1,176	(276)	1,494	1,195	(299)	1,340	1,178	(161)	1,356	1,134	(221)	1,496	1,162	(334)
	<b>9,161</b>	<b>5,630</b>	<b>(3,531)</b>	<b>6,660</b>	<b>5,904</b>	<b>(757)</b>	<b>7,282</b>	<b>6,192</b>	<b>(1,090)</b>	<b>7,474</b>	<b>6,437</b>	<b>(1,037)</b>	<b>7,853</b>	<b>6,598</b>	<b>(1,255)</b>
<b>Preventative Maintenance</b>															
Labour	547	512	(35)	555	529	(26)	573	545	(28)	565	563	(2)	511	577	66
Contractors	198	111	(87)	127	115	(13)	71	118	47	156	120	(36)	160	123	(37)
Materials	528	315	(213)	463	325	(138)	519	336	(183)	375	342	(33)	520	350	(170)
Other	17	21	3	95	21	(73)	70	22	(48)	45	22	(22)	53	23	(30)
Non-directs	914	815	(99)	968	827	(141)	998	816	(181)	948	787	(162)	930	806	(123)
	<b>2,203</b>	<b>1,774</b>	<b>(430)</b>	<b>2,207</b>	<b>1,817</b>	<b>(391)</b>	<b>2,231</b>	<b>1,838</b>	<b>(393)</b>	<b>2,089</b>	<b>1,834</b>	<b>(255)</b>	<b>2,174</b>	<b>1,880</b>	<b>(294)</b>
<b>Corrective Maintenance</b>															
Labour	379	294	(85)	343	304	(39)	280	313	34	365	323	(41)	339	331	(7)
Contractors	60	42	(17)	88	44	(44)	16	45	29	20	46	26	20	47	27

<b>Bundaberg IS</b>	<b>2014</b>			<b>2015</b>			<b>2016</b>			<b>2017</b>			<b>2018</b>		
Materials	330	135	(195)	152	139	(13)	106	144	37	71	146	76	110	150	40
Other	9	85	76	112	88	(24)	84	91	6	90	92	2	90	95	5
Non-directs	639	468	(171)	598	475	(122)	477	469	(8)	603	452	(150)	603	463	(139)
	<b>1,418</b>	<b>1,025</b>	<b>(393)</b>	<b>1,293</b>	<b>1,050</b>	<b>(243)</b>	<b>964</b>	<b>1,062</b>	<b>98</b>	1,148	1,060	(88)	1,162	1,086	(75)
Routine Total	<b>12,782</b>	<b>8,429</b>	<b>(4,353)</b>	<b>10,160</b>	<b>8,770</b>	<b>(1,390)</b>	<b>10,477</b>	<b>9,091</b>	<b>(1,385)</b>	10,711	9,331	(1,380)	11,189	9,565	(1,624)
<b>Non-Routine Spend</b>															
Labour	149	134	(15)	154	191	37	184	152	(32)	257	167	(90)	283	228	(55)
Contractors	282	161	(121)	364	206	(158)	468	284	(184)	1,410	171	(1,240)	431	253	(177)
Materials	56	140	84	113	198	86	88	145	57	495	175	(320)	612	263	(349)
Other	60	77	17	45	108	63	37	76	40	10	94	84	28	131	103
Non-directs	264	265	1	285	368	83	344	295	(49)	515	284	(230)	548	443	(105)
<b>Non-Routine Total</b>	<b>811</b>	<b>777</b>	<b>(34)</b>	<b>960</b>	<b>1,071</b>	<b>111</b>	<b>1,120</b>	<b>952</b>	<b>(168)</b>	2,687	891	(1,796)	1,902	1,318	(583)
<b>Total Regulated Spend</b>	<b>13,592</b>	<b>9,206</b>	<b>(4,387)</b>	<b>11,120</b>	<b>9,842</b>	<b>(1,279)</b>	<b>11,596</b>	<b>10,043</b>	<b>(1,553)</b>	13,398	10,223	(3,176)	13,090	10,883	(2,207)
Non Annuity Funded Spend	63			102			114			-			-		
Surplus (Deficit)	(1,275)			(712)			768			(2,105)			(4,029)		

## Non-direct costs explained

Non-direct costs reflect SunWater’s methodology for distributing indirect costs, local overheads and corporate overheads to each service contract. Wherever practicable labour and other costs are booked direct to service contracts, however, where this is not possible the costs accumulate in either indirect or overhead accounting cost pools and are then distributed to service contracts.

Indirect cost pools capture costs such as billing and customer support, irrigation pricing regulation, asset management (including dam safety, asset systems, channels and drainage) that have not been directly charged. They also include flood room operations including the IGEM emergency management program, water planning, hydrographic services, environmental support costs and GM Operations. These indirect costs are shared between SunWater’s lines of business i.e. Bulk Water, Irrigation Distribution Systems, Industrial Pipeline and Facilities

Management where appropriate. For example, service contracts without a dam are not apportioned dam safety costs.

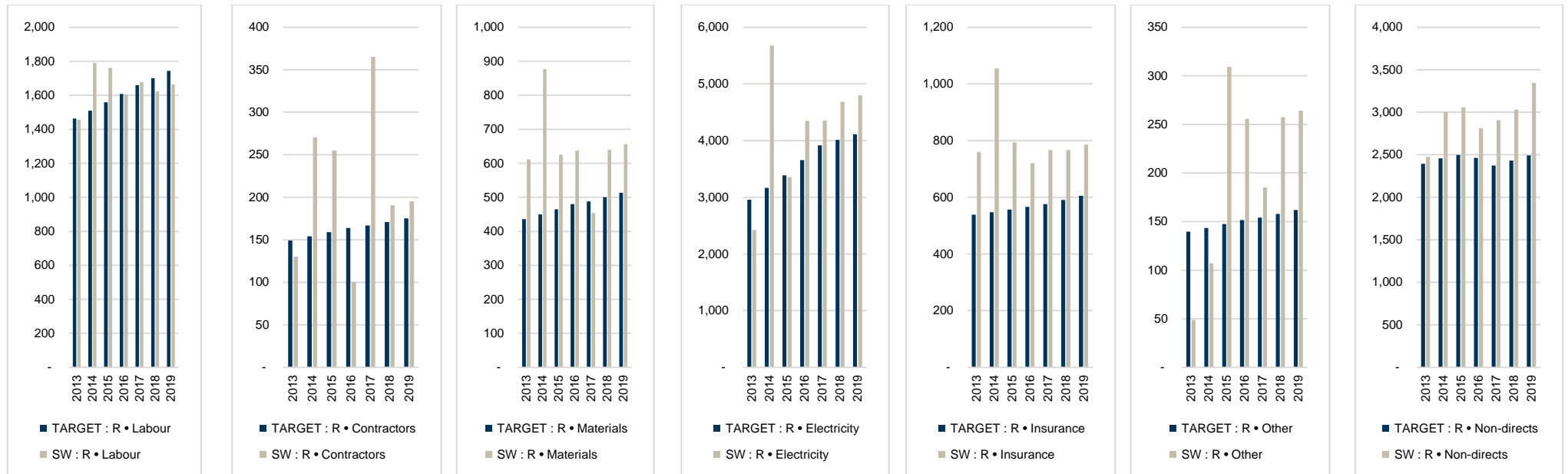
Local overheads are spread across service contracts managed in each locality. They include regional accommodation costs, vehicle costs, local admin support and other local labour not directly booked to activities within service contracts.

Corporate overhead costs are more generic than indirect cost and local overheads and are spread across all service contracts based on direct labour. They include the cost of HR and payroll, ICT, corporate communications, legal and property, finance, internal audit, plus the costs of the CEO, GM Corporate and the SunWater Board of Directors, where these costs are not directly charged to activities within service contracts.

SunWater’s methodology for recovering non-direct cost was reviewed and accepted by the QCA during the 2012 pricing review.

The charts below graphically report routine costs by expense type compared to the QCA target.

**FIGURE 4: ROUTINE EXPENDITURE BY EXPENSE TYPE (\$'000)**



# NOTES

All financial figures in this report are presented in nominal dollars.

Although the QCA set cost targets based on assumed inflation of 2.5%, most of the financial figures in the QCA's final report on SunWater's irrigation prices were presented in real dollars (\$2011). To convert the QCA reported real dollars to nominal dollars multiply by the conversion factors listed below. The conversion factors are based on the QCA's assumed inflation rate of 2.5% p.a. For comparison, the QCA conversion factors based on assumed inflation of 2.5% are compared with conversion factors based on actual inflation as measured by the Brisbane All Groups Consumer Price Index taken in March each year.

**TABLE 10: CONVERSION FACTORS FOR REAL \$2011 TO NOMINAL DOLLARS**

	2013	2014	2015	2016	2017	2018	2019
QCA Conversion Factor	1.0510	1.0770	1.1040	1.1310	1.1600	1.189	1.2187
Accumulative March Quarter CPI	1.0494	1.0714	1.1050	1.1208	1.1397	1.1606	

## Disclaimer

This report has been produced by SunWater to provide information for client use only. The information contained in this report is limited by the scope and the purpose of the study, and should not be regarded as completely exhaustive. Permission to use or quote information from this report in studies external to the Corporation must first be obtained from the Chief Executive, SunWater.