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Annual Network Service Plan

St George Bulk Supply

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Notes

All financial figures in this report 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 convert to nominal dollars multiply by the following factors, which are based on the QCA's assumed inflation rate of 2.5% p.a.

Table 1 – Conversion Factors for Nominal-to-Real Dollars

Year	2013	2014	2015	2016	2017
Conversion Factor	0.952	0.929	0.906	0.884	0.862

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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 operating expenditure (opex) and renewals and enhancements (R&E) expenditure. In particular, the NSPs will cover:

- current year performance for opex and R&E,
- forecast opex and R&E for the approaching year, and
- the long-term outlook for material R&E spend.

This is the first annual NSP that SunWater has produced. Given that it is being published in the first year of the new price path, and the 2013 year is incomplete, there is no actuals data reported in the performance tables. Also, very few options analyses have been completed to date as the annual planning for renewals and enhancements discussed in this NSP was completed just prior to publishing.

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Email: nspfeedback@sunwater.com.au

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

Past¹ and Forecast Performance

The tables in the following sections show the QCA targets with planned water use and spend for the current year and future years. Budgets for future years are based on the current draft budget at the time of consultation and are therefore subject to change.

Water Usage

Table 2 - Water Usage

	WAE	2013 QCA Forecast (ML)	2014 QCA Forecast (ML)
Total	72,794	60,565	60,565

¹ As this is the first year of the 5-year price period, this NSP has the current year and following year figures only; future NSPs will also report on the past year performance against target and budget.

Table 3 – Operating Expenditure

	2013		2014	
	QCA Target (\$'000)	SunWater Budget (\$'000)	QCA Target (\$'000)	SW Draft Budget ² (\$'000)
Operations	650	685	676	652
Preventive Maintenance	226	236	236	220
Corrective Maintenance	140	146	146	135
Electricity	8	10	9	10
Total	1,024	1,077	1,067	1,017

Operations

Operations is budgeted at \$24k below the QCA’s target for 2014.

Preventive Maintenance

Preventive maintenance is budgeted in line with the QCA’s target for 2014.

Corrective Maintenance

Corrective maintenance is budgeted in line with the QCA’s target for 2014.

Electricity

Electricity costs are budgeted higher than the QCA target in 2014 due to announced increases in electricity prices being much higher than the 12.5% and 7% increases allowed by the QCA in 2013 and 2014. This cost over-run is beyond SunWater’s control and is likely to trigger a within-period cost pass-through application to the QCA.

² SunWater draft budget figures as at the time of consultation. Budget figures for the following financial year are not locked down until late in the financial year prior.

Renewals and Enhancements

R&E annuity expenditure is forecast to be below target for 2014. Over the full 5-year price period the estimated expenditure is well under the QCA target.

Table 4 – R&E Expenditure (excl. dam safety & other)

2013		2014		5 year price period (2013-17)	
QCA Target (\$'000)	SunWater Budget (\$'000)	QCA Target (\$'000)	SW Draft Budget (\$'000)	QCA Target (\$'000)	SunWater Estimate ³ (\$'000)
576	68	545	481	2,689	1,291

The renewals annuity income has been set by the QCA until the end of the current price path in 2017. SunWater will aim to limit the R&E expenditure to the QCA's targets over the current price path in order to manage the annuity balance to reasonable levels. The impact of the draft budget R&E spend on the annuity balance for 2014 is shown in the following table.

Table 5 – Annuity Balance 2014

2014 Annuity Income (\$'000)	2014 Draft Budget Annuity Spend (\$'000)	Estimated Impact on Annuity Balance (\$'000)
634	(481)	153

³ Actual figures will replace budget figures in the forecast as each year of the price period is completed. R&E forecasts and estimates are subject to change as planning is refined throughout the price period.

The details for the major projects planned for 2014 are provided below:

Table 6 – R&E Projects 2014

Project Title	Project Scope	2014 Draft Budget (\$'000)
Refurbish Weir - 12SGA24 continued; Allowance cause ID may not finish the 2012 in time - Moolabah Weir	A project is underway to refurbish Moolabah weir after significant flood damage. This amount is to complete the project	89
Blast and paint steel gantry beam Phase 2 - see attached linked documents - Jack Taylor Weir	Jack Taylor Weir is a predominately steel structure built 50 years ago. The steel superstructure was part painted in 2008. This project with quoted estimate is to complete the rest.	83
Purchase and Install Diesel Motor - PUN4 - Beardmore Low Level PSTN - Beardmore Pump Station	Install diesel motor to drive #4 pump unit (similar to other pump sets) to replace current tractor driven arrangement.	78
Replace emergency hoist mechanism (2011 DS Rec 4.3f) – Jack Taylor Weir	The emergency hoist mechanism is 54 years old and is considered not compliant by todays WH&S standards	51
Beardmore Dam EAP brought about from Legislative Updates – EJ Beardmore Dam	Recent legislative changes means we need to change our flood inundation maps to include minor and moderate flood events. This project will involve significant of mapping	38
Other minor works		142
Total		481

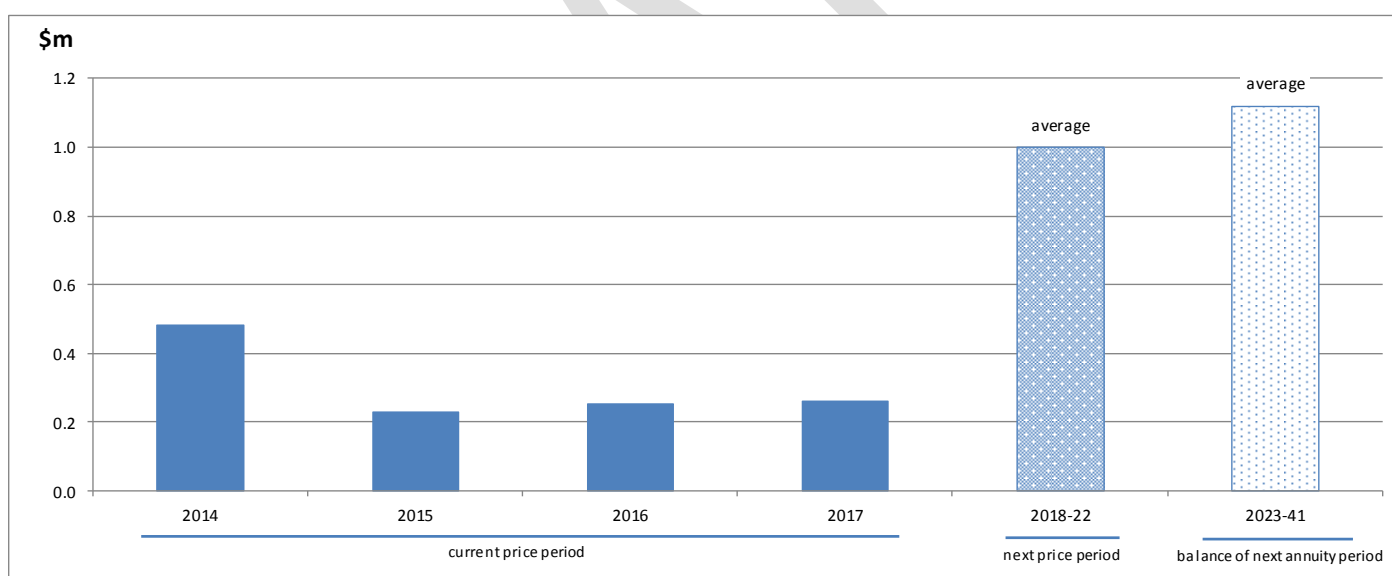
Overview of Renewals and Enhancements 2014-41

SW 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 R&E program, the most recent of which was completed in February 2013. Items requiring immediate maintenance or replacement will be included in the budget for the following year, which was covered in the previous section.

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 R&E. Having an annuity funding arrangement acknowledges that a long-term view of R&E spend is required to ensure adequate funding and to address issues such as inter-generational equity.

The annuity that is calculated over a 20-year planning period; given that the next pricing period ends in 2022, the estimated R&E spend out until 2041 will affect the next pricing review. The estimated R&E expenditure out to 2041 is shown in the chart following.

Figure 1 –R&E Annuity Expenditure 2014-41



All material R&E 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 more detailed options analyses being completed for the 5-year pricing periods than 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 2014-17

Replace both non-functioning mace meters - EJ Beardmore Dam

Year: 2016

Current estimate: \$157k

Options analysis completed: No

The regulator requires that water supplied down Thuraggi water course to be measured and reported. The existing mace meters do not function so a 2014 options analysis study will determine the best way of measuring releases. (Refer 2014 Options analysis HB #1294204)

If we replace with ultrasonic meters the costs will exceed the \$157K estimate and involve digging up the embankment and fitting a permanent chamber. An alternative option, but no cheaper, would be to construct a measuring weir downstream. The options study will consider the regulator's requirements on accuracy, and then assess cost, robustness and longevity of any proposed options.

Material Projects 2018-22

Projects in the R&E plan for 2018-22 should be viewed as indicative at this stage and will be refined as the next pricing review draws closer.

Remove blast and paint gates including guides and CP replacements - Jack Taylor Weir

Year: 2019-21

Current estimate: \$743k

Options analysis completed: No

The paint systems on the gates of the 53 year old structure are close to the end of life. We have identified that the 13 gates will need to be painted soon. An options analysis will take place prior to implementation to determine the optimum method. We can paint all in the one year or split up. We can paint in-situ or remove to depot to paint individually using the bulkhead gate stored at Beardmore Depot (Temporary foam seals need to be replaced).

The methodology to remove the gates will also need to be refined due to changes in allowable WH&S practices.

Replace Winch - Jack Taylor Weir

Year: 2022-23

Current estimate: \$3.7m

Options analysis completed: No

There are 13 winch sets at Jack Taylor weir which will be over 60 years old and technically beyond the end of their accepted life. Therefore, full replacement has been planned. Nearer implementation a full condition assessment and options analysis is planned. This will occur before we plan to do any works.

Material Projects 2023-41

Projects in the R&E plan for 2023-41 should be viewed as indicative at this stage and will be refined as the next pricing review draws closer.

Replace Winch, Perrin Eng - EJ Beardmore Dam

Year: 2027-30

Current estimate: \$7.9m

Options analysis completed: No

Similar to the winch sets at Jack Taylor above, the winch sets are at or beyond the end of their effective life. 5/6 years prior to any talk of replacement, a full options analysis will be undertaken as part of the input into a 5 yearly comprehensive inspection. There are 12 winch sets at Beardmore dam with a replacement cost estimated to be \$383K each in today's dollars.

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Appendix – Operating Expenditure by Expense Type

Table 7 below shows the operating expenditure for the service contract categorised by expenditure type. Operating expenditure below includes any non-routine work funded by the annuity.

Table 7 – Expenditure for Activity by Type⁴

	2013		2014	
	QCA Target (\$'000)	SunWater Budget (\$'000)	QCA Target (\$'000)	SW Draft Budget (\$'000)
Operations				
Labour	154	136	159	139
Materials	72	84	74	90
Contractors	16	16	17	11
Other	63	83	64	98
Non-direct	345	366	362	314
Operations Total	650	685	676	652
Preventive				
Labour	69	69	71	71
Materials	9	9	9	9
Contractors	3	3	3	3
Other	0	0	0	0
Non-direct	145	155	153	137
Preventive Total	226	236	236	220
Corrective				
Labour	42	128	43	43
Materials	4	149	4	4
Contractors	3	97	3	3
Other	2	2	2	2
Non-direct	89	300	94	83
Corrective Total	140	676	146	135
Electricity	8	10	9	10
Total Operating Exp.	1,024	1,607	1,067	1,017
R&E Annuity Funded ⁵	576	68	545	481
Dam Safety and other	0	0	0	0
Grand Total	1,600	1,675	1,612	1,498

⁴ Nominal dollar figures can be converted to real dollars (\$2011) by dividing by the conversion factors in Table 1.

⁵ R&E and Dam Safety are built up from the same expenditure types shown for opex, including non-directs.