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2016 Annual Performance Report

St George Bulk

October 2016

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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. SunWater has decided to also produce annual Performance Reports such as this report to show how SunWater has performed against the QCA targets for the year just completed.

SunWater revised the format for 2015 to incorporate customer feedback and to provide more detail on items such as insurance. The new format includes a summary of the annual expenditure and annual revenue to provide a snapshot of scheme performance across the year.

In line with customer feedback 2017 forecast data is also provided and compared with QCA targets.

SunWater values customer feedback and will publish all submissions and SunWater's responses on our website. Customers can provide their feedback via email or post at the following addresses:

Email: nspfeedback@sunwater.com.au

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

Table 1 – Operating Revenue Less Spend

St George WS		2013	2014	2015	2016	2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Revenue	3	1,529	1,500	1,518	1,636	1,615
Less - Routine Expenditure	4 & 7	937	1,255	783	904	935
Less - Non-Routine Expenditure						
• Annuity Funded	5, 6 & 7	771	471	498	770	1,156
• Non Annuity Funded	5	-	-	-	0	-
Surplus (Deficit)		(180)	(226)	237	(39)	(475)

Table 1 provides an indication of the annual cash performance of the scheme. Note that the table reports total non-routine spend and does not take into account the renewals annuity. Further information is provided below in each section of this report.

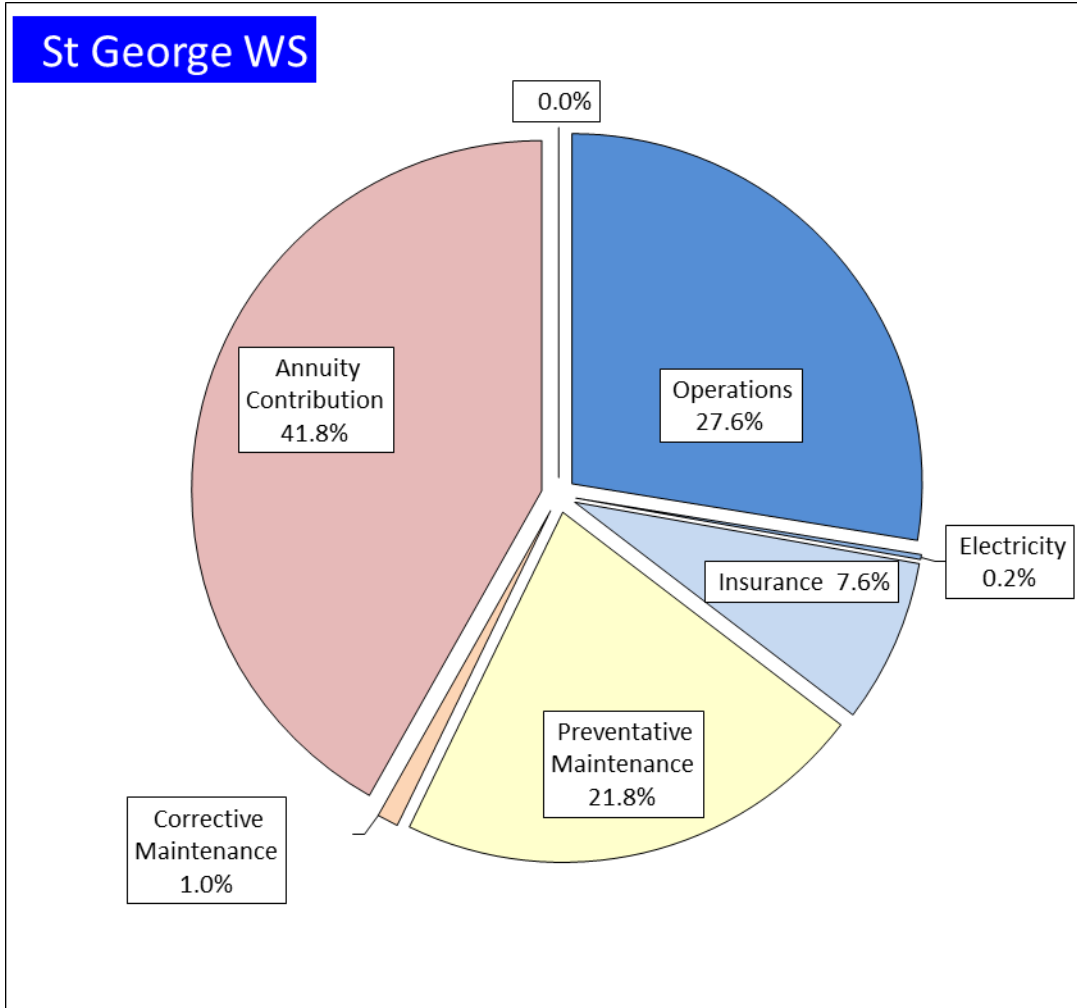


Figure 1: Breakdown of Irrigation Scheme Costs – 2016 Actual

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

Water Usage

Table 2 – 2016 Water Usage

Customer Segment	No. of Customers	Water Entitlements (ML)	Available Water (ML)	Available Water (%)	Water Deliveries (ML)	Water Deliveries (%) Against Entitlement	Water Deliveries (%) Against Available Water
1. Industrial		60	152	253	2	3	1
2. Irrigation		72,241	80,249	111	68,862	95	86
3. Urban		3,024	1,724	57	1,432	47	83
4. Other		0	0	0	0	0	0
5. SunWater		9,721	13,868	143	11,635	120	84
	194	85,046	95,993	113	81,931	96	85

QCA Assumed Total Water Usage 94.2%

Revenue

Table 3 – Revenue

St George WS		2013	2014	2015	2016	2017
		Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Irrigation		325	331	348	356	364
Industrial		6	6	6	6	6
Urban		169	175	176	179	181
Irrigation CSO		-	-	-	-	-
Revenue Transfers		998	966	1,005	1,091	1,051
Drainage		-	-	-	-	-
Other		31	22	3	4	12
Insurance Proceeds - Flood		-	-	(20)	-	-
Revenue Total		1,529	1,500	1,518	1,636	1,615

* Following feedback from customers, SunWater has unbundled bulk water charges from distribution system charges. This means that revenue figures in past performance reports and NSPs will not match those above.

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. The QCA established the transfer cost for irrigation supplies at the cost reflective bulk water tariff.

Routine Expenditure

Table 4 – Routine Operating Expenditure

St George WS	2013			2014			2015			2016			2017			% of target
	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 Target \$000	Variance \$000	
Operations	495	609	113	727	634	(93)	298	637	339	429	633	205	528	637	109	83
Electricity	4	8	5	5	9	4	7	10	2	4	10	7	5	11	6	43
Insurance	77	41	(36)	139	42	(97)	135	42	(93)	118	43	(75)	151	44	(107)	345
Operations Total	576	658	82	871	685	(186)	440	689	249	550	687	137	684	692	8	99
Preventative Maintenance	229	225	(4)	230	235	6	325	235	(90)	339	232	(107)	177	234	57	76
Corrective Maintenance	132	139	7	154	145	(9)	18	145	128	15	144	128	74	145	71	51
Routine Total	937	1,022	85	1,255	1,066	(190)	783	1,069	286	904	1,063	159	935	1,071	136	87

Operations

Operation activities include the day-to-day costs of the administration and management of the scheme, water delivery and meeting compliance obligations. Specific activities include the direct and non-direct cost of¹:

- Scheduling and delivering water, including processing water orders, releasing water, operating pump stations, regulation and monitoring of channel flows and monitoring of customer deliveries;
- Emergency responses for channel overflows and other emergency events;
- Meter reading;
- Administration of water accounts, billing, and receipting payments;
- Customer management, including enquiries, complaints and maintaining the customer service help desk;
- Scheme management, including licences and permits, rates, land management, planning and reporting;
- Insurance;
- Monitoring the security of infrastructure and unauthorised access and trespass; and
- Managing public relations associated with the scheme.

¹ Activities listed will not apply to all service contracts.

The operations expenditure was below the QCA target.

- Insurance costs were higher than target;
- Electricity costs were below the QCA target.

Preventive Maintenance

Preventive maintenance is maintaining the ongoing operational performance and service capacity of physical assets to designed standard. Preventive maintenance is cyclical in nature with a typical interval of 12 months or less. Preventive maintenance activities are based on the updated work instructions developed for operating the scheme and include an estimate of the resources required to implement that scope of work. Preventive maintenance includes¹:

- Condition monitoring – the inspection, testing or measurement of physical assets to report and record its condition and performance for determination of maintenance requirements. Condition monitoring is carried out on electrical, mechanical and civil assets including pump stations (pumps, electrical motors, valves, switchboards and associated equipment), channels (regulator gates, civil works, signs, structures, etc.), drains (civil works, structures etc.), pipelines (valves, air valves, scours easements etc.) and other infrastructure;
- Servicing – planned maintenance activities normally expected to be carried out routinely on physical assets including valves, cranes, sump pumps and associated equipment; and
- Weed control – which includes the following activities:
 - Slashing channels and drains;
 - Acrolein treatment of channels;
 - Copper Sulphate treatment; and
 - Spraying and other activities to control operational and noxious weeds within channel and drainage reserves and balancing storages.

Preventive maintenance was above the QCA's target.

Corrective Maintenance

Corrective maintenance includes activities to correct unexpected failures or to return an asset to an acceptable level of performance or condition. While these are difficult to forecast with accuracy, history has shown that such events can be expected and need to be factored into expenditure forecasts. Forecasts include provision for labour, materials and plant hire.

The corrective maintenance forecast does not include any costs of damage arising from major unexpected events, such as floods. These costs are categorised as non-routine corrective maintenance which is discussed in the following section.

There are two types of corrective maintenance – scheduled and emergency²:

- Scheduled corrective maintenance is maintenance that can be planned and scheduled, and includes:

² Activities listed will not apply to all service contracts.

- Channels
 - De-silting channels and catch drains;
 - Erosion control and repair of rock protection works;
 - Repair fencing;
 - Repair concrete structures; and
 - Repair regulator gates, control valves, etc.
- Drains
 - De-silting drains;
 - Erosion control and repair of rock protection works;
 - Repair fencing; and
 - Repair concrete structures.
- Pipelines
 - Pipe breaks;
 - Repair air valves, scour valves, etc.;
 - Erosion control and repair of rock protection works; and
 - Repair concrete structures.
- Scheme Roads
 - Repair pot holes;
 - Grade roads; and
 - Repair, replace and paint guide posts and signs.
- Pump stations
 - Repair pumps and motors;
 - De-silt intake structures;
 - Repair concrete structure; and
 - Repair control building.
- Storages (balancing storages and reservoirs)
 - Repair control gates and valves;
 - Repair walls, embankments and spillways; and
 - Repair concrete structures.
- Meters
 - Repair bulk water meters; and

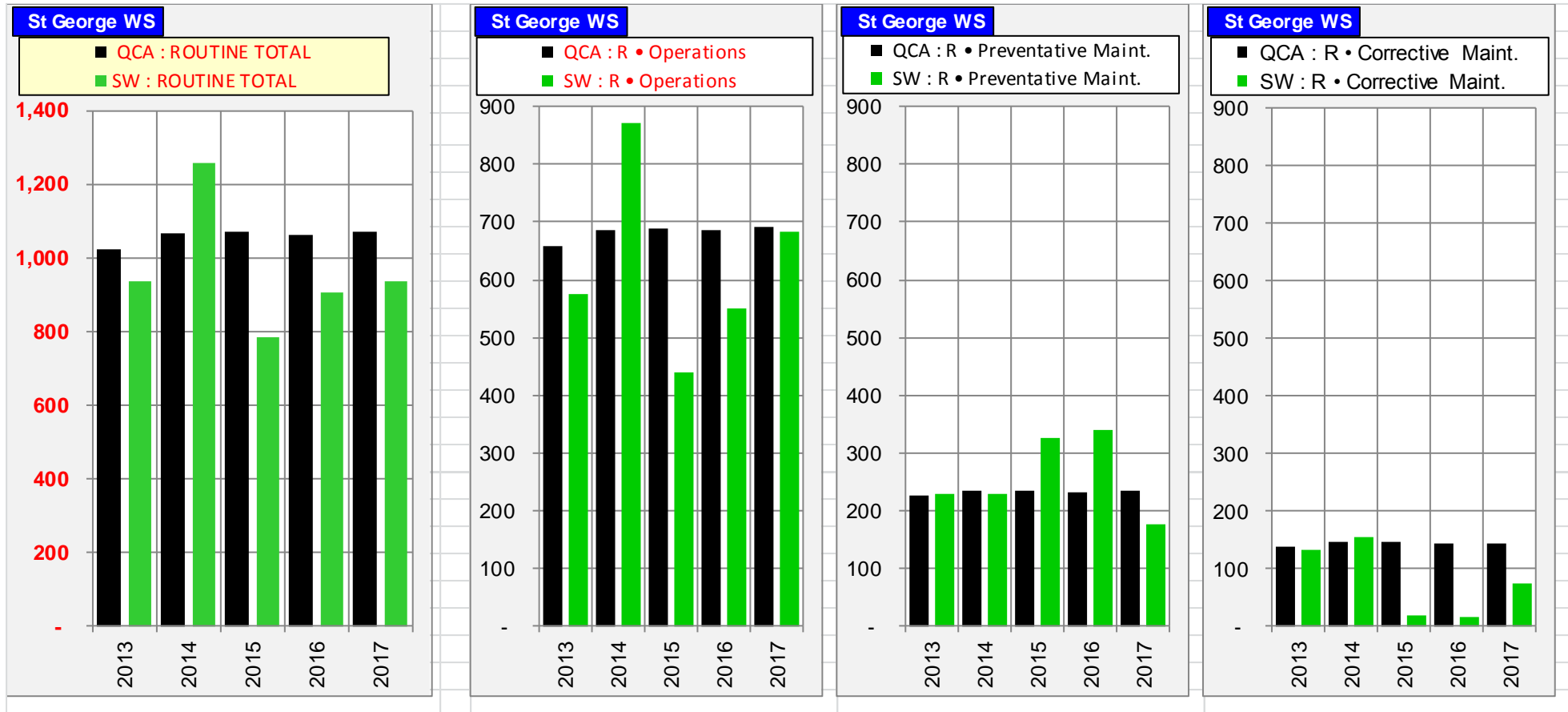
- Repair customer meters.
- Emergency corrective maintenance is maintenance that has to be carried out immediately to restore normal operation or supply to customers or to meet regulatory obligations (e.g. rectify a safety hazard) and includes:
 - Repair or correction of pump station faults;
 - Repair or correction of channel faults;
 - Repair or correction of pipeline faults; and
 - Response to theft or vandalism associated with scheme assets.

Corrective maintenance was below the QCA's target.

Routine Cost – Summary and Charts

The information in Table 4 above is re-presented in the charts below to graphically show SunWater’s performance against the QCA targets. In summary the key challenges in managing routine cost lie with reigning in input cost like insurance. Emergency Event Management costs are also an impact on the scheme, but have not been distributed at the scheme level.

Figure 2: Routine Expenditure by Activity compared to QCA Target (\$'000)



Non-Routine Expenditure

SunWater has developed a whole of life strategy around the replacement and maintenance of its asset portfolio which is based on the concept of optimised life. The key drivers in this approach are the risk and condition of each asset. The current condition of an asset drives an estimate of the future work required to ensure an asset continues to be able to provide the required level of service into the future. SunWater maintains a program of asset inspections and condition assessments which continually updates our knowledge of asset condition. This information feeds into the annual review of the renewals program, the most recent of which was completed in February 2015; items requiring immediate maintenance or replacement are included in the budget for the following year.

While the immediate program for the next year's budget is well defined; the further into the planning timeline, the more uncertain the estimates become. Consequently, the program of works is not a specific forecast of when individual projects are expected to be executed but rather it is portfolio level estimate of works based on the best-available risk and condition information for the service contract as a whole. This information feeds into calculation of the annuity to fund renewals. Having an annuity funding arrangement acknowledges that a long-term view of renewals spend is required to ensure adequate funding and to address issues such as inter-generational equity.

The QCA targets were set against an estimated program of works from the 2010-11 year. While this was the best estimate of expected work at the time, there has been significant project churn in the three years 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 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	2013			2014			2015			2016			2017			% of target
	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 Target \$000	Variance \$000	
Annuity Funded																
Operations	110	-	(110)	77	-	(77)	54	-	(54)	30	-	(30)	24	-	(24)	-
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	402	-	(402)	217	-	(217)	(0)	-	0	-	-	-	-	-	-	-
R&E	259	576	317	177	545	368	444	582	138	740	444	(296)	1,132	542	(589)	209
Non-routine Total	771	576	(195)	471	545	74	498	582	84	770	444	(326)	1,156	542	(614)	213
Non Annuity Funded	-			-			-			0			-			

R&E – Annuity Funded

The annuity funded R&E Projects undertaken included:

PROJECT	SPEND 2016
16BAL14 Beardmore Dam - Refurbish Dissipator Slab - Installation of concrete plinth	207751
14SGA04 Beardmore Dam: Refurbish Electrical System - (refer 2012 Supplementary 5 Yearly Inspection HB#1268007)	103082
16BAL11 Beardmore Dam: Dam Break Analysis / FAI - Left Embankment and Thurragi Channel area	69445
15BAL09 Balonne River: Install new Gauging Station at Warroo, upstream of Beardmore Dam	53200
15BAL06 Beardmore Dam - Replacement of lighting and conduits in dam Gallery	48907
16BAL07 Jack Taylor Weir - Study - Options analysis on future replacement of Winches	31451
16BAL12 Beardmore Dam - Installation of a Filter Zone between Thuraggi Inlet and Outlet	29160
16BAL05 Beardmore Dam - Options Analysis on the Winches	26721
16BAL13 Balonne River Meters - Replacement of failed Meters	25060
16BAL09 Asset Revaluation - IBS - St George Water Supply	19592
16BAL01 Beardmore Dam :Refurbish Crane	19241
14SGA01 Jack Taylor Weir: Undertake Electrical Safety Upgrade Including As Built Drawings	16474
16BAL16 Beardmore Dam - Design, fabrication and fitting of screens to suction Lines	15257
16BAL08 Jack Taylor weir - Refurbish Winch Sets	14464
Options Study Beardmore Dissipator/Apron	13086
16BAL10 Jack Taylor Weir - Refurbish Winch Motors Nos 11 & 12	11664
16BAL02 Beardmore Dam - Refurbish ARMCO gate and replace seals and bolts - River Outlet Works	10417
14SGA13 Beardmore Dam:Beardmore Dam: Replacement of Thuraggi Bulk Meters	9431
16BAL04 Beardmore Dam - Enhance Right Abutment V-notch Weir 5 to Capture all Flows	5559
15BAL02 Beardmore Dam - Update EAP - (Statutory Requirement)	4292
16BAL06 Jack Taylor Weir - Replace Lower Gate Guides	3910
16BAL03 Beardmore Dam - Refurbish Concrete Conduit (in conjunction with 16BAL02)	1476

Corrective Maintenance

There was no expenditure categorised as “Annuity Funded Corrective Maintenance”

Other

The "Annuity-funded Other" Projects included:

PROJECT	SPEND 2016
16BAL17 Beardmore Dam - Event Flood Management Feb 2016	27954
16BAL18 Create Material & Asset Hierarchy Standard & Task Lists - IBS	2432
14SGA18 Beardmore Dam - Seepage Investigation	26

R&E – Non Annuity

There was one project categorised as "Non Annuity".

PROJECT	SPEND 2016
14SGA03 Beardmore Dam: Refurbish Spillway Apron / Causeway	437

Annuity Balance

The 2016 annuity balance is shown below.

Table 6 – Annuity Balance

St George WS		2013	2014	2015	2016	2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Annuity						
Opening Balance		128	(8)	154	382	290
Net Spend	See below	(771)	(471)	(424)	(770)	(1,156)
Annuity Contribution		625	634	640	649	657
Interest		10	(1)	12	29	22
SunWater - Closing Balance		(8)	154	382	290	(187)
QCA - Closing Balance		1,258	1,442	1,608	1,934	2,194
Difference		(1,267)	(1,287)	(1,226)	(1,644)	(2,381)
Net Spend Analysis						
Spend	5 & 7	(771)	(471)	(498)	(770)	(1,156)
Insurance Proceeds Receipts						
• Prior Year		-	-	94	-	-
• Current Year		-	-	(20)	-	-
Net Spend		(771)	(471)	(424)	(770)	(1,156)

* 2017 figures are subject to change once actual spend is known.

Insurance claims on repairs to Beardmore Dam and Thuraggi Water Course as a result of floods are still pending. The negative figure in current year insurance proceeds indicates an insurance proceeds allocation adjustment.

Appendix – Total Expenditure by Expense Type

**Table 7 – Detailed Financial Summary
(Including Expenditure for Activity by Type)**

St George WS	2013			2014			2015			2016			2017		
	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 Target \$000	Variance \$000
Revenue	1,529			1,500			1,518			1,636			1,615		
Routine Spend															
Operations															
Labour	155	154	(1)	173	159	(14)	83	164	81	121	169	48	150	175	24
Contractors	4	16	13	35	17	(18)	24	17	(6)	8	18	10	48	18	(30)
Materials	3	65	62	161	67	(94)	5	69	64	5	71	66	1	72	71
Electricity	4	8	5	5	9	4	7	10	2	4	10	7	5	11	6
Insurance	77	41	(36)	139	42	(97)	135	42	(93)	118	43	(75)	151	44	(107)
Other	6	29	23	13	30	17	9	30	22	7	31	24	24	31	7
Non-directs	328	345	17	345	362	17	177	357	180	288	344	56	305	341	36
	576	658	82	871	685	(186)	440	689	249	550	687	137	684	692	8
Preventative Maintenance															
Labour	75	69	(6)	66	71	5	97	73	(24)	92	76	(17)	50	78	28
Contractors	12	3	(9)	22	3	(19)	24	3	(21)	28	3	(26)	19	3	(16)
Materials	5	6	1	17	6	(11)	2	6	4	5	6	1	8	6	(2)
Other	1	3	2	6	3	(2)	20	3	(16)	16	3	(13)	12	4	(8)
Non-directs	137	145	8	120	153	33	182	150	(32)	197	145	(52)	88	143	55
	229	225	(4)	230	235	6	325	235	(90)	339	232	(107)	177	234	57
Corrective Maintenance															
Labour	36	42	6	47	43	(3)	2	45	43	2	46	44	18	48	30
Contractors	10	3	(7)	15	3	(13)	6	3	(4)	0	3	2	13	3	(10)
Materials	13	3	(10)	8	3	(5)	3	3	(0)	1	3	2	5	3	(2)
Other	7	3	(4)	0	3	3	2	3	2	5	3	(2)	6	3	(3)
Non-directs	66	89	22	84	94	9	4	92	87	7	88	82	32	88	56
	132	139	7	154	145	(9)	18	145	128	15	144	128	74	145	71
Routine - total	937	1,022	85	1,255	1,066	(190)	783	1,069	286	904	1,063	159	935	1,071	136
Non-Routine Spend															
Labour	166	74	(92)	68	71	4	102	91	(11)	147	73	(73)	106	68	(38)
Contractors	71	249	178	63	179	116	175	107	(67)	277	78	(199)	710	141	(569)
Materials	86	49	(38)	140	66	(74)	1	98	97	22	78	57	47	143	96
Other	146	1	(145)	71	32	(39)	23	53	30	22	41	20	69	31	(38)
Non-directs	301	204	(98)	130	197	67	198	232	34	203	173	(131)	224	160	(64)
Non-Routine - Total	771	576	(195)	471	545	74	498	582	84	770	444	(326)	1,156	542	(614)
Total Regulated Spend	1,708	1,598	(110)	1,726	1,611	(116)	1,281	1,651	370	1,674	1,507	(168)	2,091	1,613	(478)
Non Annuity Funded Spend	-			-			-			0			-		
Surplus (Deficit)	(180)			(226)			237			(39)			(475)		

Non-Direct Costs Explained

Non-direct costs reflect SunWater's methodology for distributing indirect costs, local overheads and corporate overheads to each service contract. Wherever practicable labour and other costs are booked direct to service contracts, however, where this is not possible the costs accumulate in either indirect or overhead accounting cost pools and are then distributed to service contracts.

Indirect cost pools capture costs such as billing and customer support, irrigation pricing regulation, asset management (including dam safety, asset systems, channels and drainage) that have not been directly charged. They also include flood room operations including the IGEM emergency management program, water planning, hydrographic services, environmental support costs and GM Operations. These indirect costs are shared between SunWater's lines of business ie Bulk Water, Irrigation Distribution Systems, Industrial Pipeline and Facilities Management where appropriate. For example service contracts without a dam are not apportioned dam safety costs.

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

Corporate overhead costs are more generic than indirect cost and local overheads and are spread across all service contracts based on direct labour. They include the cost of HR and payroll, ICT, communications, legal and property, finance, internal audit, plus the costs of the CEO, GM Corporate and the SunWater Board of Directors, where these costs are not directly charged to activities within service contracts.

SunWater's methodology was reviewed and accepted by the QCA during the 2012 pricing review.

Notes

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

Although the QCA set cost targets based on assumed inflation of 2.5%, most of the financial figures in the QCA's final report on SunWater's irrigation pricing were presented in real dollars (\$2011). To convert the QCA reported real dollars to nominal dollars, multiply by the below factors; these are based on the QCA's assumed inflation rate of 2.5% p.a. For comparison, the QCA conversion factors based on assumed inflation of 2.5% are compared with conversion factors based on actual inflation as measured by the Brisbane All Groups Consumer Price Index taken in March each year.

Table 8 – Conversion Factors for real \$2011 to Nominal Dollars

	2013	2014	2015	2016	2017
QCA Conversion Factor	1.051	1.077	1.104	1.131	1.16
Accumulative March Quarter CPI	1.0494	1.0714	1.105	1.1208	1.1397

Disclaimer

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