

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

St George 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	8
Non-Routine Expenditure	9
R&E – Annuity Funded	10
Corrective Maintenance	10
Other	10
R&E – Non Annuity	10
Annuity Balance	11
Appendix –Total Expenditure by Expense Type	12

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		60	74	123%	6	10%	8%
Irrigation		71,772	84,310	117%	66,994	93%	79%
Urban		3,024	3,734	123%	1,413	47%	38%
Other		0	0		0		
SunWater		9,721	13,164	135%	10,103	104%	77%
Total	164	84,577	101,282	120%	78,516	93%	78%

QCA Assumed Water Usage for Irrigation 83.2%

QCA Assumed Water Usage for Total 94.2%

Table 3 – Revenue

	2013 SunWater Actual \$'000	2014 SunWater Actual \$'000	2015 SunWater Budget \$'000
Irrigation Revenue*	325	331	430
Drainage	0	0	0
Irrigation CSO	0	0	0
Industrial and Urban*	175	181	183
Other Revenue	13	1	2
Total Revenue	513	513	616

* 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.)	572	88%	866	128%	832	122%
Preventative	229	102%	230	98%	173	73%
Corrective	132	95%	154	106%	109	75%
Electricity	4	44%	5	60%	5	49%
Total Routine Expenses	937	92%	1,255	118%	1,118	105%

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 2014 was \$190k, or 28%, above the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$95k higher than target;
- Local Authority rates \$6k higher than budget; and
- Operational costs \$114k higher than budget due to the installation and operation of the Low Level Pumps during the 2013-2014 water year. Costs for the installation, operation and servicing of the Low Level Pumps was \$192k.

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

¹ Activities listed will not apply to all service contracts.

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; and
 - Spraying and other activities to control operational and noxious weeds within channel and drainage reserves.

Preventive maintenance for 2014 was \$6k below the QCA's target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Preventative maintenance, which included electrical condition inspections for Beardmore Dam and Jack Taylor Weir;
- Inspection and service of flood gates Beardmore Dam.

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
 - 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;

² Activities listed will not apply to all service contracts.

- 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 \$9k above the QCA's target for 2014. The major exceptions and highlights with corrective maintenance activities for the year included:

- Rectification work undertaken as a result of the 2013 Annual Inspection of Beardmore Dam, including concrete patch repairs to the piers at Beardmore Dam;
- Re-profiling the right hand bank at Beardmore Dam;
- Repairs to the rock protection downstream of Jack Taylor Weir; and
- Repairs to the winches at Beardmore Dam.

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.

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. Notwithstanding these points, SunWater aims to limit renewals expenditure to the QCA's targets over the 2013-17 price path in order to manage the annuity balance to reasonable levels.

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	159		127		515	
Corrective	270		180		0	
Other	40		34		0	
Non-direct	301		130		95	
Annuity Funded Total	771	29%	471	18%	610	23%
Non-Annuity Funded						
R&E - Non-Annuity Funded	0		0		0	
Non-direct	0		0		0	
Total Non-Annuity Funded	0	n/a	0	n/a	0	n/a

R&E – Annuity Funded

The annuity funded R&E direct spend was \$127k. Projects undertaken included:

- Purchase & Install Diesel Engine - PUN4 — \$73k³ was spent in 2014 to install a fourth Diesel generator at the temporary pump station at Beardmore Dam. The pumps are needed when storage levels drop in Beardmore dam to extract water to send down the Thuraggi irrigation outlet. The outlet had the capacity to take 4 pumps and this additional purchase was instigated and completed following full consultation with St George customer council.
- Jack Taylor Weir - Replace Emergency Hoist Mechanism. \$46k was spent in 2014 to replace the emergency hoist unit, which had been in service for over 50 years. The existing unit fail to meet most of the current safety requirements and had many unprotected moving parts and used to try and “jump” the rail when engaging the drive shaft as there was no clutch. The unit and the rail carriage were taken away for a week with the carriage being refurbished and fitted with a new hydraulic unit meeting all current standards.
- Beardmore Dam - Study Compressed Air System. The study was undertaken and found that the existing emergency unit could only open a gate 600mm before it froze the lifting unit. Given that the three highest floods in record had been passed at Beardmore Dam in the past two years, and considering that there was only one ring main which, if damaged by lightning, would render electrical operation of the gates impossible, the study concluded that we required a better back-up system. Subsequently, a portable hydraulic unit was designed, constructed, installed and tested on the narrow upper deck of the dam prior to the wet season.

Corrective Maintenance

The annuity funded corrective maintenance spend was \$180k, excluding non-directs, which included the following activities.

- Moolabah Weir - Dam Break & Upgrade Construction — \$217k was spent in 2014 to undertake repairs on Moolabah Weir following its partial collapse during the 2011 flood event. Options analysis and customer consultation meetings steered the solution to keep and rebuild the weir albeit at a lower crest level which still provided service and lowered the residual risk to downstream home owners.

Other

The “Annuity-funded Other” spend included:

- Beardmore Dam Operations: Installation and operation of pumps during drought period — \$48k was spent in December 2014 to install the four temporary pump units and operate continuously to send much needed irrigation water down Thuraggi Channel. This is what the system was designed for when the storage level in Beardmore Dam is too low to supply the irrigation outlet and works carried out with full knowledge and approval of the St George Customer Council.
- Beardmore Dam - Seepage Investigation — \$29k was spent in 2014 following reports that excessive seepage was coming through the embankment on the right side of Thuraggi Outlet. As a dam safety issue, engineers inspected and investigated, including bank stability analysis works. SunWater must fully assess any perceived risks to any of our storage structures and this investigation resulted in the installation of filters, additional rock protection and the creation of an exclusion zone for any vehicles on part of the embankment crest to control any loading.

R&E – Non Annuity

There was no expenditure categorised as “Non Annuity” in 2014.

³ Individual project expenditures include non-directs.

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	128	(8)	154		
Annuity Income	625	634	640	649	657
Spend	(771)	(471)	(610)		
Interest	10	(1)	12		
Closing Balance	(8)	154	196		

* 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	155		173		206	
Materials	3		161		2	
Contractors	4		35		46	
Other	83		152		127	
Non-direct	328		345		450	
Operations Total	572	88%	866	128%	832	122%
Preventative						
Labour	75		66		46	
Materials	5		17		14	
Contractors	12		22		19	
Other	1		6		6	
Non-direct	137		120		87	
Preventative Total	229	102%	230	98%	173	73%
Corrective						
Labour	36		47		29	
Materials	13		8		11	
Contractors	10		15		13	
Other	7		0		0	
Non-direct	66		84		55	
Corrective Total	132	95%	154	106%	109	75%
Electricity	4	44%	5	60%	5	49%
Total Routine Expenses	937	92%	1,255	118%	1,118	105%
NON-ROUTINE EXPENSES						
Annuity Funded						
R&E - Annuity Funded	159		127		515	
Corrective	270		180		0	
Other	40		34		0	
Non-direct	301		130		95	
Total Annuity Funded Non-Routine	771	29%	471	18%	610	23%
TOTAL REGULATED EXPENSES	1,708		1,726		1,728	
Non-Annuity Funded						
R&E - Non-Annuity Funded	0		0		0	
Non-direct	0		0		0	
Total Non-Annuity Funded	0	n/a	0	n/a	0	n/a
TOTAL EXPENSES	1,708		1,726		1,728	