

**SunWater Limited**  
Level 10, 179 Turbot Street  
PO Box 15536 City East  
Brisbane Queensland 4002  
[www.sunwater.com.au](http://www.sunwater.com.au)  
ACN 131 034 985



# 2014 Annual Performance Report

## Upper Burnett Bulk

October 2014

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## 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**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
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](mailto:nspfeedback@sunwater.com.au)

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

## Water Usage

**Table 2 – 2014 Water Usage**

	<b>No. of Customers</b>	<b>Water Entitlements ML</b>	<b>Available Water ML</b>	<b>Available Water %</b>	<b>Water deliveries ML</b>	<b>Water deliveries % of entitlement</b>	<b>Water deliveries % of available</b>
Industrial		119	119	100%	26	22%	22%
Irrigation		28,457	28,964	102%	18,636	65%	64%
Urban		1,930	1,910	99%	813	42%	43%
Other		0	0		0		
SunWater		18,032	17,832	99%	39	0%	0%
<b>Total</b>	<b>160</b>	<b>48,538</b>	<b>48,825</b>	<b>101%</b>	<b>19,514</b>	<b>40%</b>	<b>40%</b>

QCA Assumed Water Usage for Irrigation 55.8%

QCA Assumed Water Usage for Total 66.0%

**Table 3 – Revenue**

	<b>2013 SunWater Actual \$'000</b>	<b>2014 SunWater Actual \$'000</b>	<b>2015 SunWater Budget \$'000</b>
Irrigation Revenue	676	764	746
Drainage	0	0	0
Irrigation CSO	0	0	0
Industrial and Urban	727	602	617
Other Revenue	6	104	6
<b>Total Revenue</b>	<b>1,409</b>	<b>1,470</b>	<b>1,369</b>

\* 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**

	<b>2013 SunWater Actual</b>	<b>% of 2013 Target</b>	<b>2014 SunWater Actual</b>	<b>% of 2014 Target</b>	<b>2015 SunWater Budget</b>	<b>% of 2015 Target</b>
	\$'000	%	\$'000	%	\$'000	%
Operations (Excl. Elect.)	534	96%	728	127%	669	116%
Preventative	97	70%	77	53%	144	99%
Corrective	24	71%	29	81%	37	105%
Electricity	8	109%	7	85%	10	119%
<b>Total Routine Expenses</b>	<b>663</b>	<b>90%</b>	<b>840</b>	<b>110%</b>	<b>861</b>	<b>112%</b>

### 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 of<sup>1</sup>:

- 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 \$155k, or 27%, above the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$163k higher than target;
- Operational costs slightly lower than budget.

### 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 includes<sup>1</sup>:

- 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;

<sup>1</sup> 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; and
  - Spraying and other activities to control operational and noxious weeds within channel and drainage reserves.

Preventive maintenance for 2014 was \$69k below the QCA’s target. The major exceptions and highlights with preventive maintenance activities for the year included:

- As Claude Wharton Weir was significantly damaged in the January 2013 floods and was not operational for the majority of the year, mechanical and electrical systems did not require servicing or maintenance;
- Weed control at the Dam and weirs; and
- Dam and weir inspections.

### **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 emergency<sup>2</sup>:

- 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;

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<sup>2</sup> 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 \$7k below the QCA's target for 2014. 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.

## Electricity

Electricity costs were \$1k 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.

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**

	<b>2013 SunWater Actual</b>	<b>% of 2013-17 Target</b>	<b>2014 SunWater Actual</b>	<b>% of 2013-17 Target</b>	<b>2015 SunWater Budget</b>	<b>% of 2013-17 Target</b>
	\$'000	%	\$'000	%	\$'000	%
<b>Annuity Funded</b>						
R&E - Annuity Funded	22		200		402	
Corrective	217		1,920		0	
Other	0		0		0	
Non-direct	111		346		67	
<b>Annuity Funded Total</b>	<b>350</b>	<b>31%</b>	<b>2,465</b>	<b>221%</b>	<b>468</b>	<b>42%</b>
<b>Non-Annuity Funded</b>						
R&E - Non-Annuity Funded	1		64		0	
Non-direct	2		41		0	
<b>Total Non-Annuity Funded</b>	<b>3</b>	<b>n/a</b>	<b>105</b>	<b>n/a</b>	<b>0</b>	<b>n/a</b>

## R&E – Annuity Funded

The annuity funded R&E direct spend was \$200k. Projects undertaken included:

- New Elevated Control Room Above Existing CWW — \$157k<sup>3</sup> was spent in 2014 to construct a new control room on top of the existing building to improve flood immunity. The existing control room was inundated during the 2011 and 2013 floods. Cost benefit analyses and risk assessments determined it was more cost effective to raise the controls above the 2013 flood peak rather than repair them every time the existing control room flooded.
- Replace 3 x 450mm Butterfly Valves (VLV1, VLV2 & VLV3) - Claude Wharton Weir — \$22k was spent in 2014 to replace three valves at the weir where the internal lining had failed or the valve had become corroded due to long periods of inundation. The valves are used to control releases through the fishway.
- Develop Discharge Rating Curve for Wuruma Dam — \$16k was spent in 2014 to develop a rating curve to allow operators to more accurately make releases from the dam. Prior to this, releases were measured through a crump weir downstream of the dam.

## Corrective Maintenance

The annuity funded corrective maintenance spend was \$1,920k, excluding non-directs, which included the following activities:

- Flood damage repairs at Claude Wharton Weir — \$2,193k was spent in 2014 to repair civil, mechanical, hydraulic and electric components of the weir damaged during the 2013 floods to return the weir to pre-flood condition. These items were assessed as being essential to repair to make the weir operable again.

## Other

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

## R&E – Non Annuity

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

- TWS intake at Claude Wharton Weir — \$99k was spent in 2014 to investigate and assess an application from a council to construct a new town water supply intake. The costs included preparation of legal documents such as project deeds and easements to allow construction to occur once the investigations and assessments were complete. Council is paying for all of SunWater’s costs.

## Annuity Balance

The 2014 annuity balance is shown below.

**Table 6 – Annuity Balance**

	2013	2014	2015*	2016	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening Balance</b>	(199)	(401)	(2,724)		
<b>Annuity Income</b>	163	173	175	180	187
<b>Spend</b>	(350)	(2,465)	(468)		
<b>Interest</b>	(15)	(30)	(204)		
<b>Closing Balance</b>	(401)	(2,724)	(3,222)		

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

<sup>3</sup> Individual project expenditures include non-directs.

## 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 %
<b>ROUTINE EXPENSES</b>						
<b>Operations</b>						
Labour	120		137		133	
Materials	4		39		5	
Contractors	19		10		51	
Other	164		284		220	
Non-direct	226		258		259	
<b>Operations Total</b>	<b>534</b>	<b>96%</b>	<b>728</b>	<b>127%</b>	<b>669</b>	<b>116%</b>
<b>Preventative</b>						
Labour	32		27		29	
Materials	0		1		1	
Contractors	2		0		57	
Other	0		2		1	
Non-direct	63		48		57	
<b>Preventative Total</b>	<b>97</b>	<b>70%</b>	<b>77</b>	<b>53%</b>	<b>144</b>	<b>99%</b>
<b>Corrective</b>						
Labour	3		6		11	
Materials	3		10		5	
Contractors	13		0		0	
Other	0		0		0	
Non-direct	6		12		21	
<b>Corrective Total</b>	<b>24</b>	<b>71%</b>	<b>29</b>	<b>81%</b>	<b>37</b>	<b>105%</b>
<b>Electricity</b>	<b>8</b>	<b>109%</b>	<b>7</b>	<b>85%</b>	<b>10</b>	<b>119%</b>
<b>Total Routine Expenses</b>	<b>663</b>	<b>90%</b>	<b>840</b>	<b>110%</b>	<b>861</b>	<b>112%</b>
<b>NON-ROUTINE EXPENSES</b>						
<b>Annuity Funded</b>						
R&E - Annuity Funded	22		200		402	
Corrective	217		1,920		0	
Other	0		0		0	
Non-direct	111		346		67	
<b>Total Annuity Funded Non-Routine</b>	<b>350</b>	<b>31%</b>	<b>2,465</b>	<b>221%</b>	<b>468</b>	<b>42%</b>
<b>TOTAL REGULATED EXPENSES</b>	<b>1,014</b>		<b>3,305</b>		<b>1,329</b>	
<b>Non-Annuity Funded</b>						
R&E - Non-Annuity Funded	1		64		0	
Non-direct	2		41		0	
<b>Total Non-Annuity Funded</b>	<b>3</b>	<b>n/a</b>	<b>105</b>	<b>n/a</b>	<b>0</b>	<b>n/a</b>
<b>TOTAL EXPENSES</b>	<b>1,017</b>		<b>3,411</b>		<b>1,329</b>	