

2017/18 ANNUAL NETWORK SERVICE PLAN

ST GEORGE BULK WATER

30 JUNE 2017



MAKING WATER WORK

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We're focused on reliability, efficiency and safety, ensuring the St George 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.

Justin Schultz
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 St George Bulk Water's 164 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 St George Bulk Water, with a focus on projects that improve efficiency and performance, and allow us to deliver the best possible service to our customers.

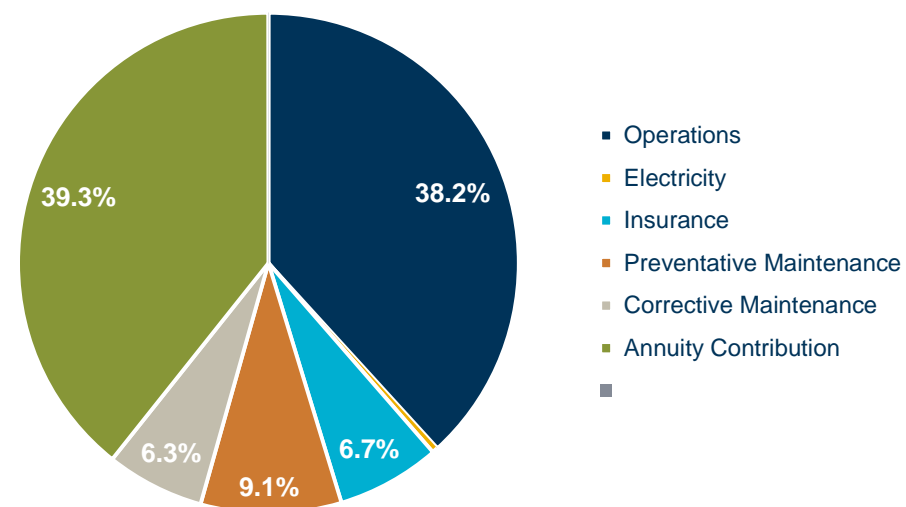
A high-level summary of the budgeted financial performance of the St George Bulk Water service contract is presented in Table 1 below. Further detail on the planned spend, together with estimated revenue, is outlined on subsequent pages of this plan.

TABLE 1: OPERATING REVENUE LESS SPEND

St George WS	Table reference	2014 Actual \$000	2015 Actual \$000	2016 Actual \$000	2017 Forecast \$000	2018 Budget \$000
Revenue	3	1,500	1,518	1,636	1,700	1,630
Less – Routine Expenditure	4 & 7	1,255	783	904	971	1,040
Less – Non-Routine Expenditure						
• Annuity Funded	5, 6 & 7	471	498	770	1,366	608
• Non Annuity Funded	5	-	-	0	-	-
Surplus (Deficit)		(226)	237	(39)	(636)	(17)

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

St George 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)	Medium Water Priority (ML)
St George	Industrial		60	0	60
	Irrigation		71,770	0	71,770
	Urban		3,024	0	3,024
	SunWater		9,721	3,000	6,721
	Total	164	84,575	3,000	81,575

When it comes to apportioning costs, customers fall into two categories: High Priority and Medium 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 St George Bulk Water scheme, the QCA's Headworks Utilisation Factor (HUF) — which determines how fixed costs are allocated — is 6% for High Priority and 94% for Medium 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 94.2%. The 2018 budget is compiled taking onto account the QCA water use assumption.

REVENUE

SunWater's anticipated revenue for St George Bulk Water in 2017/18 is provided in Table 3

TABLE 3: REVENUE

St George WS	2014 Actual \$000	2015 Actual \$000	2016 Actual \$000	2017 Forecast \$000	2018 Budget \$000
Irrigation	331	348	356	369	378
Industrial	6	6	6	6	7
Urban	175	176	179	182	186
Irrigation CSO	-	-	-	-	-
Revenue Transfers	966	1,005	1,091	1,131	1,047 ¹
Drainage	-	-	-	-	-
Other	22	3	4	12	13
Insurance Proceeds – Flood	-	(20)	-	-	-
Revenue Total	1,500	1,518	1,636	1,700	1,630

¹ 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

SunWater has budgeted an increase in St George 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.

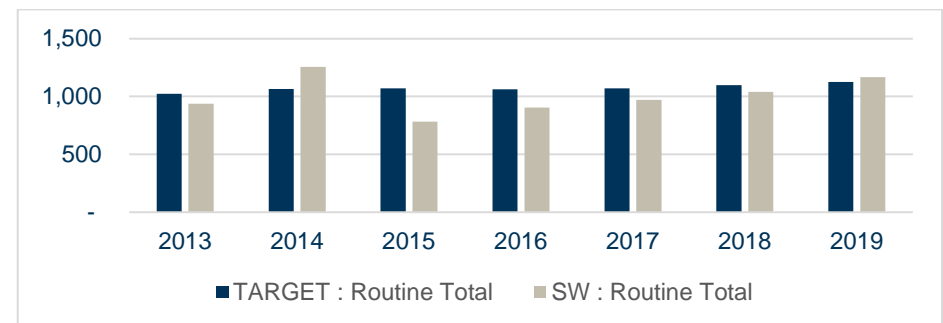
TABLE 4: ROUTINE OPERATING EXPENDITURE

St George 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	727	634	(93)	298	637	339	429	633	205	600	637	37	655	653	(2)	100
Electricity	5	9	4	7	10	2	4	10	7	5	11	6	6	11	5	57
Insurance	139	42	(97)	135	42	(93)	118	43	(75)	114	44	(71)	114	45	(70)	255
Operations Total	871	685	(186)	440	689	249	550	687	137	719	692	(27)	776	709	(66)	109
Preventative Maintenance	230	235	6	325	235	(90)	339	232	(107)	177	234	57	156	240	84	65
Corrective Maintenance	154	145	(9)	18	145	128	15	144	128	74	145	70	108	148	40	73
Routine Total	1,255	1,066	(190)	783	1,069	286	904	1,063	159	971	1,071	100	1,040	1,097	58	95

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.

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

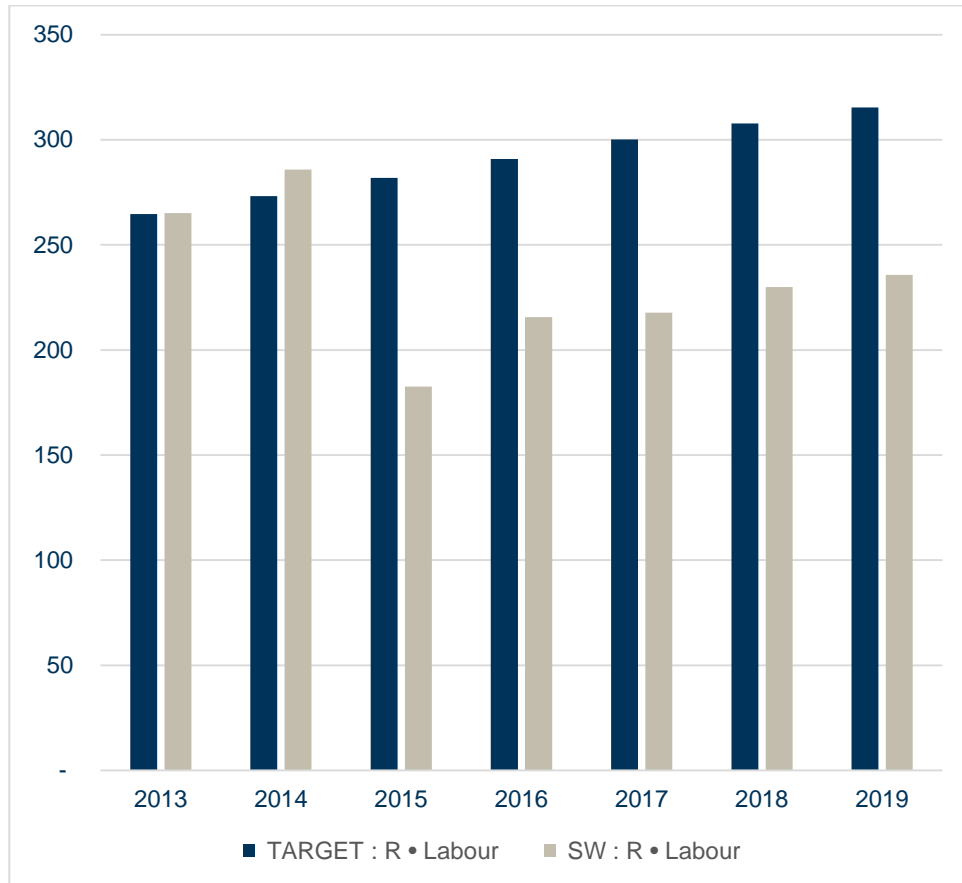
FIGURE 2: ROUTINE EXPENDITURE COMPARED TO QCA TARGET/FORECAST (\$'000)



Operations

St George 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.

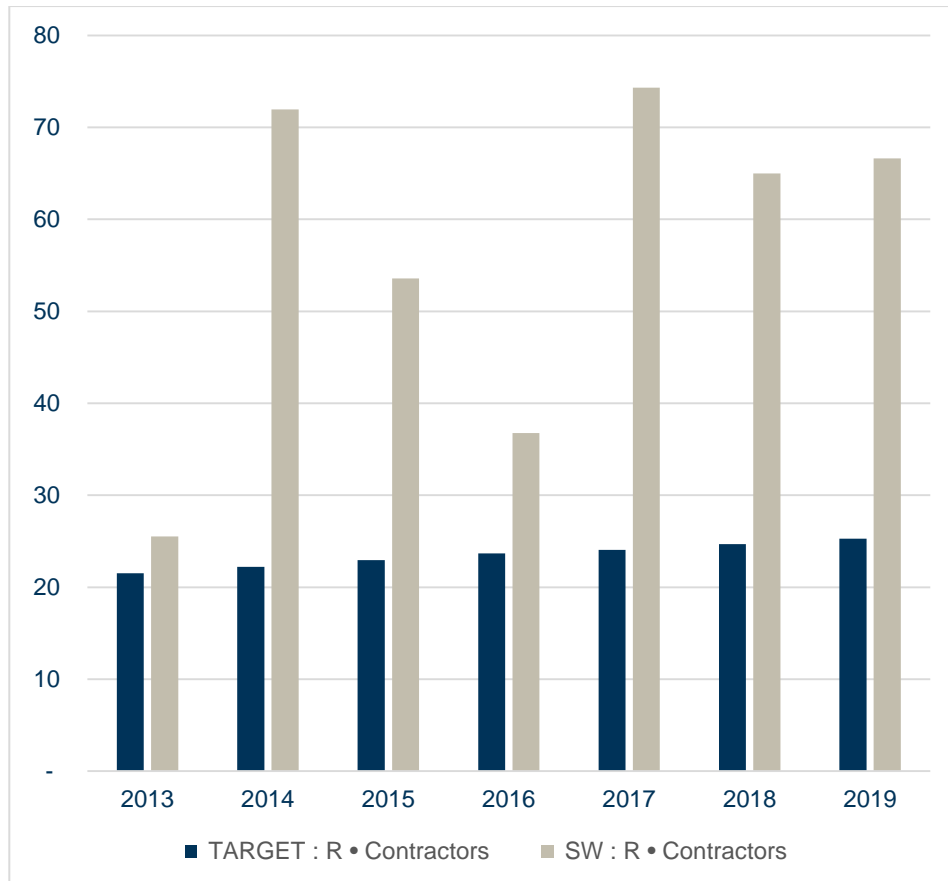
² Activities listed will not apply to all service contracts.

Preventive maintenance

Preventive maintenance is an important activity and expense, as it ensures the ongoing operational performance and service capacity of St George 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.

SunWater's 2018 budget for preventative maintenance is below the QCA forecast.

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 St George 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
 - Acrolein treatment of channels
 - Copper Sulphate treatment
 - 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.

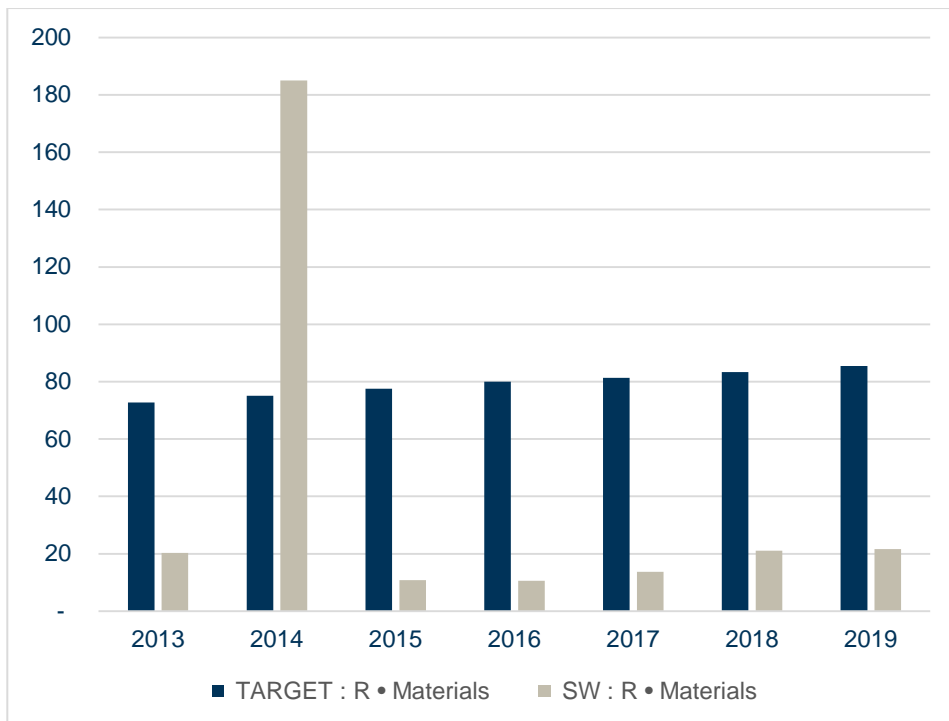
Corrective maintenance

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.

St George Bulk Water corrective maintenance for 2018 is budgeted below the QCA forecast.

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 St George 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

St George 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	77	-	(77)	54	-	(54)	30	-	(30)	25	-	(25)	9	-	(9)	-	11	-	(11)
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	217	-	(217)	(0)	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-
R&E	177	545	368	444	582	138	740	444	(296)	1,341	542	(799)	599	593	(5)	101	246	71	(174)
Non-routine Total	471	545	74	498	582	84	770	444	(326)	1,366	542	(823)	608	593	(14)	102	257	71	(186)

St George WS	2014	2015	2016	2017	2018	2019
Non Annuity Funded	-	-	0	-	-	-

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)
Refurbish: Installation of a filter zone / Enhance weighting zone between Thuraggi inlet and outlet to control seepage	5196263 This is a continuation of the 2017 project to assess and ultimately manage seepage from Beardmore dam into the Thuraggi channel outlet.	291
Enhance: Design, construct and install Meter installation and meters to record flow in Thuraggi Channel	5194942 This project is to enhance metering accuracy of Thuraggi channel. Meters were installed during 2014 but their accuracy is not as good as it should be.	137
Study: 5yr Dam Comprehensive Inspection (by 1 Dec 2017)	5160220 This is a comprehensive inspection of Beardmore Dam to be conducted in accordance with the Queensland Dam Safety Management Guidelines. SunWater is attempting to do as much of the inspection during early 2017 while the water level is low.	114
Options Analysis: Undertake Study on replacement gate (refer eq 10013952), factoring in the bulkhead gate	5156932 The river release ARMCO gate is near the end of its life. It has some corrosion and leaks slowly. This project is to determine how best to replace it and what best to replace it with.	16
Replacement of St George River meters - 2015 IBS Strategy (\$25,324/yr) (P2)	5176728 This is an allowance for customer meter replacements. It will not be used if there are no meters to be replaced.	13
Other works	There are four other non-routine projects for 2018 ranging from \$3,000 to \$11,000. Further detail will be tabled at the IAC meeting.	27
Total		599

TABLE 7: NON-ROUTINE PROJECTS 2019

Project title	Project scope	2019 budget (\$'000)
Refurbish: Undertake renewal of recreation facilities as per new SW guidelines - see notes	5194530 Justification is due to direction and policy of rec facilities being developed by EGM ops- currently a strategy is being developed with the Balonne Shire Council to reinstate the rec areas including looking at a boat ramp, viewing platform and renewal of fencing.	46
Refurbish: River Outlet Works inlet crest plate - Refer HB #1636760 for overall policy/plan	5170520 This to achieve an adequate seal on the river outlet ARMCO gate. The gate is toward the end of its life so an adequate seal is not being achieved, but the seal crest seal itself may contribute to this.	37
Refurbish: Paint Steel work; To be Confirmed through condition assessment (2017 - 5 yearly to confirm)	5159783 This to refurbish the paint on the Beardmore dam gantry crane to minimise corrosion.	31
Refurbish: Disassemble and inspect three random driveshaft couplings; 5 yearly inspection (4.3.5(b) Recommendation	5192329 During the 2016 inspection, there was a recommendation to inspect the drive shafts on three gate winches. The findings of these will help determine any remedial work required and inform SunWater if a more robust and frequent routine monitoring program is needed.	18
Refurbish: Regrade and repair gravel roads to pump station - Reassess the year before	5131616 This project is to refurbish the low level pumpstation access road to ensure the pumps can be installed, operated and removed.	17
Other works	There are ten other non-routine projects for 2019 ranging from \$6,000 to \$16,000. Further detail will be tabled at the IAC meeting.	97
Total		246

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*

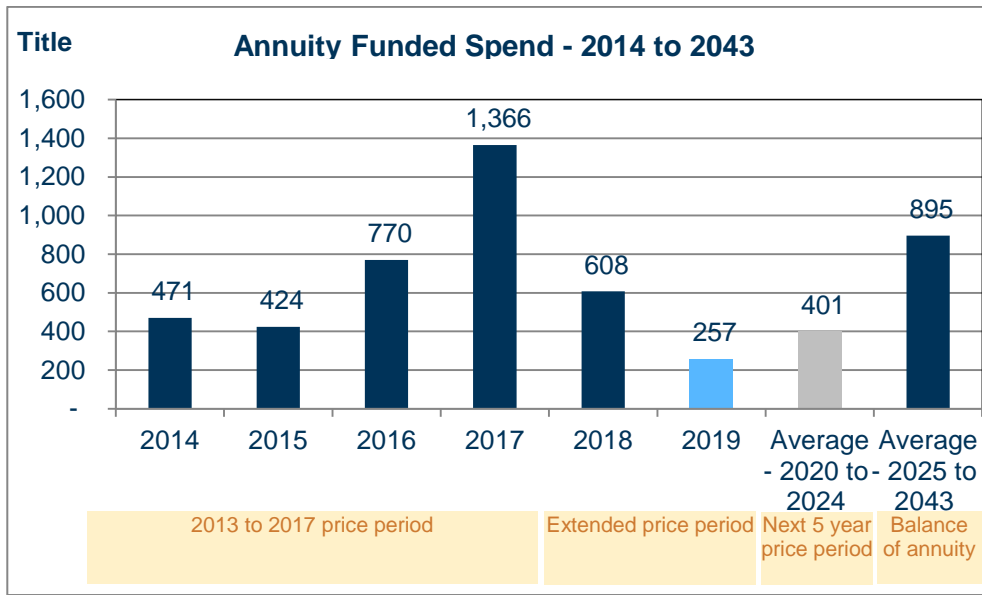
St George WS	Table Reference	2014 Actual \$000	2015 Actual \$000	2016 Actual \$000	2017 Forecast \$000	2018 Budget \$000	2019 Forecast \$000
Annuity							
Opening Balance		(8)	154	382	290	(397)	(361)
Net Spend	See below	(471)	(424)	(770)	(1,366)	(608)	(257)
Annuity Contribution		634	640	649	657	673	690
Interest		(1)	12	29	22	(30)	(27)
SunWater – Closing Balance		154	382	290	(397)	(361)	45
QCA – Closing Balance		1,442	1,608	1,934	2,194	2,438	3,240
Difference		(1,287)	(1,226)	(1,644)	(2,591)	(2,799)	(3,194)
Net Spend Analysis							
Spend	Table 5 Table 7	(471)	(498)	(770)	(1,366)	(608)	(257)
Insurance Proceeds Receipts							
• Prior Year		-	94	-	-	-	-
• Current Year		-	(20)	-	-	-	-
Net Spend		(471)	(424)	(770)	(1,366)	(608)	(257)

*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

Refurbish: Installation of a filter zone / Enhance weighting zone between Thuraggi inlet and outlet to control

- Year: 2018
- Current estimate: \$291,000
- Options analysis completed: No

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.

Study: 20 year Dam Safety Review

- Year: 2022
- Current estimate: \$389,000
- Options analysis completed: No

Material projects 2025–43

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.

APPENDIX 1: TOTAL EXPENDITURE BY EXPENSE TYPE

TABLE 9: EXPENDITURE FOR ACTIVITY BY TYPE

St George 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	1,500			1,518			1,636			1,700			1,630		
Routine Spend															
Operations															
Labour	173	159	(14)	83	164	81	121	169	48	150	175	24	169	179	10
Contractors	35	17	(18)	24	17	(6)	8	18	10	50	18	(32)	20	19	(1)
Materials	161	67	(94)	5	69	64	5	71	66	1	72	71	6	74	68
Electricity	5	9	4	7	10	2	4	10	7	5	11	6	6	11	5
Insurance	139	42	(97)	135	42	(93)	118	43	(75)	114	44	(71)	114	45	(70)
Other	13	30	17	9	30	22	7	31	24	24	31	7	21	32	11
Non-directs	345	362	17	177	357	180	288	344	56	375	341	(34)	439	349	(90)
	871	685	(186)	440	689	249	550	687	137	719	692	(27)	776	709	(66)
Preventative Maintenance															
Labour	66	71	5	97	73	(24)	92	76	(17)	50	78	28	33	80	47
Contractors	22	3	(19)	24	3	(21)	28	3	(26)	14	3	(11)	30	3	(27)
Materials	17	6	(11)	2	6	4	5	6	1	8	6	(2)	10	6	(4)
Other	6	3	(2)	20	3	(16)	16	3	(13)	12	4	(8)	16	4	(12)
Non-directs	120	153	33	182	150	(32)	197	145	(52)	94	143	49	67	147	80
	230	235	6	325	235	(90)	339	232	(107)	177	234	57	156	240	84
Corrective Maintenance															
Labour	47	43	(3)	2	45	43	2	46	44	18	48	30	28	49	21
Contractors	15	3	(13)	6	3	(4)	0	3	2	11	3	(8)	15	3	(12)
Materials	8	3	(5)	3	3	(0)	1	3	2	5	3	(2)	5	3	(2)
Other	0	3	3	2	3	2	5	3	(2)	6	3	(3)	6	3	(3)
Non-directs	84	94	9	4	92	87	7	88	82	34	88	54	55	90	35

St George WS	2014			2015			2016			2017			2018		
	154	145	(9)	18	145	128	15	144	128	74	145	70	108	148	40
Routine Total	1,255	1,066	(190)	783	1,069	286	904	1,063	159	971	1,071	100	1,040	1,097	58
Non-Routine Spend															
Labour	68	71	4	102	91	(11)	147	73	(73)	106	68	(38)	78	83	5
Contractors	63	179	116	175	107	(67)	277	78	(199)	896	141	(755)	310	167	(143)
Materials	140	66	(74)	1	98	97	22	78	57	47	143	96	44	96	52
Other	71	32	(39)	23	53	30	22	41	20	69	31	(38)	7	35	28
Non-directs	130	197	67	198	232	34	303	173	(131)	248	160	(88)	169	213	44
Non-Routine Total	471	545	74	498	582	84	770	444	(326)	1,366	542	(823)	608	593	(14)
Total Regulated Spend	1,726	1,611	(116)	1,281	1,651	370	1,674	1,507	(168)	2,337	1,613	(724)	1,647	1,691	44
Non Annuity Funded Spend	-			-			0			-			-		
Surplus (Deficit)	(226)			237			(39)			(636)			(17)		

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

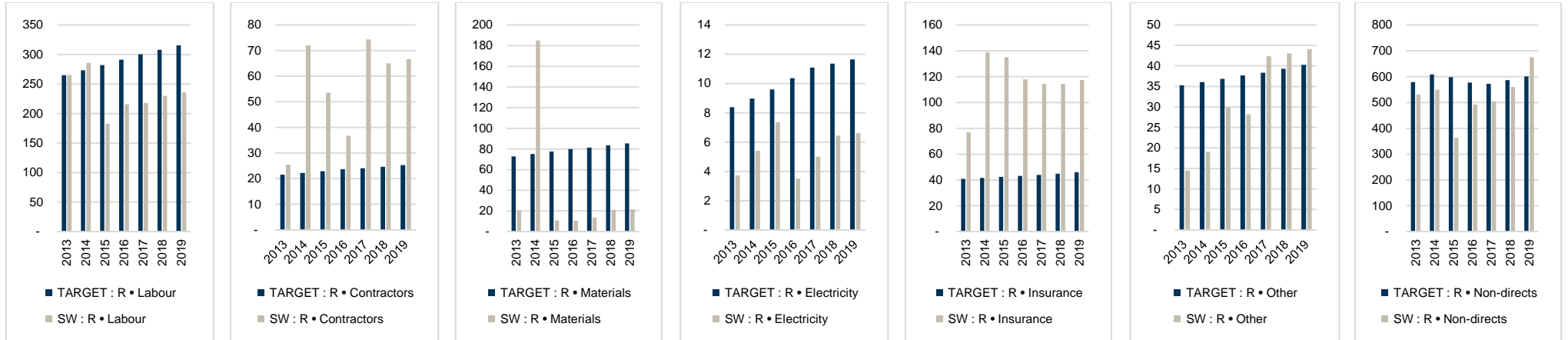
Local overheads are spread across service contracts managed in each locality. They include regional accommodation costs, vehicle costs, local administration support and other local labour not directly booked to activities within service contracts.

Corporate overhead costs are more generic than indirect costs and local overheads, and are spread across all service contracts 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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