

SunWater Limited
Level 10, 179 Turbot Street
PO Box 15536 City East
Brisbane Queensland 4002
www.sunwater.com.au
ACN 131 034 985



2014 Annual Performance Report

Bundaberg Bulk

October 2014

Table of Contents

Introduction	4
Water Usage	4
Revenue	5
Routine Expenditure	6
Operations	6
Preventive Maintenance	6
Corrective Maintenance	7
Electricity	7
Non-Routine Expenditure	8
R&E – Annuity Funded	9
Corrective Maintenance	9
Other	9
R&E – Non Annuity	10
Annuity Balance	10
Appendix –Total Expenditure by Expense Type	11

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 the QCA report real dollars to nominal dollars, multiply by the following factors; these are based on the QCA's assumed inflation rate of 2.5% p.a.

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

	2013	2014	2015	2016	2017
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. 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 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

Water Usage

Table 2 – 2014 Water Usage

	No. of Customers	Water Entitlements ML	Available Water ML	Available Water %	Water deliveries ML	Water deliveries % of entitlement	Water deliveries % of available
Industrial		886	887	100%	276	31%	31%
Irrigation		198,957	210,501	106%	150,067	75%	71%
Urban		9,571	9,571	100%	4,082	43%	43%
Other		46	46	100%	20	43%	43%
SunWater		170,869	164,219	96%	33,291	19%	20%
Total	1,101	380,329	385,224	101%	187,736	49%	49%

QCA Assumed Water Usage for Irrigation 41.4%

QCA Assumed Water Usage for Total 46.7%

Table 3 – Revenue

	2013 SunWater Actual \$'000	2014 SunWater Actual \$'000	2015 SunWater Budget \$'000
Irrigation Revenue*	250	431	430
Drainage	0	0	0
Irrigation CSO	0	0	0
Industrial and Urban*	722	599	615
Other Revenue	13	0	13
Total Revenue	984	1,030	1,059

* Bulk water charges have not been unbundled from Distribution charges therefore a portion of the Distribution revenue is attributable to the Bulk service contract.

Routine Expenditure

Table 4 – Routine Operating Expenditure

	2013 SunWater Actual	% of 2013 Target	2014 SunWater Actual	% of 2014 Target	2015 SunWater Budget	% of 2015 Target
	\$'000	%	\$'000	%	\$'000	%
Operations (Excl. Elect.)	1,103	153%	957	128%	961	128%
Preventative	132	40%	93	27%	217	62%
Corrective	122	93%	32	23%	100	72%
Electricity	5	52%	6	60%	4	39%
Total Routine Expenses	1,362	114%	1,087	88%	1,282	102%

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
- Manage public relations associated with the scheme.

The operations expenditure in 2014 was \$209k, or 28%, above the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$228k higher than target; and
- Most facilities with automated, remote access, or powered control of outlets were damaged in the January 2013 floods and were still under repair during the financial year. As a consequence, operators were required to manually operate outlets and attend site more frequently.

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

¹ Activities listed will not apply to all service contracts.

- Weed control – which includes the following activities:
 - Slashing channels and drains;
 - Acrolein treatment of channels; and
 - Spraying and other activities to control operational and noxious weeds within channel and drainage reserves.

Preventive maintenance for 2014 was \$254k below the QCA's target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Most facilities were still under repair from the January 2013 floods and as such were not operating in their normal capacity. There was a significant reduction in preventive maintenance due to their non-operational status;
- Preventive maintenance activities for the operational facilities encompassed routing servicing of valves, electrical and mechanical equipment and weed control.

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:
 - Scheme Roads
 - Repair pot holes;
 - Grade roads; and
 - Repair, replace and paint guide posts and signs.
 - 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 \$105k below the QCA's target for 2014. The major exceptions and highlights with corrective maintenance activities for the year included:

- Most facilities were still under repair from the January 2013 floods and as such were not operating in their normal capacity. There was a significant reduction in corrective maintenance do to their non-operational status;
- Repairs to gauging stations on the Kolan and Burnett Rivers; and
- Civil repairs at Fred Haigh Dam during the 5-yearly inspection.

Electricity

Electricity costs were \$4k below the QCA target in 2014 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.

² Activities listed will not apply to all service contracts.

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 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.

There have been significant corrective works in this service contract with another \$7m of expenditure planned to repair damage at Ben Anderson Barrage in 2015. Corrective works are unplanned and were not allowed for in the QCA's targets. Consequently, it is clear that non-routine expenditure will exceed the QCA's target for the 2013-17 price path.

Table 5 – Non-Routine Expenditure

	2013 SunWater Actual	% of 2013-17 Target	2014 SunWater Actual	% of 2013-17 Target	2015 SunWater Budget	% of 2013-17 Target
	\$'000	%	\$'000	%	\$'000	%
Annuity Funded						
R&E - Annuity Funded	157		207		510	
Corrective	501		3,927		6,690	
Other	0		0		0	
Non-direct	287		776		1,105	
Annuity Funded Total	946	55%	4,910	286%	8,306	484%
Non-Annuity Funded						
R&E - Non-Annuity Funded	0		3		0	
Non-direct	0		0		0	
Total Non-Annuity Funded	0	n/a	3	n/a	0	n/a

R&E – Annuity Funded

The annuity funded R&E direct spend was \$207k. Projects undertaken included:

- Replace PLC - Fishlock & Outlet Works Control Cubicles- Ned Churchward Weir (NCW) — \$78k³ was spent in 2014 to replace the PLC (Programmable Logical Control) on the fishlock and outlet works at NCW. The need arose due to the age of the existing PLC components with spares no longer able to be sourced from suppliers. The alternative was to manually operate the weir however this would involve additional, prohibitive operating costs.
- Inspection five-year Comprehensive Dam Safety - Fred Haigh Dam — \$63k was spent in 2014 to undertake the supplementary component of a comprehensive inspection of the dam in accordance with the Queensland Dam Safety Management guidelines. The supplementary inspection was needed as the main dam conduit could not be drained during the 2011 inspection. Items inspected included the main conduit, supply line to Monduran pump station, bulkheads and trashracks. A significant portion of the costs were attributed to dewatering the conduit by removal of debris from the discharge channel.
- Inspect & Replace Intake Tower Hoist - Fred Haigh Dam — \$35k was spent in 2014 to investigate how to replace the intake tower hoist at Fred Haigh Dam. The hoist was recommended for replacement by a certified crane inspector, however the intake tower bridge at the dam is not able to take the load of a mobile crane needed to remove and replace the hoist. Numerous options were investigated with no definitive outcome determined. Further investigation is required, with a possible outcome being to extend the life of the current hoist, pending assessment by another crane expert.
- Refurbish Cathodic Protection system Ben Anderson Barrage — \$20k was spent in 2014 to undertake a condition assessment of the cathodic protection system. It was known to be not functioning optimally. The scope of works arising will be incorporated into the works being undertaken to repair the flood damage at the barrage to minimise costs.
- Improve anchoring of covers NCW — \$19k was spent in 2014 to ensure the electrical and hydraulic chase covers were able to withstand floods to minimise damage during future flood events. Straps were installed across each cover plate, held down by additional and stronger anchor bolts.
- Replace 450mm Butterfly Valve - NCW — \$15k was spent in 2014 to replace a failed butterfly valve at NCW. The valve was identified as in need of replacement during the flood repairs. It is not prudent to refurbish a valve of that size as refurbishment costs are comparable to replacement costs.
- Upgrade Fixed Handrails damaged 2013 Flood NCW — \$15k was spent in 2014 to upgrade fixed handrails to collapsible handrails to prevent future flood damage. Fixed handrails were removed as they were damage beyond repair. Collapsible handrails are designed to collapse during flows so that they are not damaged or lost downstream and can more easily and quickly be returned to service.

Corrective Maintenance

The annuity funded corrective maintenance spend was \$3,927k, excluding non-directs.

- Flood damage repairs at NCW — \$2,867k was spent on civil, mechanical, hydraulic, and electrical repairs in 2014 to return the weir to pre-flood condition.
- Flood Damage Repairs at Ben Anderson Barrage — \$1,047k was spent in 2014 to make the barrage safe from future floods until permanent repairs can be made, as well as other civil and mechanical works such as replacing and to replace damage hydraulic lines. Options analyses and preliminary design work on the final permanent solution was also undertaken. The temporary repairs involved placing rock fill upstream of the weir to act as scour protection.

Other

There was no expenditure categorised as “Annuity-funded Other” in 2014.

³ Individual project expenditures include non-directs.

R&E – Non Annuity

The Non-annuity funded R&E direct spend included:

- Install new customer meter @Lot6SP244320 — \$3k was spent in 2014 to install a new customer meter that was fully funded by the customer.

Annuity Balance

The 2014 annuity balance is shown below.

Table 6 – Annuity Balance

	2013	2014	2015*	2016	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	(2,771)	(3,363)	(7,952)		
Annuity Income	561	574	585	599	618
Spend	(946)	(4,910)	(8,306)		
Interest	(208)	(252)	(596)		
Closing Balance	(3,363)	(7,952)	(16,268)		

* 2015 figures are subject to change once actual spend is known.

Appendix – Total Expenditure by Expense Type

Table 7 – Expenditure for Activity by Type

	2013 SunWater Actual \$'000	% of 2013 Target %	2014 SunWater Actual \$'000	% of 2014 Target %	2015 SunWater Budget \$'000	% of 2015 Target %
ROUTINE EXPENSES						
Operations						
Labour	272		156		192	
Materials	6		3		6	
Contractors	29		9		26	
Other	242		475		304	
Non-direct	554		313		433	
Operations Total	1,103	153%	957	128%	961	128%
Preventative						
Labour	37		33		37	
Materials	7		4		5	
Contractors	13		5		100	
Other	1		2		0	
Non-direct	74		49		74	
Preventative Total	132	40%	93	27%	217	62%
Corrective						
Labour	31		10		9	
Materials	16		4		9	
Contractors	4		0		63	
Other	0		0		0	
Non-direct	70		17		19	
Corrective Total	122	93%	32	23%	100	72%
Electricity	5	52%	6	60%	4	39%
Total Routine Expenses	1,362	114%	1,087	88%	1,282	102%
NON-ROUTINE EXPENSES						
Annuity Funded						
R&E - Annuity Funded	157		207		510	
Corrective	501		3,927		6,690	
Other	0		0		0	
Non-direct	287		776		1,105	
Total Annuity Funded Non-Routine	946	55%	4,910	286%	8,306	484%
TOTAL REGULATED EXPENSES	2,308		5,997		9,587	
Non-Annuity Funded						
R&E - Non-Annuity Funded	0		3		0	
Non-direct	0		0		0	
Total Non-Annuity Funded	0	n/a	3	n/a	0	n/a
TOTAL EXPENSES	2,308		6,001		9,587	