

2017/18 ANNUAL NETWORK SERVICE PLAN

BURDEKIN IRRIGATION SUPPLY

30 JUNE 2017



MAKING WATER WORK

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We're focused on reliability, efficiency and safety, ensuring the Burdekin Water Irrigation Supply 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 whilst continuing safe irrigation operations. A number of major works are planned, looking specifically at refurbishment and/or replacement of aged assets that are at end of asset life or ensure efficient function, which includes, but is not limited to;

- Customer Meter replacement program (ongoing)
- Regulating gate Outlet works program (ongoing)
- Regulator gate control system change out/upgrade program (ongoing)
- Clare B4 pump replacement
- Haughton PSTN 2_3 pump refurbishment
- Tom Fenwick PSTN #1_2 motor refurbishment
- Elliott Pump #3 replacement

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.

David Hayes
Service Manager Burdekin

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

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

FINANCIAL SUMMARY

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

A high-level summary of the budgeted financial performance of the Burdekin Water Irrigation supply 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

Burdekin Water IS	Table reference	2014 Actual \$000	2015 Actual \$000	2016 Actual \$000	2017 Forecast \$000	2018 Budget \$000
Revenue	Table 3	18,456	19,859	19,230	17,867	18,321
Less – Routine Expenditure	Table 4 & Table 7	15,856	16,902	16,116	16,243	18,104
Less – Non-Routine Expenditure						
• Annuity Funded	Table 5, Table 6 & Table 7	1,169	1,138	1,325	1,129	2,318
• Non Annuity Funded	Table 5	144	1	-	-	-
Surplus (Deficit)		1,287	1,818	1,789	496	(2,101)

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

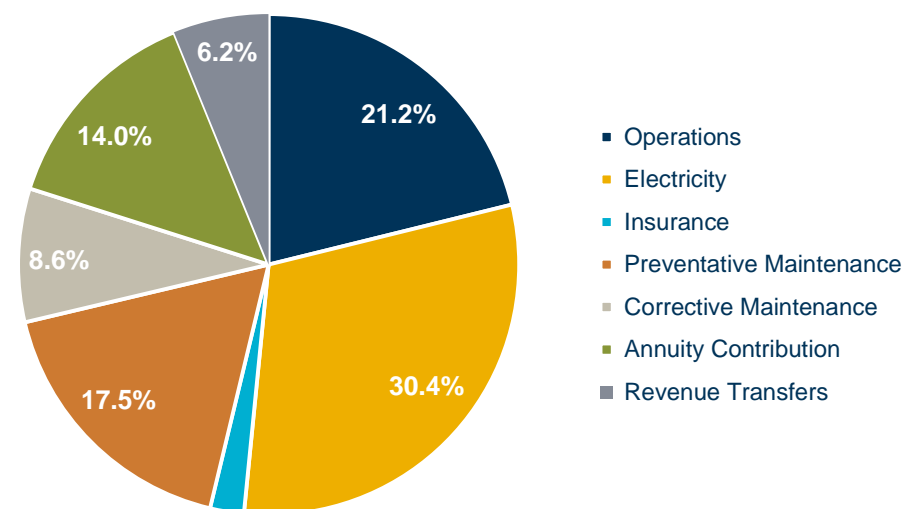


Figure 1 shows a high level summary of scheme costs and provides an indication of where revenue from irrigation water charges is applied. The item “Annuity Contribution” refers to the component of irrigation water charges that is applied toward the renewals annuity each year. The item “Revenue Transfers”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

WATER DATA

Burdekin Water Irrigation supply's customer base includes irrigation, industrial 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)
Burdekin Haughton	AIE - Burdekin IS	Industrial		550
		Irrigation		321,376
		Urban		10,000
		Other		6
		SunWater		316,754
		Service Contract Total		286

QCA Assumed water use 76.3%

REVENUE

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

TABLE 3: REVENUE

Burdekin Water IS	2014 Actual \$000	2015 Actual \$000	2016 Actual \$000	2017 Forecast \$000	2018 Budget \$000
Irrigation	15,181	17,306	17,308	16,575	17,570
Industrial	75	112	101	68	70
Urban	630	708	761	698	715
Irrigation CSO	3,015	2,414	1,790	1,240	603 ¹
Revenue Transfers	(1,217)	(1,428)	(1,459)	(1,481)	(1,394) ²
Drainage	660	682	703	741	730
Other	111	30	27	28	28
Insurance Proceeds – Flood	-	35	-	-	-
Revenue Total	18,456	19,859	19,230	17,867	18,321

¹ 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.

² 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

Burdekin Water 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	3,955	4,116	161	4,320	4,200	(119)	3,990	4,232	242	4,624	4,223	(401)	4,794	4,328	(466)	111
Electricity	5,809	4,900	(910)	5,992	5,243	(749)	5,769	5,662	(107)	5,670	6,058	388	6,892	6,210	(683)	111
Insurance	763	394	(369)	585	401	(184)	545	408	(137)	496	415	(81)	496	425	(71)	117
Operations Total	10,527	9,410	(1,117)	10,896	9,844	(1,053)	10,304	10,302	(3)	10,790	10,696	(94)	12,182	10,963	(1,219)	111
Preventative Maintenance	3,007	3,414	407	3,405	3,505	100	3,602	3,568	(34)	3,868	3,582	(286)	3,972	3,671	(301)	108
Corrective Maintenance	2,322	1,517	(805)	2,600	1,555	(1,045)	2,210	1,577	(633)	1,584	1,577	(7)	1,950	1,617	(333)	121
Routine Total	15,856	14,341	(1,515)	16,902	14,904	(1,997)	16,116	15,447	(670)	16,243	15,855	(388)	18,104	16,251	(1,853)	111

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 of³:

- 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.

³ 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 includes⁴:

- 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 7% 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.

⁴ 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 emergency⁵.

- 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.

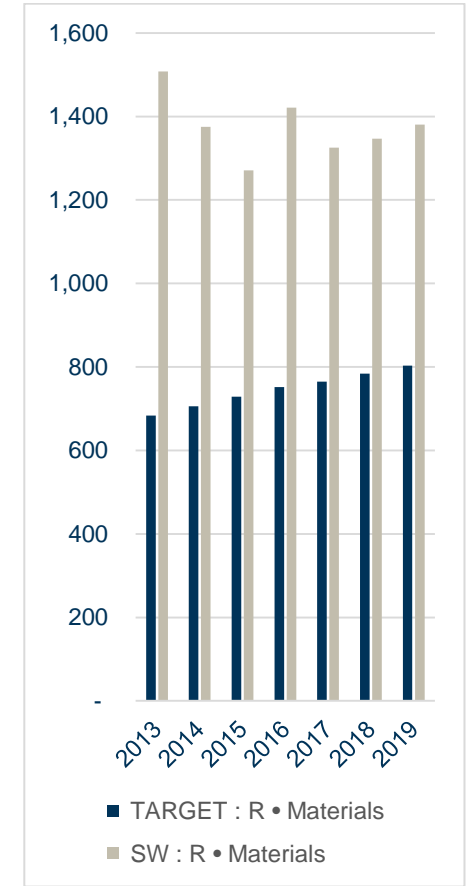
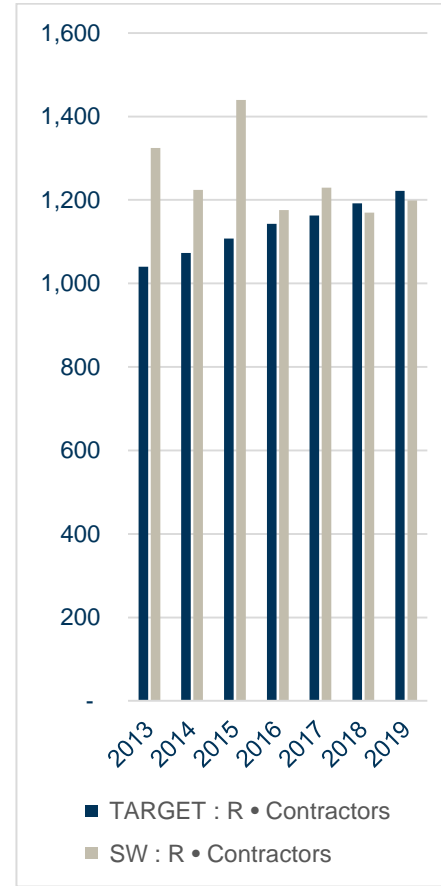
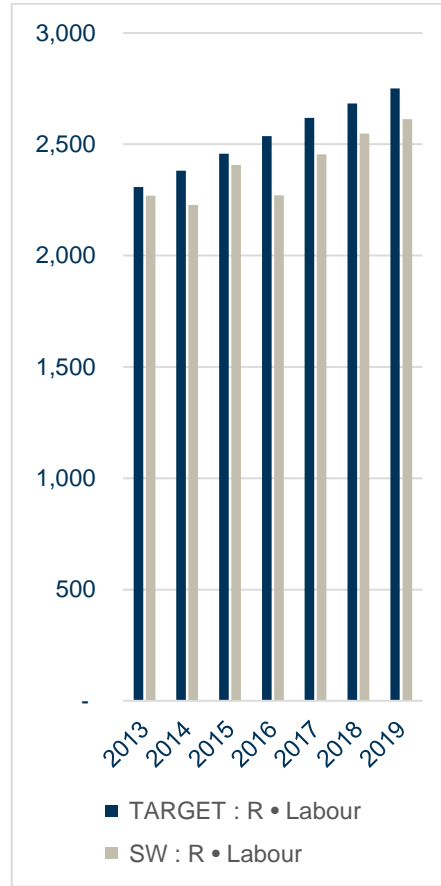
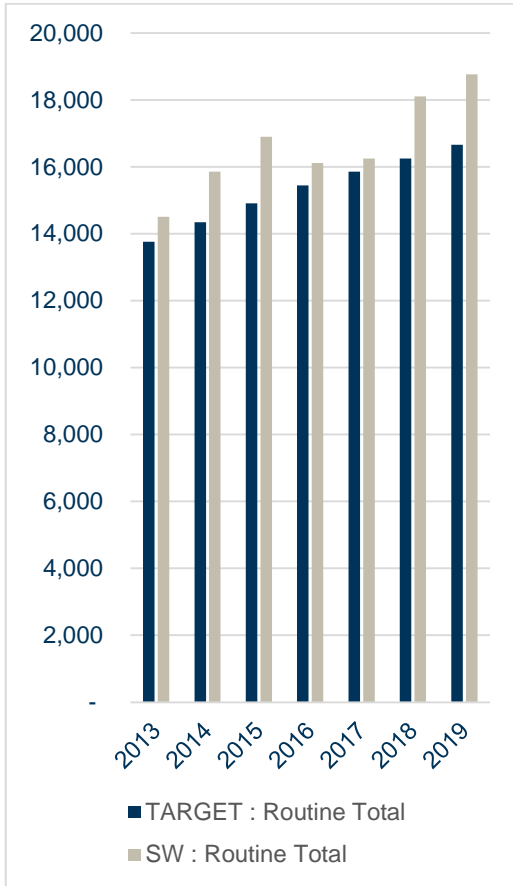
⁵ Activities listed will not apply to all service contracts.

- 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

Burdekin Water 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
Annuity Funded																				
Operations	11	-	(11)	7	27	20	-	98	98	-	-	-	-	-	-	-	-	-	-	-
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R&E	1,158	769	(389)	1,131	493	(637)	1,325	1,076	(249)	1,116	3,541	2,425	2,318	1,904	(414)	122	2,194	2,602	409	84
Non-Routine Total	1,169	769	(400)	1,138	520	(618)	1,325	1,174	(151)	1,116	3,541	2,425	2,318	1,904	(414)	122	2,194	2,602	409	84
Non Annuity Funded	11	-	(11)	7	27	20	-	98	98	-	-	-	-	-	-	-	-	-	-	-

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

Project title	Project scope	2018 budget (\$'000)
HMCH Desilting Works - Stage I	This project is to desilt Haughton Main Channel to ensure peak irrigation demand can be supplied. The requirement for the project and methodology will be confirmed upon completion of 2017 options/methodology analysis	251
Haughton PSTN 2_3 - Refurbish Pump Unit 3 (Seals, Impeller, Bearings)	This project is to refurbish pump unit 3 at Haughton Pump Station 2/3. The refurbishment is essential for the continued reliability of the pump set. The options study completed in 2016 supports this strategy.	125
15BRI21 Installation Clare B4 Pump Replacement	Existing pump is at the end of its life. 2015 options study supports replacement. Design phase of project will be completed in FY2017.	123
Replace Submersible Pump - PUN3 - Elliot PSTN	Existing pump has failed and is beyond economical repair. Replacement was confirmed as the lowest WoL cost option in the 2017 options analysis.	93
Refurbish PUN2 Motor - Haughton PSTN1	This project is to refurbish motor 2 at Haughton Pump Station 1. The motor requires refurbishment to restore efficiency and ensure reliable operation.	91
Other works	There are 99 other non-routine projects for 2018 ranging from \$3,000 to \$67,000. Further detail will be tabled at the IAC meeting.	1,635
Total		2,318

TABLE 7: NON-ROUTINE PROJECTS 2019

Project title	Project scope	2019 budget (\$'000)
Design, Tender, Construct Switchboard - Clare PSTNB	This project is to replace the switch board at Clare PSTN B. The requirement for this project will be confirmed upon completion of the 2018 detailed options analysis	357
HMCH Desilting Works - Stage II	This project is to desilt Haughton Main Channel to ensure peak irrigation demand can be supplied. The requirement for the project and methodology will be confirmed upon completion of 2017 options/methodology analysis	257
Replace Cable	This project is to replace the cable at Clare PSTN B. The requirement for this project will be confirmed upon completion of the 2018 detailed options analysis	167
Tom Fenwick PSTN2 - Refurbish Pump Unit 2 (Seals, Impeller, Bearings)	This project is to refurbish pump unit 2 at Haughton Pump Station 2. The refurbishment is essential for the continued reliability of the pump set. The options study completed in 2016 supports this strategy.	127
Replace Flow Meter - Dalbeg B (Installation)	Replacement will address reliability and maintenance issues (confined spaces entry) associated with existing meter. Design and methodology will be similar to work completed at Millaroo B pumpstation in 2017	80
Other works	There are 65 other non-routine projects for 2019 ranging from \$6,000 to \$76,000. Further detail will be tabled at the IAC meeting.	1,213
Total		2,194

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*

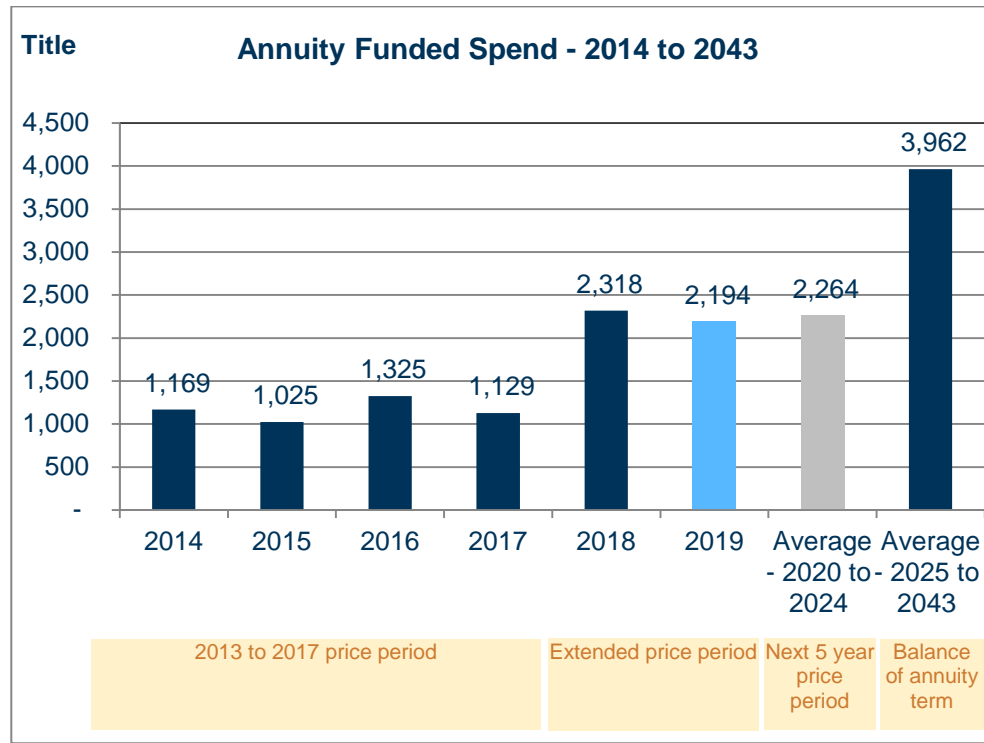
Burdekin Water IS	Table Reference	2014 Actual \$000	2015 Actual \$000	2016 Actual \$000	2017 Forecast \$000	2018 Budget \$000	2019 Forecast \$000
Annuity							
Opening Balance		(5,440)	(4,285)	(2,803)	(1,378)	473	1,352
Net Spend	See below	(1,169)	(1,025)	(1,325)	(1,116)	(2,318)	(2,194)
Annuity Contribution		2,731	2,829	2,960	3,084	3,161	3,240
Interest		(407)	(321)	(210)	(103)	35	101
SunWater – Closing Balance		(4,285)	(2,803)	(1,378)	486	1,352	2,499
QCA – Closing Balance		(1,996)	164	1,962	1,652	3,033	3,897
Difference		(2,290)	(2,967)	(3,340)	(1,165)	(1,681)	(1,398)
Net Spend Analysis							
Spend	Table 5 Table 7	(1,169)	(1,138)	(1,325)	(1,116)	(2,318)	(2,194)
Insurance Proceeds Receipts							
• Prior Year		-	77	-	-	-	-
• Current Year		-	35	-	-	-	-
Net Spend		(1,169)	(1,025)	(1,325)	(1,116)	(2,318)	(2,194)

*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 and 2019 periods.

Material projects 2020–24

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 2020-24 period.

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

Burdekin Water 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	18,456			19,859			19,230			17,867			18,321		
Routine Spend															
Operations															
Labour	1,173	1,310	137	1,262	1,352	90	1,162	1,395	233	1,421	1,440	19	1,409	1,476	67
Contractors	1	22	21	42	23	(19)	2	24	21	27	24	(3)	25	25	(0)
Materials	167	22	(145)	38	23	(15)	35	24	(11)	40	24	(16)	37	25	(12)
Electricity	5,809	4,900	(910)	5,992	5,243	(749)	5,769	5,662	(107)	5,670	6,058	388	6,892	6,210	(683)
Insurance	763	394	(369)	585	401	(184)	545	408	(137)	496	415	(81)	496	425	(71)
Other	637	596	(41)	775	607	(169)	766	618	(148)	757	628	(129)	794	644	(150)
Non-directs	1,977	2,166	189	2,203	2,196	(7)	2,025	2,172	147	2,379	2,107	(272)	2,529	2,159	(370)
	10,527	9,410	(1,117)	10,896	9,844	(1,053)	10,304	10,302	(3)	10,790	10,696	(94)	12,182	10,963	(1,219)
Preventative Maintenance															
Labour	511	686	175	558	708	150	582	730	149	612	754	142	652	773	120
Contractors	829	975	145	837	1,006	169	709	1,038	329	1,052	1,056	3	924	1,082	158
Materials	756	461	(295)	928	476	(452)	1,183	491	(692)	1,085	500	(585)	1,110	512	(598)
Other	4	150	146	50	155	105	49	160	111	15	163	148	42	167	125
Non-directs	906	1,142	236	1,032	1,161	129	1,078	1,148	70	1,104	1,110	6	1,244	1,138	(106)
	3,007	3,414	407	3,405	3,505	100	3,602	3,568	(34)	3,868	3,582	(286)	3,972	3,671	(301)
Corrective Maintenance															
Labour	544	386	(158)	588	399	(189)	527	411	(115)	422	425	3	487	435	(52)
Contractors	394	76	(318)	561	79	(482)	464	81	(383)	150	83	(67)	220	85	(135)
Materials	452	222	(230)	305	229	(76)	203	237	34	200	241	41	200	247	47
Other	12	209	197	109	216	107	88	223	135	103	227	124	163	232	69
Non-directs	920	623	(297)	1,037	632	(405)	929	625	(304)	710	602	(107)	880	618	(262)

Burdekin Water IS	2014			2015			2016			2017			2018		
	2,322	1,517	(805)	2,600	1,555	(1,045)	2,210	1,577	(633)	1,584	1,577	(7)	1,950	1,617	(333)
Routine Total	15,856	14,341	(1,515)	16,902	14,904	(1,997)	16,116	15,447	(670)	16,243	15,855	(388)	18,104	16,251	(1,853)
Non-Routine Spend															
Labour	208	133	(74)	114	90	(24)	112	197	85	137	647	510	201	337	136
Contractors	459	146	(313)	660	124	(536)	847	295	(552)	451	728	277	966	384	(582)
Materials	135	146	11	108	83	(25)	92	203	111	267	691	424	704	372	(332)
Other	5	80	74	21	49	28	38	107	69	13	371	358	11	194	183
Non-directs	363	264	(98)	235	174	(61)	236	371	135	260	1,104	844	435	617	182
Non-Routine Total	1,169	769	(400)	1,138	520	(618)	1,325	1,174	(151)	1,129	3,541	2,412	2,318	1,904	(414)
Total Regulated Spend	17,025	15,110	(1,915)	18,039	15,424	(2,615)	17,441	16,620	(821)	17,372	19,396	2,025	20,422	18,155	(2,267)
Non Annuity Funded Spend	144			1			-			-			-		
Surplus (Deficit)	1,287			1,818			1,789			496			(2,101)		

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 ie 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.

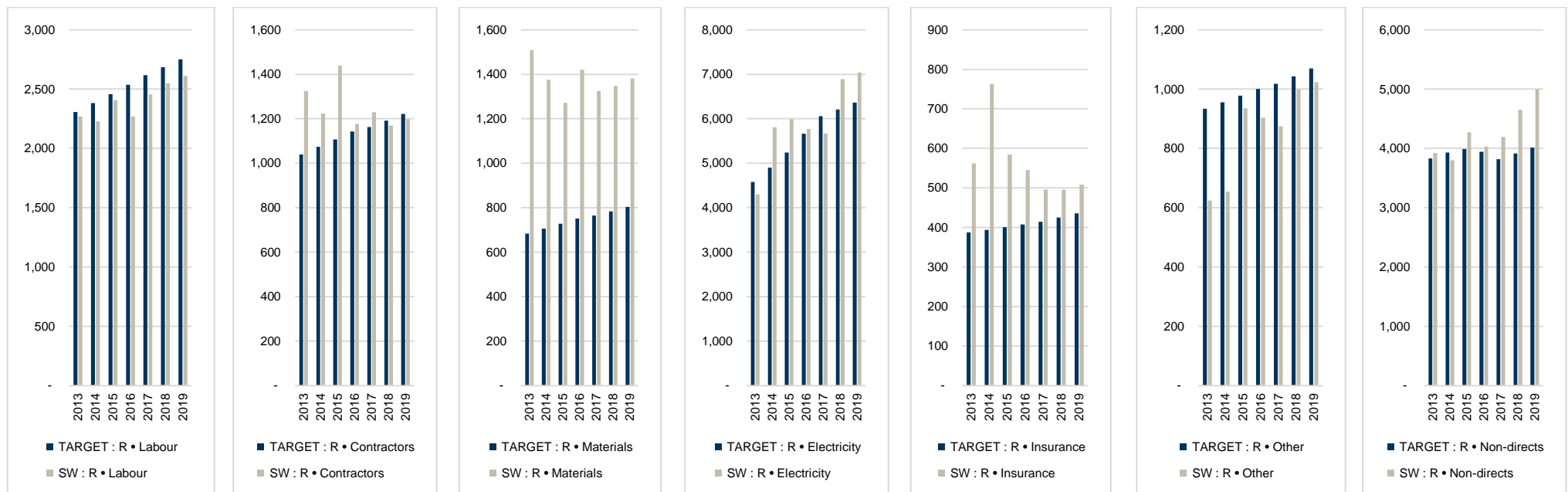
Local overheads are spread across service contracts managed in each locality. They include regional accommodation costs, vehicle costs, local admin support and other local labour not directly booked to activities within service contracts.

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

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