

2017/18 ANNUAL NETWORK SERVICE PLAN

CALLIDE VALLEY BULK WATER

30 JUNE 2017



MAKING WATER WORK

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We're focused on reliability, efficiency and safety, ensuring the Callide Valley Water 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 and continuing safe dam operations. No major works are planned, but we will be delivering an extensive program of investigations and repairs, looking specifically at systems, metering and outlet works. 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.

Daryl Conway
Service Manager

INTRODUCTION

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

For our 5,000-plus customers, this means building and sustaining positive relationships while operating an efficient, sustainable business. We are committed to keeping our customers and partners informed, and working closely with them to identify and work towards solutions that deliver shared value.

This annual Network Service Plan (NSP) is designed to keep Callide Valley Bulk Water's 141 customers up-to-date regarding routine expenditure (opex) and non-routine expenditure throughout the coming financial year — so they can provide input to our processes and be part of business decisions. In particular, the NSP covers:

- 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 the Queensland Competition Authority (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. While the price path has been extended for two years, new targets will not be formally set.

In order to provide our customers with routine expenditure information of the greatest value possible (i.e. as close as possible to anticipated targets), we have adjusted the 2017 QCA targets in line with the QCA inflation assumption of 2.5% and adopted that as the target spend.

While adopting targets for routine spend is relatively simple, adopting targets for non-routine expenditure is more complicated. Due to the absence of confirmed information from the QCA and to provide our customers with as much information as possible, we have presented non-routine expenditure budgets for both 2018 and 2019. SunWater will work to maintain total expenditure during the next two years within the two-year budget limits.

The prior year figures included in this NSP are provided for information only. The focus of consultation is the draft budget figures for 2018. These figures are subject to change until after consultation when the 2018 budget is finalised.

Customer input to and feedback on the NSP is greatly valued. We consider and respond to all submissions, publishing all responses on our website.

To have your say, please contact us via email or post:

Email: nspfeedback@sunwater.com.au

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

FINANCIAL SUMMARY

In 2017/18 SunWater plans to increase routine and non-routine expenditure for Callide Bulk Water, with a focus on projects that improve efficiency and performance, and allow us to deliver the best possible service to our customers.

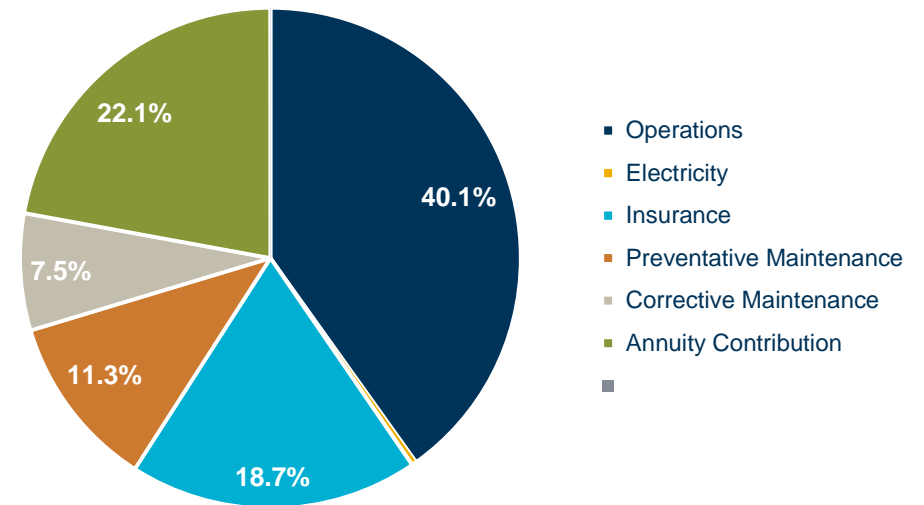
A high-level summary of the budgeted financial performance of the Callide Valley Bulk Water service contract is presented in Table 1 below. Further detail on the planned spend, together with estimated revenue, is outlined on subsequent pages of this plan.

TABLE 1: OPERATING REVENUE LESS SPEND

Callide Valley WS	Table reference	2014 Actual \$000	2015 Actual \$000	2016 Actual \$000	2017 Forecast \$000	2018 Budget \$000
Revenue	3	1,169	1,535	2,283	1,967	1,557
Less – Routine Expenditure	4 & 7	1,257	1,008	1,155	1,194	1,373
Less – Non-Routine Expenditure						
Annuity Funded	5, 6 & 7	2,500	1,687	2,056	1,123	1,345
Non Annuity Funded	5	6	4	6	-	-
Surplus (Deficit)	(2,594)	(1,164)	(934)	(397)	(350)	(1,161)

As part of our commitment to transparency, Figure 1 below shows a high-level breakdown of total scheme costs assessed by the QCA. These costs are divided up according to the QCA’s methodology, which was outlined in its 2012 review of irrigation charges. The item ‘Annuity Contribution’ refers to the annualised renewals annuity component of the scheme’s total costs.

FIGURE 1: BREAKDOWN OF TOTAL SCHEME COSTS – 2018 BUDGET



WATER DATA

Callide Valley Bulk Water's customer base includes industrial, irrigation and urban customers, as well as SunWater. The water entitlements of each segment are shown in Table 2 below. SunWater's allocation relates to channel system distribution losses.

TABLE 2: WATER DATA

Scheme	Customer Segment	No. of Customers	Water Entitlements (ML)	High Water Priority (ML)	High-A Water Priority (ML)	High-B Water Priority (ML)	Medium Water Priority (ML)	Risk Water Priority (ML)
Callide Valley	Industrial		3,772	0	3,084	0	688	0
	Irrigation		13,463	0	0	79	12,870	514
	Urban		2,207	0	1,220	987	0	0
	SunWater		7	0	7	0	0	0
	Total	141	19,449	0	4,311	1,066	13,558	514

When it comes to apportioning costs, customers fall into three categories: High Priority, Medium Priority and Other Priority. High Priority customers pay a higher proportion of costs to secure priority access to water. These customers are typically urban and industrial.

For the Callide Valley Bulk Water scheme, the QCA's Headworks Utilisation Factor (HUF) — which determines how fixed costs are allocated — is 90% for High Priority, 9.8% for Medium Priority and 0.2% Other Priority. This means High Priority customers pay a greater portion of costs on the basis that they use more of the water supply infrastructure located within the scheme.

Further detail on the HUF and how it is applied to breakdown scheme costs can be found in chapters five and six of the QCA's final report from the 2012 pricing review. HUFs for each bulk water scheme are published on page 193. The QCA final report can be downloaded from www.qca.org.au/Water/Rural/SunWater-s-Irrigation-Prices.

*QCA assumed water use is 52%. The 2018 budget is compiled taking onto account the QCA water use assumption.

REVENUE

SunWater's anticipated revenue for Callide Valley Bulk Water in 2017/18 is provided in Table 3.

TABLE 3: REVENUE

Callide Valley WS	2014 Actual \$000	2015 Actual \$000	2016 Actual \$000	2017 Forecast \$000	2018 Budget \$000
Irrigation	361	288	304	289	296
Industrial	522	797	540	1,341	916
Urban	259	283	316	333	342
Irrigation CSO	21	-	-	-	- ¹
Revenue Transfers	-	-	-	-	-
Drainage	-	-	-	-	-
Other	6	15	9	4	4
Insurance Proceeds – Flood	-	153	1,114	-	-
Revenue Total	1,169	1,535	2,283	1,967	1,557

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.

ROUTINE EXPENDITURE

SunWater has budgeted an increase in Callide Valley Bulk Water routine operating expenditure in 2018 (refer to Table 4). This budget includes funds for operations activities (operations, electricity and insurance), preventive maintenance and corrective maintenance.

TABLE 4: ROUTINE OPERATING EXPENDITURE

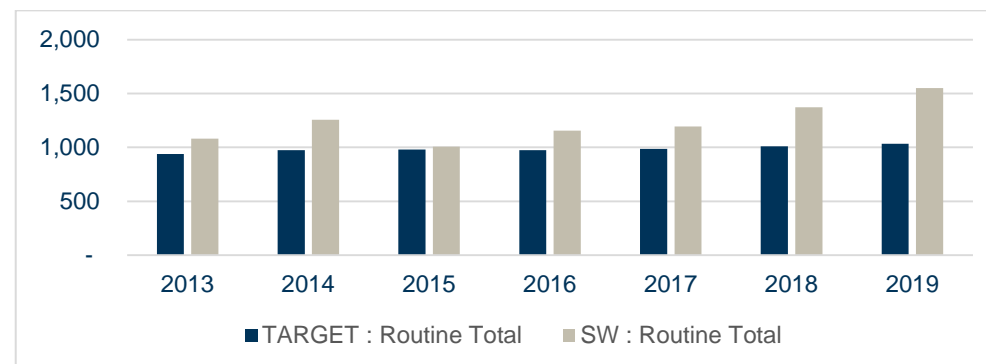
Callide Valley WS	2014			2015			2016			2017			2018			
	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Forecast \$000	QCA Target \$000	Variance \$000	SW Budget \$000	QCA Forecast \$000	Variance \$000	% of target
Operations	503	496	(7)	413	498	85	450	494	44	569	498	(71)	708	511	(197)	139
Electricity	12	7	(4)	5	8	3	-	8	8	5	9	4	5	9	4	60
Insurance	475	143	(332)	307	145	(162)	279	148	(131)	329	150	(179)	329	154	(175)	214
Operations Total	989	646	(344)	725	651	(74)	729	650	(79)	903	657	(246)	1,042	674	(368)	155
Preventative Maintenance	216	292	76	256	291	35	343	288	(55)	218	290	72	198	297	99	67
Corrective Maintenance	52	38	(14)	27	38	10	83	37	(46)	73	38	(35)	133	38	(94)	345
Routine Total	1,257	975	(282)	1,008	980	(28)	1,155	975	(180)	1,194	985	(208)	1,373	1,010	(363)	136

One of the key challenges for SunWater in managing routine expenditure is reigning in the cost of insurance premiums, which are significantly higher than the QCA forecast due to unforeseen flood events in recent years.

SunWater is committed to undertaking ongoing reviews of this work to minimise costs wherever possible.

These projected variances and SunWater's past performance against QCA targets are presented in Figure 2.

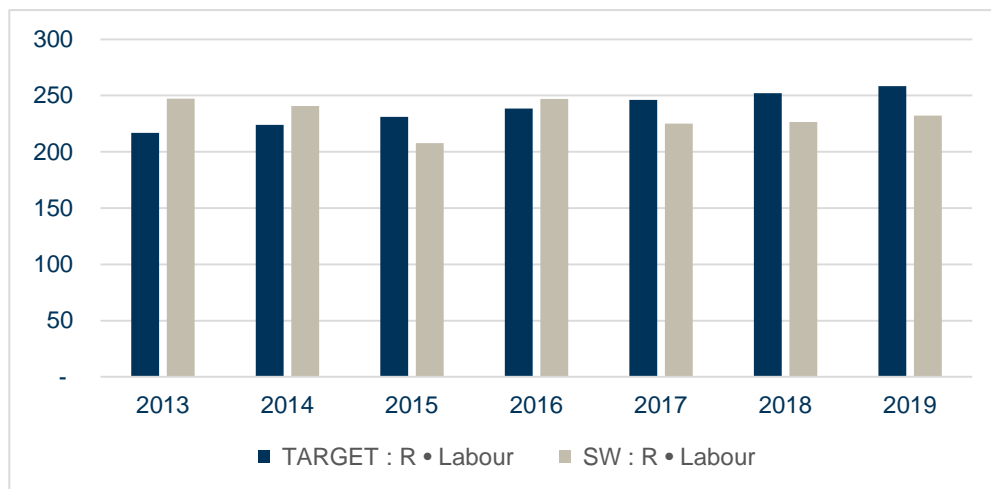
FIGURE 2: ROUTINE EXPENDITURE COMPARED TO QCA TARGET/FORECAST (\$'000)



Operations

Callide Valley Bulk Water's total operations budget in 2018 is above the QCA forecast due to increases in insurance costs being higher than allowed for by the QCA.

FIGURE 3: ROUTINE OPERATIONS EXPENDITURE COMPARED TO QCA TARGET/FORECAST (\$'000)



Operations expenditure includes day-to-day costs associated with management of the scheme, water delivery and meeting compliance obligations. Specific activities include the direct and non-direct cost of²:

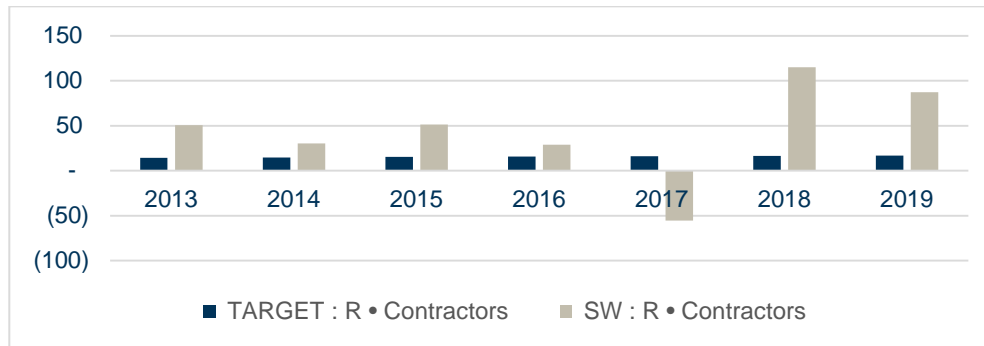
- scheduling and delivering water, including processing water orders, releasing water, operating pump stations, regulating and monitoring channel flows, and monitoring customer deliveries
- emergency responses for channel overflows and other emergency events
- meter reading
- administration of water 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
- managing enquiries from adjoining landholders and developers that require input from and negotiations with SunWater's property and legal sections.

² Activities listed will not apply to all service contracts.

Preventive maintenance

Preventive maintenance is an important activity and expense, as it ensures the ongoing operational performance and service capacity of Callide Valley Bulk Water's physical assets. These activities are based on updated work instructions for operating the scheme and include an estimate of the resources required to implement the required scope of work. The work instructions are maintained and kept current by SunWater's maintenance staff.

FIGURE 4: ROUTINE PREVENTIVE MAINTENANCE EXPENDITURE COMPARED TO QCA TARGET/FORECAST (\$'000)



Preventive maintenance is cyclical in nature with a typical interval of 12 months or less.

Preventive maintenance for Callide Valley Bulk Water includes³:

- Condition monitoring — the inspection, testing or measurement of physical assets to report and record condition and performance to determine 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.
- Weed control — management of weeds, including:
 - slashing channels and drains
 - 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.

³ Activities listed will not apply to all service contracts.

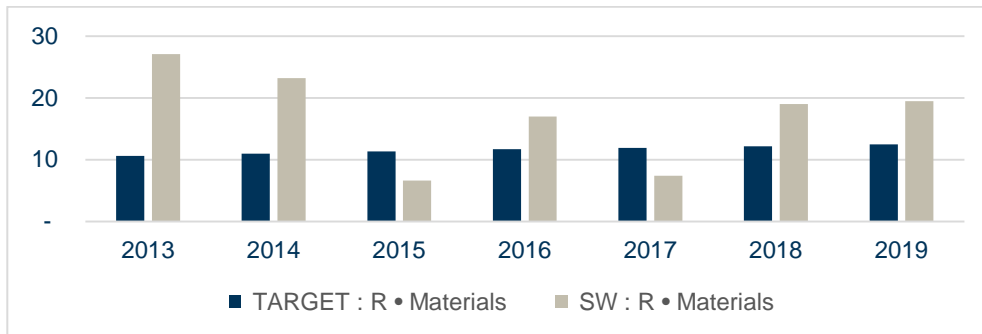
Corrective maintenance

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. SunWater conducts two types of corrective maintenance: scheduled and emergency.

Corrective maintenance expenditure forecasts include provision for labour, materials and plant hire, but do not include 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.

Callide Valley Bulk Water corrective maintenance for 2018 is budgeted above the QCA forecast. SunWater will continue to refine budgets with the aim of bringing the expenditure into line with target.

FIGURE 5: ROUTINE CORRECTIVE MAINTENANCE EXPENDITURE COMPARED TO QCA TARGET/FORECAST (\$'000)



Scheduled corrective maintenance

Scheduled corrective maintenance is maintenance that can be planned and scheduled. For Callide Valley Bulk Water it typically includes⁴:

- Channels:
 - de-silting channels and catch drains
 - erosion control and repairing rock protection works
 - repairing fencing
 - repairing concrete structures
 - repairing regulator gates, control valves, etc.
- Drains:
 - de-silting drains
 - erosion control and repairing rock protection works
 - repairing fencing
 - repairing concrete structures.
- Pipelines:
 - repairing pipe breaks
 - repairing air valves, scour valves, etc.
 - erosion control and repairing rock protection works
 - repairing concrete structures.
- Scheme roads:
 - repairing pot holes
 - grading roads
 - repairing, replacing, and painting guide posts and signs.

⁴ Activities listed will not apply to all service contracts.

- Pump stations:
 - repairing pumps and motors
 - de-silting intake structures
 - repairing concrete structures
 - repairing control buildings.
 - Storages (balancing storages and reservoirs):
 - repairing control gates and valves
 - repairing walls, embankments and spillways
 - repairing concrete structures.
- Meters:
 - repairing bulk water meters
 - repairing customer meters.

Emergency corrective maintenance

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). It typically includes⁵:

- repair or correction of pump station faults
- repair or correction of channel faults
- repair or correction of pipeline faults
- response to theft or vandalism associated with scheme assets.

⁵ Activities listed will not apply to all service contracts.

NON-ROUTINE EXPENDITURE

SunWater's approach to managing non-routine expenditure is underpinned by the concept of 'optimised life cycle cost', which seeks to optimise capital outlays and ongoing maintenance spend.

Our whole-of-life asset replacement and maintenance strategy looks at the risk and condition of each asset and uses this information to estimate the future work required to ensure it will continue to provide the required level of service into the future.

Having up-to-date knowledge of asset conditions is essential to this process. Information from our continuous program of asset inspections and condition assessments feeds into the annual review of the renewals program and the calculation of annuity. Having an annuity funding arrangement acknowledges a long-term view of renewals spend is required to ensure adequate funding and to address issues such as intergenerational equity, ensuring the scheme is maintained in perpetuity for future generations of water users.

The most recent annual review of our renewals program was completed in February 2017. Items identified as needing immediate maintenance or replacement are included in the budget for 2018.

While the immediate program for the 2018 budget is well defined, estimates become more uncertain further into the planning timeline. As such, the program of works is not a specific forecast of when individual projects are expected to be executed, but rather a portfolio-level estimate based on the best-available risk and condition information for the service contract as a whole.

At SunWater, we focus on ensuring our assets are maintained to the required standard with the minimum spend. Our review of the renewals profiles also 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.

Due to the absence of QCA targets for 2018 and beyond, we have presented non-routine expenditure for two years — to ensure our customers have ample visibility of non-routine maintenance activities prior to the next price review.

Table 5 outlines the budget non-routine spends as well as the actual spend for prior years.

Our projected figures for 2018 and 2019 were compared with the 'projected' spend outlined in the 2012 QCA renewals annuity profile. This is referred to as 'QCA forecast' in the table above. There is significant difference in the scope and cost of projects to be undertaken due to the fact that the QCA forecast was developed in 2011. 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.

TABLE 5: NON-ROUTINE EXPENDITURE

Callide Valley WS	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	SW Budget \$000	QCA Forecast \$000	Variance \$000	% of target
Annuity Funded																			
Operations	168	45	(123)	990	-	(990)	724	-	(724)	59	-	(59)	19	-	(19)	34	-	(34)	-
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	1,669	-	(1,669)	124	-	(124)	627	-	(627)	-	-	-	-	-	-	-	-	-	-
R&E	662	89	(573)	573	386	(188)	705	231	(474)	1,064	1,681	617	1,326	350	(977)	511	226	(285)	226
Non-routine Total	2,500	134	(2,365)	1,687	386	(1,302)	2,056	231	(1,825)	1,123	1,681	558	1,345	350	(995)	546	226	(319)	241
Non Annuity Funded	6			4			6			-			-						

Changes to flood operations

Based on recommendations from the Inspector General Emergency Management (IGEM), SunWater has improved how it operates in flood situations. Our revised processes focus on keeping local communities well informed, providing timely, detailed updates regarding emerging flood risks.

These changes were made in response to the 2015 IGEM review of the TC Marcia floods in the Callide Valley. While the review found SunWater had adequately undertaken its role in accordance with the established emergency action plans (EAPs), more could have been done to notify the community sooner about the emerging flood risk.

This assessment was followed by a second, related IGEM review in late 2015 into warnings provided by SEQWater and SunWater following criticism of SEQWater following a release of water from one of its dams.

IGEM noted that *“the public expects notifications and warnings will be disseminated as soon as possible when known by dam owners. They also expect messages will include timings to guide their actions, will convey the urgency of the developing situation, that regular updates will be provided and when the next update can be expected”*.

Non-routine projects for 2018 and 2019

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)
Study: 20yr Dam Safety Review (by 1 May 2019)	Work Order 5156761 This is a 20year dam safety review of Callide Dam to be conducted in accordance with the QLD dam safety management guidelines	374
Undertake Ground Penetrating Radar Survey of the concrete. To be done together with the 20 yearly dam safety review	Work Order 5191098 This planning item is as per the SunWater BW Asset Facilities Strategy Document (HB#1800010)	242
Fence Replacement - see report HB1889346.	Work Order 5159229 This fence replacement is the outcome from the Callide Diversion Channel fencing strategy review (seeHB1889346). Certain budget is allowed every year to replace the worst section.	103
17CVA07 To address high WHS Risk Replace Switchboard - Main Valve House Install, Commission	Work Order 5156707 "The current Risk score for Switchboard 3 (located in the valve house) for Workplace Health and Safety in SAP is high. Operator and local electrician reported that some cabinets of this switchboard are too small. Doing any maintenance (e.g. reset) in this cabinet has high workplace health and safety risk. Furthermore the life of this switchboard is coming to an end. Project 17CVA07 is currently still in process in the current Financial Year to do initial investigation followed up with option analysis and scope development. The planning item in 2018 Financial Year is to execute the scope developed in 2017 Financial Year."	102
17CVA12 Callide Dam Operational Review (this is IGEM project)	Work Order 5193679 IGEM project with budget approved directly from SunWater board	88
Other works	There are fourteen other non-routine projects for 2018 ranging from \$5,000 to \$81,000. Further detail will be tabled at the IAC meeting.	418
Total		1,326

TABLE 7: NON-ROUTINE PROJECTS 2019

Project title	Project scope	2019 budget (\$'000)
Replace Cables & Cableways (refer to 2017 condition assessment) - Design, Drawing	Work Order 5156737 Cables and cableways will have to be replaced if it is concluded to be necessary during the 2017 Condition Assessment.	114
18CVAXX Enlarge 4 manholes as per 2010 DS Rec 6.4.8b	Work Order 5193653 Manholes are too small to give safe access for confined space entry and rescue. The plan is to enlarge the holes from 450 mm to 600 mm.	106
Fence Replacement - see report HB1889346.	Work Order 5159229 This fence replacement is the outcome from the Callide Diversion Channel fencing strategy review (seeHB1889346). Certain budget is allowed every year to replace the worst section.	107
Study: Comprehensive Risk Assessment	Work Order 5159297 This is to conduct a comprehensive risk assessment of Callide Dam after the 20 yr dam safety review. The CRA identifies and makes recommendations to mitigate all risks - structural, societal and so on.	106
Update Concrete, Zone, Excavation & Protection Works Materials for LBC Callide Supply	Work Order 5178681 This project was identified during the 2015 asset revaluation and is to review the concrete, zone, excavation and protection works materials to ensure that they accurately reflect the makeup of the assets for use in future asset valuations and estimates.	37
Other works	There are 5 other non-routine projects for 2019 ranging from \$1,000 to \$22,000. Further detail will be tabled at the IAC meeting.	42
Total		511

ANNUITY BALANCE

SunWater's annuity funding arrangement acknowledges a long-term view of renewals spend and ensures we have adequate funding to address issues such as intergenerational equity.

In order to manage our annuity balance to reasonable levels, we aim to limit annuity spend to the QCA's targets over the five-year price path. However, required increases in spend in recent years have impacted our ability to achieve this. For

detail, please refer to past NSPs available on the SunWater website at: <http://www.sunwater.com.au/schemes/nsp/annual-nsp-and-performance-reports>.

The estimated 2017 and 2018 annuity balances, and the impacts of budgeted non-routine spend, are shown in Table 8 below. The annuity contribution shown has been set by the QCA and is assumed to apply in 2018.

TABLE 8: ANNUITY BALANCE*

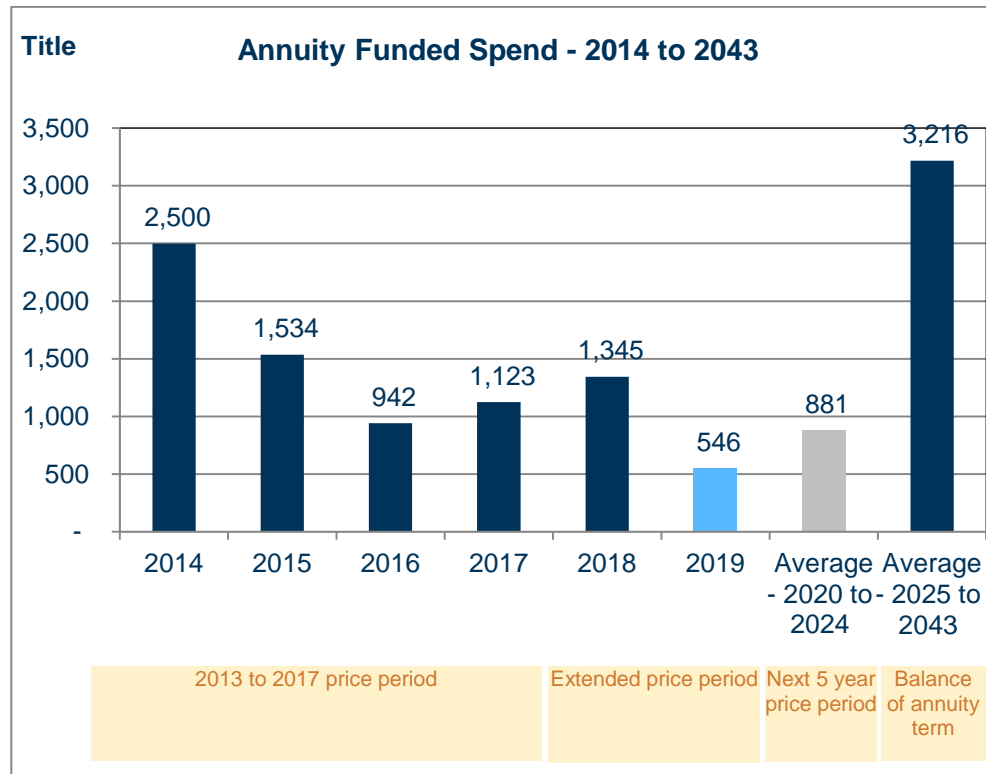
Callide Valley WS	Table Reference	2014 Actual \$000	2015 Actual \$000	2016 Actual \$000	2017 Forecast \$000	2018 Budget \$000	2019 Forecast \$000
Annuity							
Opening Balance		(867)	(3,061)	(4,455)	(5,356)	(6,500)	(7,943)
Net Spend	See below	(2,500)	(1,534)	(942)	(1,123)	(1,345)	(546)
Annuity Contribution		370	370	374	380	390	400
Interest		(65)	(229)	(334)	(401)	(487)	(595)
SunWater – Closing Balance		(3,061)	(4,455)	(5,356)	(6,500)	(7,943)	(8,684)
QCA – Closing Balance		(2)	(17)	125	(1,167)	(1,214)	(1,131)
Difference		(3,060)	(4,438)	(5,481)	(5,334)	(6,729)	(7,552)
Net Spend Analysis							
Spend	Table 5 Table 7	(2,500)	(1,687)	(2,056)	(1,123)	(1,345)	(546)
Insurance Proceeds Receipts							
• Prior Year							
• Current Year							
		-	153	1,114	-	-	-
Net Spend		(2,500)	(1,534)	(942)	(1,123)	(1,345)	(546)

*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 Figure 6 below, and material renewals items for the period are discussed in the sections following.

FIGURE 6: ANNUITY EXPENDITURE TO 2043



A project is considered ‘material’ when its value is greater than 10% of planned expenditure for the period in question.

SunWater develops options analyses for all material items in the annuity calculation planning period. These reports are tailored to suit project complexity and budget. Detailed options analyses are completed within the current and following five-year pricing periods, and high-level options analyses are completed for the 20-year period beyond the next price path.

The materiality tests are 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 spread of estimated project costs means there are no projects that exceed the materiality threshold for this service contract for the 2025–43 period

Material projects 2020–24

Replace Cables & Cableways (Refer to 2017 Condition assessment) – Procure Install Commissioning

- Year: 2020
- Current estimate: \$748,000
- Options analysis completed: No

No options analysis is required.

Material projects 2025–43

Replace/Refurb: Grout Anchors, Drains, Concrete (Construction Part 1)

- Year: 2032
- Current estimate: \$16,951,000
- Options analysis completed: No

Replace/Refurb: Grout Anchors, Drains, Concrete (Construction Part 2 and Commission)

- Year: 2032
- Current estimate: \$17,482,000
- Options analysis completed: No

APPENDIX 1: TOTAL EXPENDITURE BY EXPENSE TYPE

TABLE 9: EXPENDITURE FOR ACTIVITY BY TYPE

Callide Valley WS	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
Revenue	1,169			1,535			2,283			1,967			1,557		
Routine Spend															
Operations															
Labour	162	128	(34)	122	132	11	122	137	15	125	141	16	150	145	(5)
Contractors	8	6	(1)	29	7	(23)	11	7	(4)	(41)	7	48	40	7	(33)
Materials	1	2	0	1	2	0	3	2	(1)	1	2	0	2	2	(0)
Electricity	12	7	(4)	5	8	3	-	8	8	5	9	4	5	9	4
Insurance	475	143	(332)	307	145	(162)	279	148	(131)	329	150	(179)	329	154	(175)
Other	17	58	41	17	59	42	15	60	45	79	61	(18)	24	63	39
Non-directs	314	301	(13)	244	298	55	300	289	(11)	405	288	(117)	492	295	(197)
	989	646	(344)	725	651	(74)	729	650	(79)	903	657	(246)	1,042	674	(368)
Preventative Maintenance															
Labour	73	85	13	82	88	6	106	91	(15)	75	94	19	52	96	44
Contractors	6	7	2	8	8	(0)	13	8	(5)	(6)	8	14	32	8	(24)
Materials	7	7	0	5	8	2	2	8	6	3	8	5	2	8	6
Other	2	4	1	8	4	(4)	11	4	(7)	6	4	(2)	9	4	(5)
Non-directs	127	188	61	153	184	32	212	178	(34)	140	177	37	103	181	78
	216	292	76	256	291	35	343	288	(55)	218	290	72	198	297	99
Corrective Maintenance															
Labour	6	10	4	4	10	7	19	11	(9)	25	11	(14)	25	11	(13)
Contractors	17	1	(16)	14	1	(13)	5	1	(4)	(8)	1	9	43	1	(42)

Callide Valley WS	2014			2015			2016			2017			2018		
Materials	15	2	(12)	0	2	2	12	2	(10)	3	2	(1)	15	2	(13)
Other	2	2	0	2	2	(0)	7	2	(5)	6	2	(4)	-	2	2
Non-directs	13	22	10	7	22	15	39	21	(17)	47	21	(26)	50	21	(29)
	52	38	(14)	27	38	10	83	37	(46)	73	38	(35)	133	38	(94)
Routine Total	1,257	975	(282)	1,008	980	(28)	1,155	975	(180)	1,194	985	(208)	1,373	1,010	(363)
Non-Routine Spend															
Labour	286	25	(261)	335	63	(272)	337	20	(316)	87	127	40	241	35	(207)
Contractors	1,227	32	(1,195)	224	39	(186)	878	19	(859)	751	1,060	309	512	159	(352)
Materials	30	15	(15)	18	88	70	87	19	(68)	74	128	54	86	38	(48)
Other	345	1	(344)	463	12	(451)	3	11	8	7	68	61	11	15	3
Non-directs	612	61	(551)	648	185	(463)	751	161	(590)	205	299	94	495	103	(392)
Non-Routine Total	2,500	134	(2,365)	1,687	386	(1,302)	2,056	231	(1,825)	1,123	1,681	558	1,345	350	(995)
Total Regulated Spend	3,756	1,109	(2,647)	2,695	1,366	(1,330)	3,211	1,206	(2,004)	2,317	2,666	349	2,719	1,360	(1,359)
Non Annuity Funded Spend	6			4			6			-			-		
Surplus (Deficit)	(2,594)			(1,164)			(934)			(350)			(1,161)		

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

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. 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 and 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: Bulk Water, Irrigation Distribution Systems, Industrial Pipeline and Facilities

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

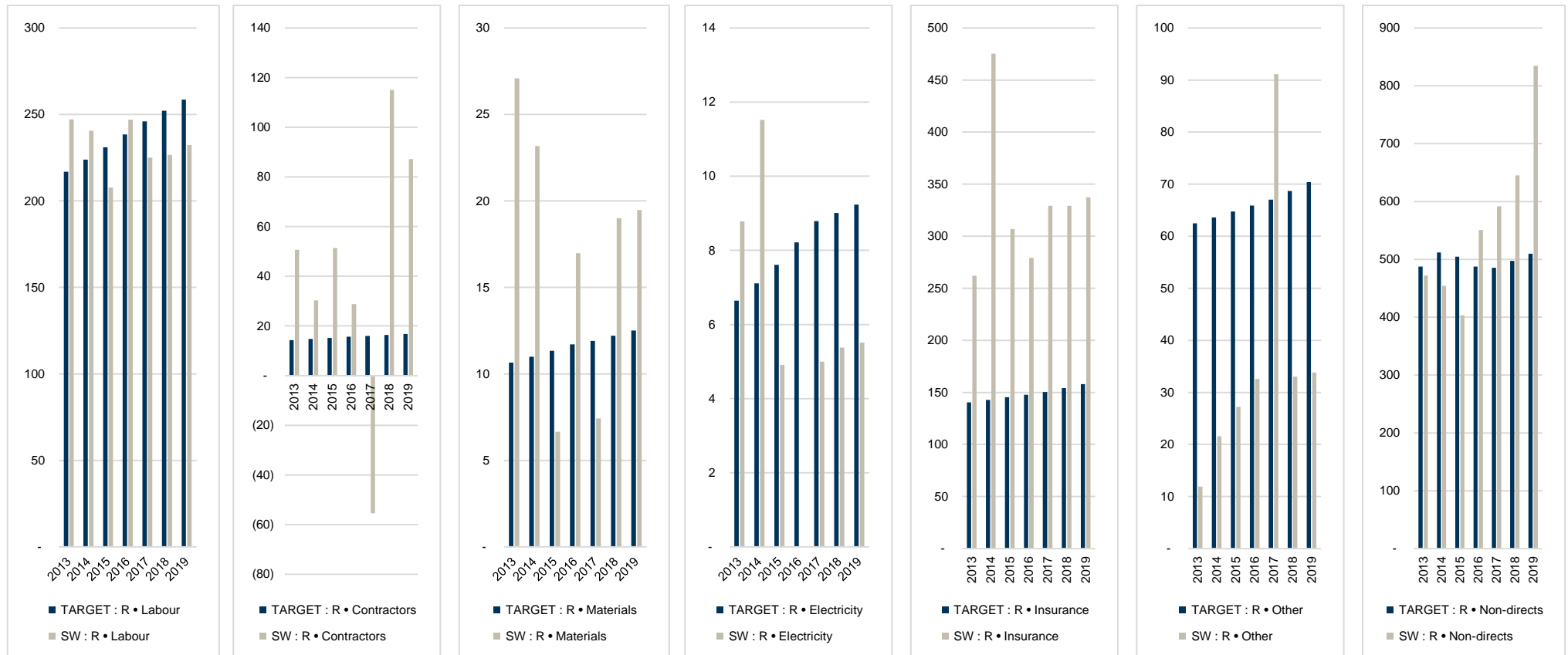
Corporate overhead costs are more generic than indirect costs and local overheads, and are spread across all service contacts based on direct labour. They include the cost of HR and payroll, ICT, corporate communications, legal and

property, finance, and 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 7: ROUTINE EXPENDITURE BY EXPENSE TYPE (\$'000)



NOTES

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

Although the QCA sets 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's reported real dollars to nominal dollars, multiply the figures by the conversion factors listed in Table 10 below.

The conversion factors are based on the QCA's assumed inflation rate of 2.5% p.a. Conversion factors based on actual inflation, as measured by the Brisbane All Groups Consumer Price Index in March each year, are provided for comparison.

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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