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# 2015 Annual Network Service Plan

## Upper Burnett Bulk

June 2014

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## Notes

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

Most of the financial figures in the QCA's final report on SunWater's irrigation pricing were presented in real dollars (\$2011). To allow comparison to this NSP, convert the QCA final report real dollar figures to nominal dollars by, multiplying the QCA \$real figures by the following factors, which are based on the QCA's assumed inflation rate of 2.5% p.a.

**Table 1 – Conversion Factors for real \$2011 to Nominal Dollars**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Conversion Factor	1.051	1.077	1.104	1.131	1.160

## Disclaimer

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

## Introduction

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

SunWater published draft 2015 NSPs for each of 30 Service Contracts during March 2014. This was followed by consultation meetings held throughout regional Queensland over March and April. These discussions involved many customers and other stakeholders at Irrigation Advisory Committee meetings and other forums. Valuable feedback was received from customers that can be found, along with SunWater's responses, at <http://www.sunwater.com.au/schemes/nsp/annual-nsp-and-performance-reports>.

The feedback has led to changes being made to SunWater's plans for 2015. While the plans for 2015 are now complete, customer feedback is always welcome via email or post using one of the following addresses:

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

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

## Water Data

**Table 2 –Water Data**

	<b>No. of Customers</b>	<b>Water Entitlements ML</b>
Industrial		119
Irrigation		28,457
Urban		1,930
Other		0
SunWater		18,032
<b>Total</b>	<b>160</b>	<b>48,538</b>
QCA Assumed Water Usage for Irrigation		55.8%
QCA Assumed Water Usage for Total		66.0%

**Table 3 – Revenue<sup>1</sup>**

	<b>2013 SunWater Actual \$'000</b>	<b>2014 SunWater Budget \$'000</b>	<b>2015 SunWater Budget \$'000</b>
Irrigation Revenue*	676	731	746
Industrial and Urban*	727	589	617
Other Revenue	6	6	6
<b>Total Revenue</b>	<b>1,409</b>	<b>1,327</b>	<b>1,369</b>

<sup>1</sup> The 2015 budget figures form the basis for SunWater’s SCI submission, which is yet to be agreed with SunWater’s shareholding Ministers. While the budgets are not expected to change from here, there is always the possibility of further directions from Government and these may have budget implications.

## Routine Expenditure

**Table 4 – Routine Operating Expenditure<sup>2</sup>**

	<b>2013 SunWater Actual</b>	<b>% of 2013 Target</b>	<b>2014 SunWater Budget</b>	<b>% of 2014 Target</b>	<b>2015 SunWater Budget</b>	<b>% of 2015 Target</b>
	\$'000	%	\$'000	%	\$'000	%
Operations (Excl. Elect.)	534	96%	558	97%	669	116%
Preventative	97	70%	126	87%	144	99%
Corrective	24	71%	22	62%	37	105%
Electricity	8	109%	9	108%	10	119%
<b>Total Routine Expenses</b>	<b>663</b>	<b>90%</b>	<b>715</b>	<b>94%</b>	<b>861</b>	<b>112%</b>

The budgeted routine spend is 12% above the QCA's target for 2015 however the budget falls to 99% of target when the above-QCA increases in insurance and electricity are taken into account.

### Operations

The operations budget in 2015 is 16% above the QCA target, however this is entirely due to the increases in insurance costs being much greater than allowed for by the QCA. Increased premiums followed flood events that have occurred in the past few years in Queensland. This cost over-run is beyond SunWater's control. The budget for operations drops to 99% of the QCA target when the insurance over-run is taken into account.

### Preventive Maintenance

Preventive maintenance is budgeted in line with the QCA's target for 2015. SunWater has restructured its bulk water business during 2013/14. As a consequence the bulk water business will not undertake a number of maintenance tasks such as electrical and mechanical servicing with internal resources. These services will be sourced from specialist private sector organisations.

### Corrective Maintenance

Corrective maintenance is budgeted 5% above the QCA's target for 2015. SunWater will continue to refine budgets to bring the overall expenditure into line with target.

### Electricity

Electricity costs are budgeted 19% higher than the QCA target in 2015 due to announced increases in electricity prices being much higher than the increases allowed for by the QCA. The QCA had allowed for tariff increases of around 30% over the first three years of the price path whereas actual increases have been around 50%. Resultant cost over-runs are beyond SunWater's control. SunWater will continue to review tariffs each year to identify the best tariff for the expected future operations.

<sup>2</sup> The 2015 budget figures form the basis for SunWater's SCI submission, which is yet to be agreed with SunWater's shareholding Ministers. While the budgets are not expected to change from here, there is always the possibility of further directions from Government and these may have budget implications.

## 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 2014; 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 a snapshot of the estimated program of works taken during the 2010-11 year. While this was the best estimate of expected work at the time, there has been significant project churn since this estimate was made. This can mean that, in some cases, the QCA's funding allowance for renewals work does not cover the total expenditure required to maintain asset condition to the required standard. In addition, there are unexpected events, such as floods, that are not allowed for in the QCA's annuity funding allowance. Notwithstanding these points, SunWater aims to limit renewals expenditure to the QCA's targets over the 2013-17 price path in order to manage the annuity balance to reasonable levels.

### 2015 Non-Routine Budget

The budget non-routine spend for 2015 is shown in the table below, along with the actual spend for 2013 and the budget spend for 2014. Overall, the 2013-17 non-routine spend will exceed the five-year QCA target. There has been significant corrective works in this service contract to repair flood damage; corrective works are unplanned and were not allowed for in the QCA's targets.

**Table 5 – Non-Routine Expenditure**

	<b>2013 SunWater Actual</b>	<b>% of 2013-17 Target</b>	<b>2014 SunWater Budget</b>	<b>% of 2013-17 Target</b>	<b>2015 SunWater Budget</b>	<b>% of 2013-17 Target</b>
	\$'000	%	\$'000	%	\$'000	%
<b>Annuity Funded</b>						
R&E - Annuity Funded	22		162		402	
Corrective	217		1,329		0	
Other	0		0		0	
Non-direct	111		293		67	
<b>Annuity Funded Total</b>	<b>350</b>	<b>31%</b>	<b>1,783</b>	<b>160%</b>	<b>468</b>	<b>42%</b>
<b>Non-Annuity Funded</b>						
R&E - Non-Annuity Funded	1		0		0	
Non-direct	2		0		0	
<b>Total Non-Annuity Funded</b>	<b>3</b>	<b>n/a</b>	<b>0</b>	<b>n/a</b>	<b>0</b>	<b>n/a</b>

The details for the five major projects planned for 2015 are provided below:

**Table 6 – Non-Routine Projects 2015**

<b>Project Title</b>	<b>Project Scope</b>	<b>2015 Budget (\$'000)</b>
Decommissioning of inflatable rubber dam - Claude Wharton Weir - CLAUDE WHARTON WEIR	Decommissioning and removal of Inflatable Rubber Dam from the crest. The cost is an estimate based on the costs of the partial decommissioning of the Bedford Weir Fabridam. This will remain the indicative estimate until the options analysis is completed.	201
Refurb conduits internal surface - preferable to cement line. 2005 Weir Insp Rec. 10.1a - JOHN GOLEBY WEIR	Reline the conduit internal surface. Options study will determine the appropriate material (probably cement lining).	86
14UBP04 Replace Outlet Gate - install, commission - JONES WEIR	Replace the outlet gate, which has effectively failed. Project includes install and commissioning.	73
Re-establish structural integrity of the concrete wing wall - DS Rec 6.1a - JONES WEIR	Remove a broken section of the concrete on the downstream left abutment and reinstate.	29
Extend trashscreen guides (DS 2011 8.3(b)) - WURUMA DAM	Extend the trash screen guides above the FSL to facilitate easier installation of the trash screens. Currently divers are needed which incurs additional costs. This project was held over from 2014.	25
Other works		54
Total		468



## Annuity Balance

The estimated 2014 and 2015 annuity balances are shown below; the annuity income shown has been set by the QCA until the end of the current price path in 2017. 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 impact of the budget non-routine spend on the annuity balance for 2015 is shown in the following table. The balances for 2014 and 2015 are estimates only at this stage because the final actual spends for 2014 and 2015 will not be known until after each of these years is completed.

**Table 7 – Annuity Balances**

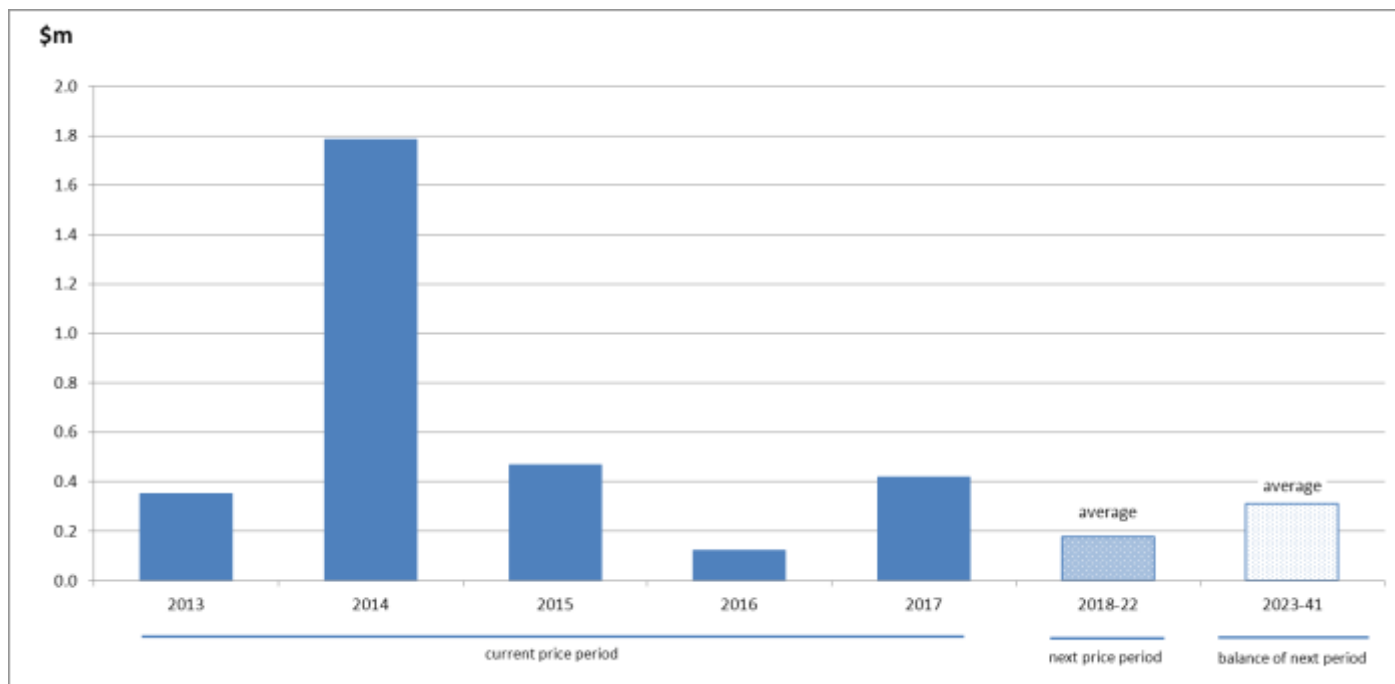
	<b>2013</b>	<b>2014*</b>	<b>2015*</b>	<b>2016</b>	<b>2017</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening Balance</b>	(199)	(401)	(2,042)		
<b>Annuity Income</b>	163	173	175	180	187
<b>Spend</b>	(350)	(1,783)	(468)		
<b>Interest</b>	(15)	(30)	(153)		
<b>Closing Balance</b>	(401)	(2,042)	(2,489)		

\* All 2014 and 2015 figures are subject to change once actual spend is known.

## Overview of Annuity Funded Non-Routine Projects 2013-41

The renewals annuity is calculated over a 20-year planning period; given that the following pricing period ends in 2022, the estimated renewals spend out until 2041 will affect the next pricing review. The estimated renewals expenditure out to 2041 is shown in the chart following. The expenditure in 2014 now includes the flood damage repairs that were flagged in last year's NSP.

Figure 1 – Annuity Expenditure 2013-41



All material renewals items out until 2041 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 churn, some items will no longer require options analysis in future years and new items may join the list.

## Material Projects 2015-17

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 2015-17 period.

## Material Projects 2018-22

The program of works for 2018-22 should be viewed as indicative at this stage and will be refined as the next pricing review draws closer.

### **20yr Dam Safety Review (by 1 Jun 2021) - WURUMA DAM**

Year: 2021

Current estimate: \$236k

Options analysis completed: No

This is a full review of the dam's Hazard Assessment, Emergency Preparedness and Documentation, Paths to failure, Dam Safety Criteria, Instrumentation and Monitoring, and Construction methods. This involves a team of recognised dam experts reviewing all the geological aspects of the dam and includes a review of all events, all refurbishments and any other works carried out at the dam including a full review of event history and the maintenance histories over the preceding 20 years. This is a requirement under Dam Safety Condition Schedule 12, therefore an options analysis will not be completed.

### **5yr Dam Comprehensive Inspection - WURUMA DAM**

Year: 2022

Current estimate: \$156k

Options analysis completed: No

This is a full operational, civil, mechanical and electrical engineering condition assessment of the dam and is a requirement of owning the dam under the current Dam Safety Condition Schedules (Condition Schedule 11), therefore no options analysis is required.

## Material Projects 2023-41

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 2023-41 period.

## Appendix – Total Expenditure by Expense Type

Table 8 – Expenditure for Activity by Type

	2013 SunWater Actual \$'000	% of 2013 Target %	2014 SunWater Budget \$'000	% of 2014 Target %	2015 SunWater Budget \$'000	% of 2015 Target %
<b>ROUTINE EXPENSES</b>						
<b>Operations</b>						
Labour	120		129		133	
Materials	4		4		5	
Contractors	19		15		51	
Other	164		152		220	
Non-direct	226		258		259	
<b>Operations Total</b>	<b>534</b>	<b>96%</b>	<b>558</b>	<b>97%</b>	<b>669</b>	<b>116%</b>
<b>Preventative</b>						
Labour	32		40		29	
Materials	0		4		1	
Contractors	2		4		57	
Other	0		0		1	
Non-direct	63		78		57	
<b>Preventative Total</b>	<b>97</b>	<b>70%</b>	<b>126</b>	<b>87%</b>	<b>144</b>	<b>99%</b>
<b>Corrective</b>						
Labour	3		4		11	
Materials	3		4		5	
Contractors	13		5		0	
Other	0		0		0	
Non-direct	6		9		21	
<b>Corrective Total</b>	<b>24</b>	<b>71%</b>	<b>22</b>	<b>62%</b>	<b>37</b>	<b>105%</b>
<b>Electricity</b>	<b>8</b>	<b>109%</b>	<b>9</b>	<b>108%</b>	<b>10</b>	<b>119%</b>
<b>Total Routine Expenses</b>	<b>663</b>	<b>90%</b>	<b>715</b>	<b>94%</b>	<b>861</b>	<b>112%</b>
<b>NON-ROUTINE EXPENSES</b>						
<b>Annuity Funded</b>						
R&E - Annuity Funded	22		162		402	
Corrective	217		1,329		0	
Other	0		0		0	
Non-direct	111		293		67	
<b>Total Annuity Funded Non-Routine</b>	<b>350</b>	<b>31%</b>	<b>1,783</b>	<b>160%</b>	<b>468</b>	<b>42%</b>
<b>TOTAL REGULATED EXPENSES</b>	<b>1,014</b>		<b>2,499</b>		<b>1,329</b>	
<b>Non-Annuity Funded</b>						
R&E - Non-Annuity Funded	1		0		0	
Non-direct	2		0		0	
<b>Total Non-Annuity Funded</b>	<b>3</b>	<b>n/a</b>	<b>0</b>	<b>n/a</b>	<b>0</b>	<b>n/a</b>
<b>TOTAL EXPENSES</b>	<b>1,017</b>		<b>2,499</b>		<b>1,329</b>	