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2015 Annual Performance Report

Bundaberg Distribution

October 2015

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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 has 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 2016 forecast data is also provided and compared with QCA targets. The forecast numbers reflect a minor realignment of SunWater, which occurred after the 2016 budget was finalised, and vary from the Final 2016 NSPs published in June 2015. The variations are attributed to non-direct cost allocations.

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

Financial Summary

Table 1 – Operating Revenue Less Spend

	Table reference	2013	2014	2015	2016
		Actual \$000	Actual \$000	Actual \$000	Forecast \$000
Operating Revenue	3	9,152	12,379	10,507	10,324
Less - Routine Expenditure	4 & 7	7,907	12,782	10,160	9,690
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	1,513	811	960	1,619
• Not Annuity Funded	5	273	63	102	-
Surplus (Deficit)		(541)	(1,277)	(715)	(985)

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.

Water Usage

Table 2 – 2015 Water Usage

	No. of Customers	Water Entitlements	Available Water	Available Water	Water Deliveries	Water Deliveries	Water Deliveries
		ML	ML	%	ML	% of Entitlement	% of Available
Industrial		386	387		95		
Irrigation		154,908	165,350	107%	80,420	52%	49%
Urban		1,859	2,316		2,213		
Other		46	46		14		
SunWater		41,590	41,590		18,820		
Total	950	198,789	209,690	105%	101,563	51%	48%

QCA Assumed Water Usage for Irrigation 41.1%
 QCA Assumed Water Usage for Total 48.0%

Scheme water usage, at 51%, was slightly over the QCA projected total usage of 48% of water entitlements. The number was well down on 2014 when usage was 84%.

Table 3 – Revenue

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	\$000	\$000	\$000	\$000
Irrigation	8,723	11,921	9,855	10,475
Industrial	219	96	103	143
Urban	564	586	609	556
Irrigation CSO	1,074	761	467	157
Revenue Transfers	(1,712)	(1,105)	(1,101)	(1,130)
Drainage	-	-	-	-
Other	284	120	110	123
Insurance Proceeds - Flood	-	-	463	-
	<u>9,152</u>	<u>12,379</u>	<u>10,507</u>	<u>10,324</u>

* Following feedback from customers, SunWater has unbundled bulk water charges from distribution system charges. This means that total 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 by Activity

	2013				2014				2015				2016			
	SW Actual \$000	QCA Target \$000	Variance \$000	% of target	SW Actual \$000	QCA Target \$000	Variance \$000	% of target	SW Actual \$000	QCA Target \$000	Variance \$000	% of target	SW Forecast \$000	QCA Target \$000	Variance \$000	% of target
Operations - Other	1,790	1,864	74	96	2,428	1,917	(511)	127	2,510	1,960	(550)	128	2,062	1,967	(95)	105
Operations - Electricity	2,425	2,958	534	82	5,678	3,166	(2,512)	179	3,356	3,387	31	99	3,775	3,658	(117)	103
Operations - Insurance	760	538	(221)	141	1,055	547	(508)	193	794	557	(237)	143	814	566	(248)	144
	4,975	5,361	386	93	9,161	5,630	(3,531)	163	6,660	5,904	(757)	113	6,652	6,192	(460)	107
Preventative Maintenance	1,540	1,722	182	89	2,203	1,774	(430)	124	2,207	1,817	(391)	122	1,938	1,838	(101)	105
Corrective Maintenance	1,392	995	(397)	140	1,418	1,025	(393)	138	1,293	1,050	(243)	123	1,101	1,062	(38)	104
Routine Total	7,907	8,078	171	98	12,782	8,429	(4,353)	152	10,160	8,770	(1,390)	116	9,690	9,091	(599)	107

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.

The operations expenditure in 2015 was \$757k (13%) above the QCA target. The major operation activities for the year included:

- Insurance cost \$237k more than the QCA target, although Sunwater was able to negotiate lower premiums than 2014;
- Operational costs were higher than budget due to continued need for increased surveillance and water management activities; and
- Electricity costs in 2015 are lower than both the 2014 actuals and the QCA target. This result reflects the lower demand relative to 2014 and the fact that SunWater was able to concentrate pumping times across 2015 to avoid pumping during peak periods.

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;

¹ Activities listed will not apply to all service contracts.

- 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 for 2015 was \$391k (22%) above the QCA's target. The major preventive maintenance activities for the year included:

- Three Acrolein injections were required during the season to ensure channel capacity was maintained. The price of Acrolein continues to increase due to the devaluation of the Australian dollar and other factors. The 2015 price was 21% higher than the price at the time of SunWater's QCA pricing submissions and further price rises have occurred already in 2016; and
- Additional channel sections mechanically cleaned as a preventative measure to ensure the continuation of water supplies.

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:
 - 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.

² Activities listed will not apply to all service contracts.

- 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 \$243k (23%) above the QCA's target for 2015. The major corrective maintenance activities for the year included:

- Rectification of several channel slumps;
- De-silting of severely silted channel sections; and
- Repairs to pipe breaks across the scheme.

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.

SunWater is focusing effort on reviewing renewals profiles so that assets are maintained to the required standard with the minimum spend. This review 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. This is expected to reduce the renewals profile going forward and will be discussed in more detail with customers prior to the 2016 financial year.

Table 5 – Non-Routine Expenditure

	2013				2014				2015				2016			
	SW Actual \$000	QCA Target \$000	Variance \$000	% of target	SW Actual \$000	QCA Target \$000	Variance \$000	% of target	SW Actual \$000	QCA Target \$000	Variance \$000	% of target	SW Forecast \$000	QCA Target \$000	Variance \$000	% of target
Annuity Funded																
R&E	672	879	207	76	671	777	106	86	937	1,057	120	89	970	756	(214)	128
Corrective Maintenance	835	-	(835)	-	139	-	(139)	-	18	-	(18)	-	649	-	(649)	-
Other	6	-	(6)	-	1	-	(1)	-	5	15	10	32	-	195	195	-
	1,513	879	(634)	172	811	777	(34)	104	960	1,071	111	90	1,619	952	(667)	170
Non Annuity Funded	273				63				102				-			

R&E – Annuity Funded

The annuity funded R&E direct spend was \$937k, which was \$120k under QCA's target. Projects undertaken included:

- Investigate Bank Instability Don Beattie Pump Station: \$60k spent in 2015 for investigation, stability analysis, geotechnical review, and consultancy costs for Don Beattie Pump Station Flood Repairs
- REFURBISH CIRCUIT BREAKERS – Pump Stations 1 & 2: \$29.5k spent in 2015 for the refurbishment of circuit breakers for Pump Stations 1 & 2 in the Don Beattie Pump Station due to examinations undertaken according to Assessment
- Replace Pothead HV Incomers - Monduran Pump Station: \$23k spent in 2015 to replace the 2 pothead HV incomers at Monduran Pump Station due to high leakage current during testing
- 14BIA36 Refurbish Pump 5 Woongarra Pump Station: \$110k spent in 2015 on refurbishing Woongarra pump # 5 which had failed in service
- Replace 120m Length of Pipeline - Isis Lateral F6: \$89.4k spent in 2015 on replacing 120 metres of Isis F6 pipeline as

recommended in options study

- 15BIA23 REFURBISH PUN1 PUMP - TIRROAN Pump Station: \$58k spent in 2015 on scheduled refurbishment of Tirroan pump #1. New Impellor installed.
- 15BIA47 Install Platforms Mcllwraith BPS: \$35.4k spent in 2015 on design & installation of AS 1657 compliant access on break pressure structure.
- Refurbish Regulator Gate RG02 - Booyan Main Channel/Pipeline: \$35k spent in 2015 on scheduled refurbishment of Booyan regulator gate# 2 (blast, paint, new bearings & seals, etc.)
- Upgrade PLC and SCADA - Quart Pot Pump Station (Documents/Drawings/Specs 2015 Supply/Install/Commission 2016): \$35.5K spent in 2015 on contractor design & drafting of PLC & SCADA upgrade of Quartpot Pump Station.
- 15BIA45 Replace Actuators Monduran Pump Station: \$31.7k spent in 2015 on replacing underpowered discharge valve actuators at Monduran Pump Station to improve reliability. Existing Rotork actuators have been replaced with new Limatorque MXa-10.
- Refurbish Motor - PUN2 - Walker St Pump Station: \$29k spent in 2015 for purchase & installation of new 132KW motor on Walker Street pump # 2. Original motor was beyond economical repair.
- Construct Public Safety Fences - Woongarra (Recommendation 2013 Fencing Audit): Installation of public fencing beside SunWater channels as required by PM.04, site audits and risk assessment.
- 15BIA24 Refurbish Gate, paint, anodes, and lift gear: \$27.7k spent in 2015 for purchase of 3 AWMA replacement regulator gates for Gin Gin main channel. Installation will be carried out during FY2016
- Replace Discharge Valve Actuator Gearbox Pump 1 DB Pump Station: \$14.4k spent in 2015 for purchase of new actuator gearbox. Install was completed in FY2016.
- Fabricate Bulkhead Gate IMC: \$13.6k spent in 2015. Bulkhead needed for ISIS operations manufactured by Stewarts & Sons.
- Install Solar Powered Pump: \$17K spent in 2015 for installation of solar powered toe drain pump on Woongarra storage as a replacement for failed windmill which was uneconomical to repair.
- 15BIA22 REFURBISH PUN1 MOTOR - Tirroan Pump Station: \$15.8k spent in 2015 on scheduled refurbishment of Tirroan pump #1 motor to ensure ongoing reliability.
- Refurbish Pump Cartridge - PUN4 - Walker St Pump Station: \$15.2k spent in 2015. Purchase of component parts only. Refurbishment not completed.
- Construct Public Safety Fence Woongarra: This \$49k project was the implementation of safety actions following an incident investigation report which addressed the issue of the public accessing a section of the Woongarra Main Channel. It was recommended that the section of channel be fenced to mitigate the chance of members of the public entering the channel reserve. The scope of works involved cadastral survey, procurement of materials and installation of fencing and gates along a 425m section of Woongarra Main Channel at distance 20,750m. The actual distance fenced was 380m, which was the most critical section. The fence was constructed to standard and access gates were installed for SunWater staff to operate the channel system effectively.
- Replace failed motor Dinner Hill Pump Station pump unit 1: \$19.7K was spent in 2015 as the motor for pump unit 1 failed in service and was replaced.
- Replace failed meters Isis system: \$16.8K was spent in 2015 to replace two failed flow meters with modern equivalents in the Farnsfield section of Isis. Meters are a run to fail asset.
- Refurbish/ Certify Bulkhead Gate - BMC AC01: \$7.4K was spent in 2015 for design checks and a review of bulkhead to confirm its suitability for personal isolation.

Corrective Maintenance

The annuity funded corrective maintenance spend was \$18k, which was not budgeted for. Projects undertaken included:

- FD01 (2013) Flood Damage Repairs - Don Beattie Pump Station: \$18.3K was spent in 2015 for an investigation and assessment of damage caused by flooding in 2013.

Other

The annuity funded Other spend in 2015 was \$5k, which was \$10k under QCA's target.

R&E – Non Annuity

The Non-annuity funded R&E direct spend was \$102k. Projects undertaken included:

- Install a New Meter Arrangement at 5428m on DH1: \$2.5k spent in 2015 to design, construct and install a new metered offtake as a customer funded project.
- Install new offtake 9800m Woongarra MC: \$38.8K spent in 2015 to design, construct and install a new metered offtake as a customer funded project.
- Install new offtake 180m F9/1/1/1: \$9.6K spent in 2015 to design, construct and install a new metered offtake as a customer funded project.
- Install new offtake 6730m Woongarra Main Channel: \$10.9K spent in 2015 to design, construct and install a new metered offtake as a customer funded project.
- Install new customer meter: \$10.3K spent in 2015 to design, construct and install a new metered offtake as a customer funded project.
- Install new customer offtake at 6652m on DH1: \$19.3K spent in 2015 to design, construct and install a new metered offtake as a customer funded project.
- Replace damaged meter Gooburrum Balancing Storage: \$5.5K spent in 2015 to design, construct and install a new metered offtake as a customer funded project.

Annuity Balance

The 2015 annuity balance is shown below.

Table 6 – Annuity Balance

		2013	2014	2015	2016
	Table reference	Actual \$000	Actual \$000	Actual \$000	Forecast \$000
Annuity					
Opening Balance		2,485	2,605	3,601	5,288
Net Spend	See below	(1,513)	(811)	(266)	(1,619)
Annuity Income		1,446	1,613	1,683	1,789
Interest		186	195	270	396
SunWater - Closing Balance		2,605	3,601	5,288	5,855
QCA - Closing Balance		3,857	4,981	5,965	7,250
Difference		(1,252)	(1,380)	(678)	(1,395)
Net Spend Analysis:-					
Spend	5 & 7	(1,513)	(811)	(960)	(1,619)
Insurance Proceeds Receipts					
• Prior Year		-	-	231	-
• Current Year		-	-	463	-
Net Spend		(1,513)	(811)	(266)	(1,619)

* 2016 figures are subject to change once actual spend is known.

Insurance claims for 2013 flood damage are yet to be completed. The spend in 2016 includes flood repairs to Don Beattie Pump Station.

Appendix – Financial Reporting Overview

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

	2013			2014			2015			2016		
	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
Operating Revenue	9,152			12,379			10,507			10,324		
Routine Spend												
Operations												
Labour	642	681	39	863	703	(160)	864	726	(138)	754	749	(5)
Contractors	4	1	(3)	13	1	(12)	40	1	(39)	2	1	(1)
Materials	17	0	(17)	19	0	(19)	10	0	(10)	5	0	(5)
Electricity	2,425	2,958	534	5,678	3,166	(2,512)	3,356	3,387	31	3,775	3,658	(117)
Insurance	760	538	(221)	1,055	547	(508)	794	557	(237)	814	566	(248)
Other	43	37	(6)	80	38	(43)	103	38	(65)	54	39	(15)
Non-directs	1,084	1,146	62	1,452	1,176	(276)	1,494	1,195	(299)	1,247	1,178	(69)
	4,975	5,361	386	9,161	5,630	(3,531)	6,660	5,904	(757)	6,652	6,192	(460)
Preventative Maintenance												
Labour	417	496	79	547	512	(35)	555	529	(26)	530	545	15
Contractors	109	108	(1)	198	111	(87)	127	115	(13)	146	118	(28)
Materials	310	305	(5)	528	315	(213)	463	325	(138)	345	336	(9)
Other	4	20	16	17	21	3	95	21	(73)	45	22	(23)
Non-directs	700	793	93	914	815	(99)	968	827	(141)	873	816	(56)
	1,540	1,722	182	2,203	1,774	(430)	2,207	1,817	(391)	1,938	1,838	(101)
Corrective Maintenance												
Labour	397	285	(112)	379	294	(85)	343	304	(39)	322	313	(9)
Contractors	17	41	24	60	42	(17)	88	44	(44)	30	45	15
Materials	285	131	(154)	330	135	(195)	152	139	(13)	102	144	42
Other	1	83	82	9	85	76	112	88	(24)	120	91	(29)
Non-directs	692	456	(236)	639	468	(171)	598	475	(122)	527	469	(57)
	1,392	995	(397)	1,418	1,025	(393)	1,293	1,050	(243)	1,101	1,062	(38)
Routine - total	7,907	8,078	171	12,782	8,429	(4,353)	10,160	8,770	(1,390)	9,690	9,091	(599)
Non-Routine Spend												
Labour	332	136	(196)	149	134	(15)	154	191	37	189	152	(37)
Contractors	334	156	(178)	282	161	(121)	364	206	(158)	1,000	284	(717)
Materials	137	212	75	56	140	84	113	198	86	72	145	73
Other	155	77	(78)	60	77	17	45	108	63	3	76	73
Non-directs	554	297	(257)	264	265	1	285	368	83	355	295	(60)
Non-Routine - Total	1,513	879	(634)	811	777	(34)	960	1,071	111	1,619	952	(667)
Total Regulated Spend	9,420	8,957	(463)	13,592	9,206	(4,387)	11,120	9,842	(1,279)	11,309	10,043	(1,266)
Non Annuity Funded Spend	273			63			102			-		
Surplus (Deficit)	(541)			(1,277)			(715)			(985)		

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	1.0510	1.0770	1.1040	1.1310	1.1600
Accumulative March Quarter CPI	1.0494	1.0714	1.1050	1.1208	-

Disclaimer

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