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2015 Annual Performance Report

Upper Burnett Bulk

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	1,409	1,470	1,897	1,445
Less - Routine Expenditure	4 & 7	663	840	789	868
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	350	2,465	279	439
• Not Annuity Funded	5	3	105	28	-
Surplus (Deficit)	7	392	(1,941)	801	138

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		119	119		36		
Irrigation		28,469	33,058	116%	14,436	51%	44%
Urban		1,930	1,920		780		
SunWater		18,032	13,766		2		
Total	161	48,550	48,863	101%	15,253	31%	31%

QCA Assumed Water Usage for Irrigation 55.8%
 QCA Assumed Water Usage for Total 66.0%

Irrigation use is slightly lower than the QCA assumed usage.

Table 3 – Revenue

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	\$000	\$000	\$000	\$000
Irrigation	676	764	764	798
Industrial	-	16	22	23
Urban	727	586	605	619
Irrigation CSO	-	-	-	-
Revenue Transfers	-	-	-	-
Drainage	-	-	-	-
Other	6	104	26	6
Insurance Proceeds - Flood	-	-	480	-
	1,409	1,470	1,897	1,445

* 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

	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	404	487	83	83	493	507	14	97	531	508	(23)	105	466	504	37	93
Operations - Electricity	8	7	(1)	109	7	8	1	85	5	8	3	60	10	9	(1)	110
Operations - Insurance	129	67	(63)	194	235	68	(167)	347	147	69	(78)	213	150	70	(80)	215
Preventative Maintenance	542	561	19	97	734	582	(152)	126	683	585	(97)	117	627	583	(44)	108
Corrective Maintenance	97	140	43	70	77	146	69	53	94	146	52	64	170	145	(25)	117
Routine Total	24	34	10	71	29	36	7	81	12	36	23	35	72	36	(36)	201
	663	735	72	90	840	764	(76)	110	789	767	(22)	103	868	763	(105)	114

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 \$97k (17%) above the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$78k higher than target;
- Electricity costs were \$3k below the QCA target in 2015 despite announced increases in electricity prices being much higher than the increases allowed for by the QCA. This is in line with normal annual variability in electricity costs for this service contract; and
- Operational costs slightly higher than budget (5%).

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,

¹ Activities listed will not apply to all service contracts.

- 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 \$52k (36%) below the QCA's target. The major exceptions and highlights with preventive maintenance activities for the year included:

- As Claude Wharton Weir was damaged in the February 2015 floods and was not operational for the last four months of the year, mechanical and electrical systems did not require servicing or maintenance;
- Weed control at the Dam and weirs;
- Dam and weir inspections; and
- The maintenance plan for this scheme was under review in 2014-15 and a number of maintenance activities were rescheduled, resulting in an under-spend in this year's budget.

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 \$23k (65%) below the QCA's target for 2015. The major exceptions and highlights with corrective maintenance activities for the year included:

- Repairs to cone valve 2 at Wuruma Dam; and
- Repairs to the Storage Supervisor's house at Wuruma.

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.

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

	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	41	206	165	20	237	250	13	95	171	224	53	77	151	160	9	94
Corrective Maintenance	310	-	(310)	-	2,229	-	(2,229)	-	108	-	(108)	-	160	-	(160)	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	128	-	(128)	-
	350	206	(145)	170	2,465	250	(2,215)	985	279	224	(55)	125	439	160	(279)	274
Non Annuity Funded	3				105				28				-			

R&E – Annuity Funded

The annuity funded R&E direct spend was \$171k. Projects undertaken included:

- Claude Wharton Weir - Decommission Fabridam (2015) Replace Fabridam (Design 2010-12; Manufacture & Install 2013): \$21k was spent in 2015 to investigate the decommissioning and removal of the fabridam from the weir. SunWater will not reinstate the fabridam and will leave it insitu to slowly degrade.
- Replace Isolating Values - Jones Weir (Scope/Procure 2014; Install/Commission 2015): \$54k was spent in 2015 for the refurbishment of the outlet penstock at Jones Weir. The first stage was to refurbish the gearbox and attempt to mechanise the gate. This was successful and the gate was worked through 100% of range. Secondly, a portable actuation unit was purchased to use with the gate. It is also planned that the gate will be actuated monthly to maintain its functionality and range.
- Investigate, Design & Construct Repairs to Concrete Wing Wall - Jones Weir (DS Rec 6.1a): \$24k was spent in 2015 for the repair of a crack in the left spillway wingwall and Hardstand section. The works continued across the financial year, as a result of a low level of contractor tendering and an inability to complete the project by the end of the financial year. The works

were to secure the section of wall that was cracked where differential movement was occurring. The final design involved removing the loose section, installing reinforcement and starter bars, and forming up a new corner of concrete, followed by replacing the handrails. This was considered a moderate risk item.

- Install new guards rail around right bank car park - Wuruma Dam: \$13k was spent in 2015 for the installation of guard railing around the right bank car park at Wuruma Dam. The original guard railing posts were timber construction and were heavily rotted out. As this was a high risk item, the work was undertaken immediately to refurbish the guard rail system with a modern equivalent. During the project, there was a gate installed on the spillway crest to deter the public from walking on the crest and also a boom gate installed at the start of the car park to stop the public from accessing the car park. This was done to lower the associated WHS risks.
- Two-Yearly Crane Inspection - Monorail Hoist 1 & 2 - Claude Wharton Weir: \$31k was spent in 2015 for the 'Major' crane inspection required under AS4747. The inspection concluded that the hoists are non-compliant and should be replaced with a modern equivalent. It was also found that, based on its infrequent use, yearly certification will be sufficient to maintain the hoists.

Corrective Maintenance

The annuity funded corrective maintenance spend was \$108k in 2015, which included the following activities:

- FD01 (2013) Claude Wharton - Flood Repairs: \$62k spent in 2015 to reinstate the weir back to full operational status after the 2013 floods.
- FD01 (2015) Flood Damage Repairs - Claude Wharton Weir: \$17k was spent in 2015 in this first stage of flood damage repair works at Claude Wharton Weir. The works included securing all perimeter fencing to make it safe for the public and removing all debris from the structure to make it accessible by SunWater.
- FD01 (2013) Install New Capillary Line & Staff Gauges - Marriages Gauging Station: \$16k was spent in 2015 for flood repairs to the gauging station capillary line and staff gauges at Marriages Gauging Station on the Upper Burnett River. During the repair, the capillary line was relocated to a more protected zone to avoid flood debris which will hold up better during potential future flooding.

Other

There was no expenditure categorised as “Annuity-funded Other” in 2015.

R&E – Non Annuity

The Non-annuity funded R&E direct spend was \$28k in 2015, and included:

- North Burnett Regional Council TWS Intake at Claude Wharton Weir: \$21k spent in 2015, but these are fully recouped costs to assist North Burnett Regional Council in their application to install a new TWS intake adjacent to Claude Wharton Weir.

Annuity Balance

The 2015 annuity balance is shown below.

Table 6 – Annuity Balance

	Table reference	2013	2014	2015	2016
		Actual \$000	Actual \$000	Actual \$000	Forecast \$000
Annuity					
Opening Balance	See below	(199)	(401)	(2,724)	(2,380)
Net Spend		(350)	(2,465)	373	(439)
Annuity Income		163	173	175	180
Interest		(15)	(30)	(204)	(178)
SunWater - Closing Balance		(401)	(2,724)	(2,380)	(2,818)
QCA - Closing Balance		385	336	312	355
Difference		<u>(786)</u>	<u>(3,060)</u>	<u>(2,692)</u>	<u>(3,173)</u>
Net Spend Analysis:-					
Spend	5 & 7	(350)	(2,465)	(279)	(439)
Insurance Proceeds Receipts					
• Prior Year		-	-	172	-
• Current Year		-	-	480	-
Net Spend		<u>(350)</u>	<u>(2,465)</u>	373	(439)

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

Insurance claims on repairs to scheme infrastructure as a result of floods are still pending.

Appendix – Total Expenditure by Expense Type

**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	1,409			1,470			1,897			1,445		
Routine Spend												
Operations												
Labour	120	141	21	137	146	9	149	151	2	107	155	48
Contractors	19	9	(9)	10	10	(1)	27	10	(17)	36	10	(25)
Materials	4	3	(1)	39	3	(36)	12	3	(9)	-	4	4
Electricity	8	7	(1)	7	8	1	5	8	3	10	9	(1)
Insurance	129	67	(63)	235	68	(167)	147	69	(78)	150	70	(80)
Other	34	34	0	49	35	(14)	55	36	(20)	52	36	(16)
Non-directs	226	298	72	258	313	55	287	308	21	272	298	26
	542	561	19	734	582	(152)	683	585	(97)	627	583	(44)
Preventative Maintenance												
Labour	32	44	12	27	45	18	32	47	15	42	48	6
Contractors	2	3	2	-	3	3	1	4	3	24	4	(20)
Materials	0	3	2	1	3	2	1	3	2	1	3	2
Other	0	2	2	2	2	1	2	2	0	1	2	1
Non-directs	63	88	25	48	92	45	59	91	32	102	88	(14)
	97	140	43	77	146	69	94	146	52	170	145	(25)
Corrective Maintenance												
Labour	3	9	6	6	10	3	1	10	8	10	10	(0)
Contractors	13	2	(11)	0	2	2	-	2	2	30	2	(28)
Materials	3	3	0	10	3	(7)	-	3	3	4	3	(0)
Other	-	1	1	0	1	1	8	1	(7)	1	1	(0)
Non-directs	6	19	13	12	20	8	3	19	17	27	19	(8)
	24	34	10	29	36	7	12	36	23	72	36	(36)
Routine - total	663	735	72	840	764	(76)	789	767	(22)	868	763	(105)
Non-Routine Spend												
Labour	62	32	(30)	140	39	(100)	50	36	(14)	53	31	(22)
Contractors	147	27	(120)	1,906	43	(1,863)	123	37	(86)	151	-	(151)
Materials	11	47	37	26	43	17	3	42	39	92	50	(42)
Other	20	17	(3)	48	24	(24)	3	21	18	2	9	7
Non-directs	111	83	(29)	346	101	(245)	100	88	(12)	142	69	(72)
Non-Routine - Total	350	206	(145)	2,465	250	(2,215)	279	224	(55)	439	160	(279)
Total Regulated Spend	1,014	940	(73)	3,305	1,014	(2,292)	1,068	991	(77)	1,307	924	(384)
Non Annuity Funded Spend	3			105			28			-		
Surplus (Deficit)	392			(1,941)			801			138		

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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