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2017 Annual Performance Report

Burdekin Distribution

October 2017

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Introduction

This annual Performance Report is to provide to SunWater Burdekin Distribution customers the routine expenditure (opex) and non-routine expenditure for the financial year 2016-2017. The Performance Plan covers:

- past performance for opex and non-routine expenditure for 2017
- summary of past performance for opex and non-routine expenditure for the Price Path period 2013 – 2017.

This is the final Performance Plan for the period 2013 - 2017 comparing SunWater's costs with the Queensland Competition Authority (QCA) targets set in the 2012 price review. The QCA price path expired 30 June 2017.

The Network Service Plan (NSP) for 2018 was published earlier this year and will form the basis for Performance Reports for 2018 and 2019.

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

Table 1 – Operating Revenue Less Spend

Burdekin IS		2013	2014	2015	2016	2017	2013 to 2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000
Revenue	3	13,670	18,456	19,859	19,230	18,055	89,270
Less - Routine Expenditure	4 & 7	14,508	15,856	16,902	16,116	14,701	78,083
Less - Non-Routine Expenditure							
• Annuity Funded	5, 6 & 7	1,568	1,169	1,138	1,325	1,767	6,967
• Non Annuity Funded	5	257	144	1	-	2	404
Surplus (Deficit)		(2,664)	1,287	1,818	1,789	1,585	3,816

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.

Burdekin IS

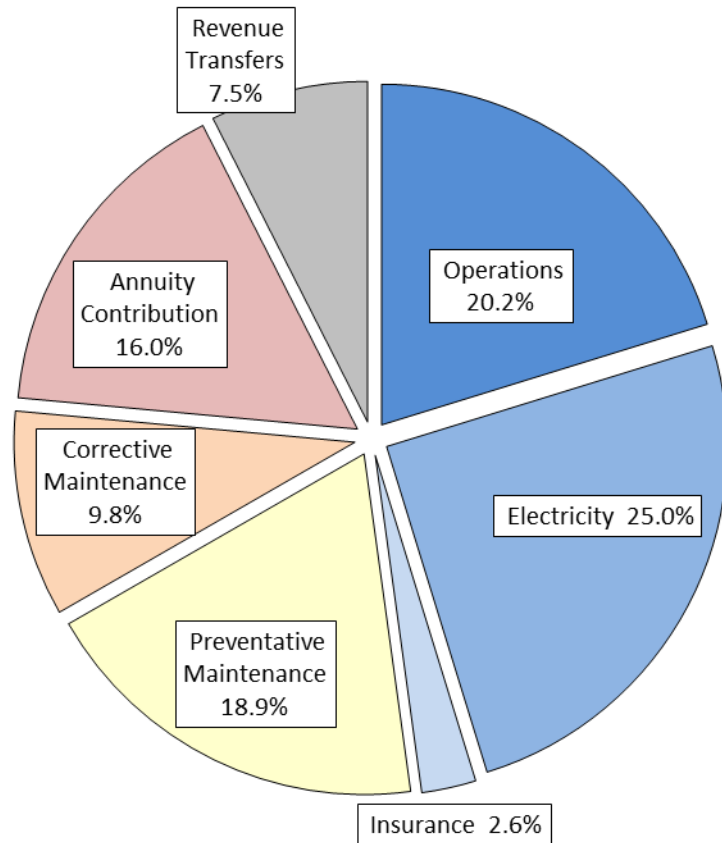


Figure 1: Breakdown of Irrigation Scheme Costs – 2017 Actual

Figure 1 shows a high level summary of scheme costs and provides an indication of where revenue from irrigation water charges is applied. The item “Annuity Contribution” refers to the component of irrigation water charges that is applied toward the renewals annuity each year. The item “Revenue Transfers” refers to the contribution towards the cost of the bulk water scheme.

Water Usage

Table 2 – 2017 Water Usage

Customer Segment	No. of Customers	Water Entitlements (ML)	Available Water (ML)	Available Water (%)	Water Deliveries (ML)	Water Deliveries (%) Against Entitlement
1. Industrial		550	1,088	198	1,082	197
2. Irrigation		321,376	322,592	100	250,789	78
3. Urban		10,000	10,480	105	7,822	78
4. Other		6	6	100	0	0
5. SunWater		316,754	316,754	100	69,718	22
Service Contract Total	285	648,686	650,920	100	329,411	51

QCA Assumed Total Water Usage 76.3%

Note: Includes 110,000ML reserve allocation.

Scheme water usage was below the QCA projected total usage of water entitlements

Revenue

Table 3 – Revenue

Burdekin IS	2013	2014	2015	2016	2017	2013 to 2017
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000
Irrigation	12,094	15,181	17,306	17,308	16,093	77,981
Industrial	62	75	112	101	159	508
Urban	661	630	708	761	1,237	3,997
Irrigation CSO	3,645	3,015	2,414	1,790	1,212	12,077
Revenue Transfers	(3,455)	(1,217)	(1,428)	(1,459)	(1,441)	(9,000)
Drainage	638	660	682	703	736	3,420
Other	24	111	30	27	60	253
Insurance Proceeds - Flood	-	-	35	-	-	35
Revenue Total	13,670	18,456	19,859	19,230	18,055	89,270

* 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

Burdekin IS	2013			2014			2015			2016			2017			2013 to 2017		
	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 Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000
Operations	3,869	4,011	141	3,955	4,116	161	4,320	4,200	(119)	3,990	4,232	242	3,887	4,223	336	20,021	20,782	760
Electricity	4,299	4,579	280	5,809	4,900	(910)	5,992	5,243	(749)	5,769	5,662	(107)	4,810	6,058	1,249	26,679	26,442	(237)
Insurance	562	387	(174)	763	394	(369)	585	401	(184)	545	408	(137)	496	415	(81)	2,950	2,005	(946)
Operations Total	8,730	8,977	247	10,527	9,410	(1,117)	10,896	9,844	(1,053)	10,304	10,302	(3)	9,193	10,696	1,503	49,651	49,228	(422)
Preventative Maintenance	2,724	3,312	588	3,007	3,414	407	3,405	3,505	100	3,602	3,568	(34)	3,628	3,582	(47)	16,366	17,381	1,015
Corrective Maintenance	3,054	1,473	(1,582)	2,322	1,517	(805)	2,600	1,555	(1,045)	2,210	1,577	(633)	1,880	1,577	(303)	12,066	7,699	(4,367)
Routine Total	14,508	13,762	(746)	15,856	14,341	(1,515)	16,902	14,904	(1,997)	16,116	15,447	(670)	14,701	15,855	1,154	78,083	74,308	(3,775)

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:

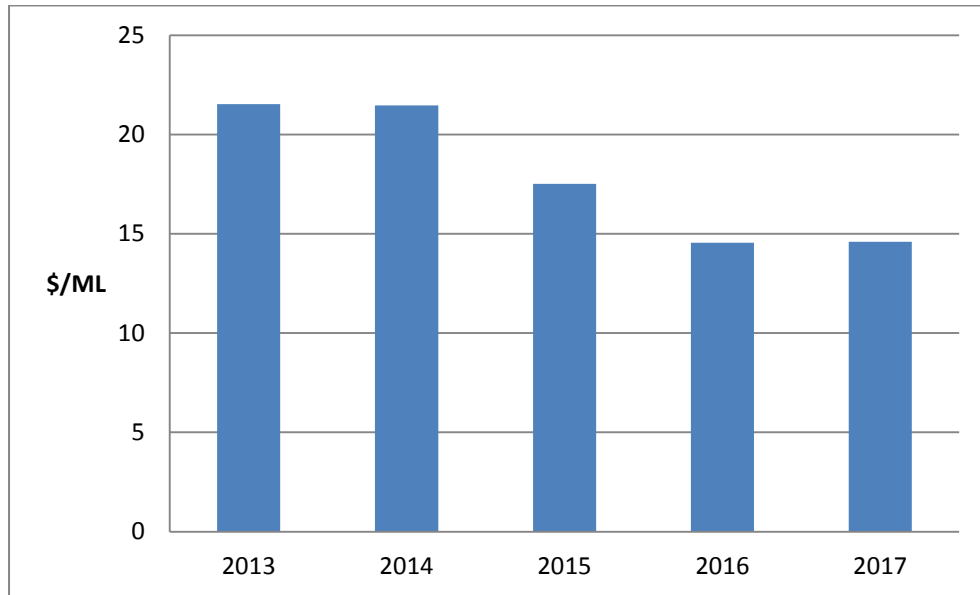
- Scheduling and delivering water, including processing water orders, releasing water, operating pump stations, regulation and monitoring of channel flows and monitoring of customer deliveries;
- Emergency responses for channel overflows and other emergency events;
- Meter reading;
- Administration of 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.

¹ Activities listed will not apply to all service contracts.

The operations expenditure met the QCA target.:

- Insurance costs were above the QCA target;
- Electricity costs were below the QCA target. 67164 ML less water was delivered than the previous year.

The chart below tracks pumping cost per ML delivered across the price path based on actual and forecast data. The chart reflects the escalation of electricity prices, tariff changes and variation in volumes lifted by high cost and low cost pump stations.



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
- 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 was above the QCA's target.

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

² Activities listed will not apply to all service contracts.

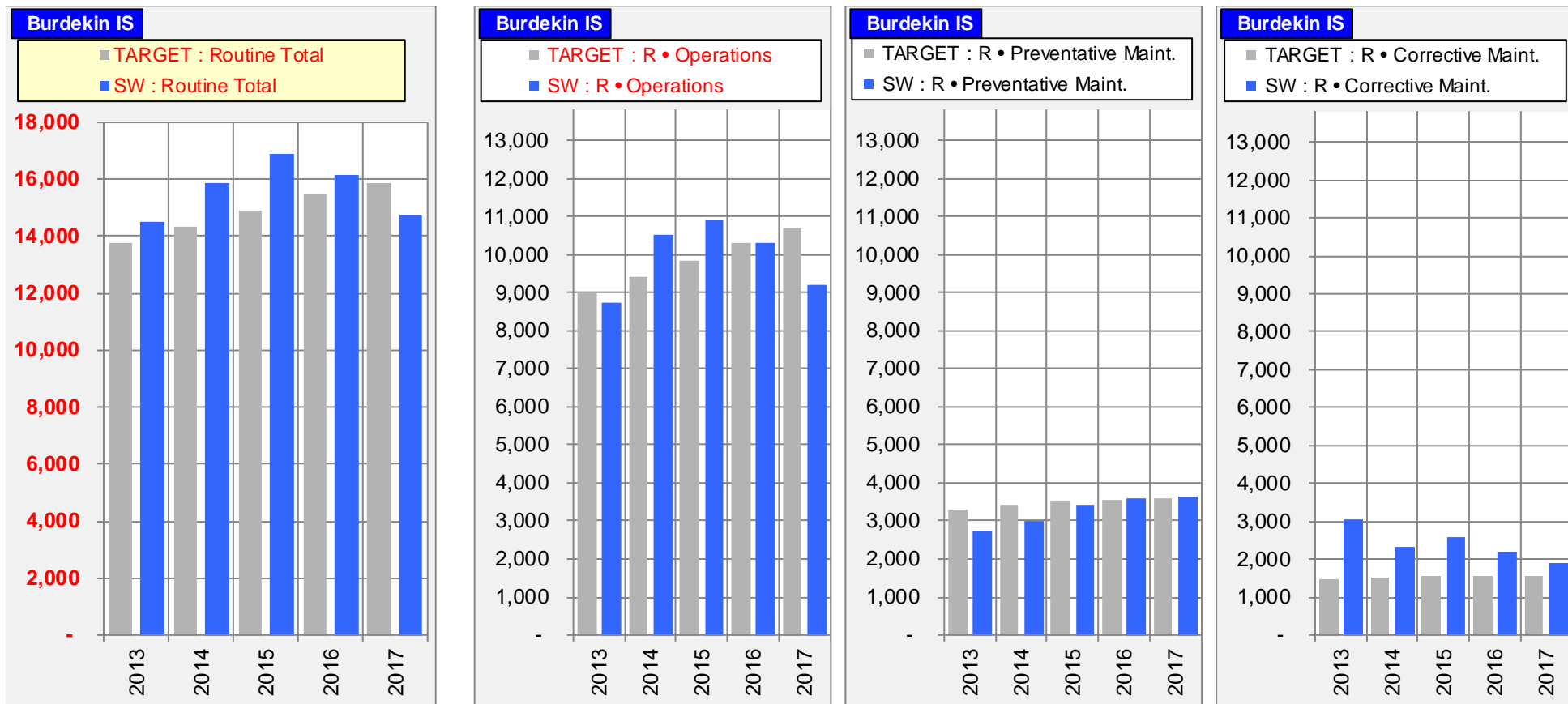
- Repair air valves, scour valves, etc.;
- Erosion control and repair of rock protection works; and
- Repair concrete structures.
- Scheme Roads
 - Repair pot holes;
 - Grade roads; and
 - Repair, replace and paint guide posts and signs.
- Pump stations
 - Repair pumps and motors;
 - De-silt intake structures;
 - 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 above the QCA's target.

Routine Cost – Summary and Charts

The information in Table 4 above is re-presented in the charts below to graphically show SunWater’s performance against the QCA targets. In summary the key challenges in managing routine cost lie with reigning in input cost like electricity, Acrolein and insurance. Emergency Event Management costs are also an impact on the scheme, but have not been distributed at the scheme level.

Figure 2: Routine Expenditure by Activity compared to QCA Target (\$'000)



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 2017 financial year.

Table 5 – Non-Routine Expenditure

Burdekin IS	2013			2014			2015			2016			2017			2013 to 2017		
	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 Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Forecast \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000
Annuity Funded																		
Operations	0	-	(0)	11	-	(11)	7	27	20	-	98	98	2	-	(2)	20	125	104
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	-	-	-	-	-	-	-	-	-	-	-	-	95	-	(95)	95	-	(95)
R&E	1,568	1,223	(345)	1,158	769	(389)	1,131	493	(637)	1,325	1,076	(249)	1,670	3,541	1,871	6,852	7,102	250
Non-routine Total	1,568	1,223	(345)	1,169	769	(400)	1,138	520	(618)	1,325	1,174	(151)	1,767	3,541	1,774	6,967	7,226	260
Non Annuity Funded	<u>257</u>			<u>144</u>			<u>1</u>			<u>-</u>			<u>2</u>			<u>404</u>		

R&E – Annuity Funded

The annuity funded R&E Projects undertaken included:

R&E Annuity Funded	11BRI10 Refurbish Regulating Gates Barratta	145,220
	15BRI13 Replace Flow Meter at Millaroo Pump Station B	17,044
	15BRI21 Pump Replacement Clare B PSTN PUN 4 (Options 2015, Design 2017, Replace 2018)	38,157
	16BRI02 Screw Jack Trial - Float Regs Barratta System	251
	16BRI10 Refurbish Regulating Gates - Barratta Channel System	81,822
	16BRI13 Refurbish Pump Motor 5 - Tom Fenwick PSTN 4	82,741
	16BRI21 Refurbish Suction Valve #1 - Tom Fenwick PSTN1	0
	16BRI22 Refurbish Pump Motor # 1 - Tom Fenwick PSTN1	54,285
	16BRI36 Refurbish RG07 - Haughton Haughton Main Channel	893
	17BRI06 17BRI06 Replace Safety Screens Reg 34 BMC	13,376
	17BRI07 Refurbish RH and LH Rodney Gates - Haughton Main Channel SI14	2,568
	17BRI08 17BRI08 Replace Flow Meter - Clare PSTNA Rising Main #1	19,617
	17BRI10 17BRI10 Replace Customer Meters Millaroo	64,543
	17BRI12 17BRI12 Replace Electrical Control Gear Dalbeg Relift PSTN (Design and Drafting)	26,497
	17BRI15 17BRI15 Replace Meters Giru	45,106
	17BRI20 17BRI20 Replace RTUs Barratta	108,488
	17BRI22 17BRI22 Refurb Motors Dalbeg Relift	13,288
	17BRI24 17BRI 24 Replace RTU Reed Beds PSTN	19,278
	17BRI25 17BRI25 Refurbish - RM Gate (Batescrew)	15,002
	17BRI26 17BRI26 Options Study Tom Fenwick Pun 3 Refurbishment	9,630
	17BRI27 Replace Waling on Piling Row 3 LH - Giru Weir	1,895
	17BRI28 17BRI28 Replace Batescrew Gates Barratta	18,554
	17BRI30 17BRI30 Replace Meter BJ57W3 Ba8	25,093
	17BRI31 17BRI31 Install STG II Functional Outlet Works - Giru Weir	749,400
	17BRI32 17BRI32 Refurbish PUN2 Motor - Haughton PSTN2	87,861
	17BRI33 Replace airconditioners Clare Pump Stations A & B	6,261
	17BRI34 Replace Airconditioners Elliot Pump Station	3,775
	17BRI35 17BRI35 Rewind Pump Motor Dalbeg B # 2	19,787
R&E Annuity Funded Total		1,670,432

Corrective Maintenance

There was no expenditure categorised as "Corrective Maintenance".

<input type="checkbox"/> Corrective Maintenance	17BRI39 FD01 (2017) Flood Damage Inspection post TC Debbie - Burdekin Distribution	9,134
	17BRI40 FD01 (2017) Flood Damage Repair post TC Debbie - Elliott Pump Station	4,977
	17BRI41 FD01 (2017) Flood Damage Repair post TC Debbie - Clare B Pump Station	15,722
	17BRI42 FD01 (2017) Flood Damage Repairs post TC Debbie - Tom Fenwick PSTN2	3,400
	17BRI43 FD01 (2017) Flood Damage Repair post TC Debbie - Tom Fenwick PSTN 4_5	4,494
	17BRI44 FD01 (2017) Flood Damage Repairs post TC Debbie - Clare A PSTN	40,673
	17BRI45 FD01 (2017) Flood Damage Repair post TC Debbie - Millaroo B Pump Station	11,940
	17BRI47 FD01 (2017) Flood Damage Repair post TC Debbie - Millaroo PSTNA	3,837
	17BRI48 FD01 (2017) Flood Damage Repair post TC Debbie - Dalbeg PSTNB	565
Corrective Maintenance Total		94,742

Other

There was no expenditure categorised as "Annuity-funded Other"

<input type="checkbox"/> Other	Haughton Main Channel Upgrade Investigation	1,979
Other Total		1,979

R&E – Non Annuity

There was no expenditure categorised as "Non-annuity funded R&E".

<input type="checkbox"/> Customer Funded	17BRI49 Install new offtake approx 4.3K	1,873
Customer Funded Total		1,873

Annuity Balance

The 2017 annuity balance is shown below.

Table 6 – Annuity Balance

Burdekin IS		2013	2014	2015	2016	2017	2013 to 2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000
Annuity							
Opening Balance	See below	(5,918)	(5,440)	(4,285)	(2,803)	(1,378)	(5,918)
Net Spend		(1,568)	(1,169)	(1,025)	(1,325)	(1,767)	(6,854)
Annuity Contribution		2,489	2,731	2,829	2,960	3,084	14,093
Interest		(443)	(407)	(321)	(210)	(103)	(1,485)
SunWater - Closing Balance		(5,440)	(4,285)	(2,803)	(1,378)	(165)	(165)
QCA - Closing Balance		(3,682)	(1,996)	164	1,962	1,652	1,652
Difference		(1,758)	(2,290)	(2,967)	(3,340)	(1,817)	(1,817)
Net Spend Analysis							
Spend	5 & 7	(1,568)	(1,169)	(1,138)	(1,325)	(1,767)	(6,967)
Insurance Proceeds Receipts							
• Prior Year		-	-	77	-	-	77
• Current Year		-	-	35	-	-	35
Net Spend		(1,568)	(1,169)	(1,025)	(1,325)	(1,767)	(6,854)

Appendix – Total Expenditure by Expense Type

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

Burdekin IS	2013			2014			2015			2016			2017			2013 to 2017		
	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 Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000
Revenue	13,670			18,456			19,859			19,230			18,055			89,270		
Routine Spend																		
Operations																		
Labour	1,192	1,269	77	1,173	1,310	137	1,262	1,352	90	1,162	1,395	233	1,189	1,440	250	5,977	6,766	789
Contractors	0	22	21	1	22	21	42	23	(19)	2	24	21	58	24	(34)	103	114	11
Materials	52	22	(31)	167	22	(145)	38	23	(15)	35	24	(11)	41	24	(17)	333	114	(218)
Electricity	4,299	4,579	280	5,809	4,900	(910)	5,992	5,243	(749)	5,769	5,662	(107)	4,810	6,058	1,249	26,679	26,442	(237)
Insurance	562	387	(174)	763	394	(369)	585	401	(184)	545	408	(137)	496	415	(81)	2,950	2,005	(946)
Other	612	585	(27)	637	596	(41)	775	607	(169)	766	618	(148)	636	628	(8)	3,427	3,034	(392)
Non-directs	2,014	2,113	99	1,977	2,166	189	2,203	2,196	(7)	2,025	2,172	147	1,963	2,107	143	10,182	10,753	571
	8,730	8,977	247	10,527	9,410	(1,117)	10,896	9,844	(1,053)	10,304	10,302	(3)	9,193	10,696	1,503	49,651	49,228	(422)
Preventative Maintenance																		
Labour	513	664	151	511	686	175	558	708	150	582	730	149	654	754	99	2,817	3,542	724
Contractors	612	944	332	829	975	145	837	1,006	169	709	1,038	329	969	1,056	87	3,957	5,018	1,061
Materials	694	447	(247)	756	461	(295)	928	476	(452)	1,183	491	(692)	653	500	(153)	4,215	2,376	(1,840)
Other	2	146	144	4	150	146	50	155	105	49	160	111	212	163	(49)	318	774	456
Non-directs	903	1,111	208	906	1,142	236	1,032	1,161	129	1,078	1,148	70	1,140	1,110	(30)	5,059	5,672	613
	2,724	3,312	588	3,007	3,414	407	3,405	3,505	100	3,602	3,568	(34)	3,628	3,582	(47)	16,366	17,381	1,015
Corrective Maintenance																		
Labour	565	374	(191)	544	386	(158)	588	399	(189)	527	411	(115)	484	425	(60)	2,708	1,995	(713)
Contractors	713	74	(639)	394	76	(318)	561	79	(482)	464	81	(383)	166	83	(83)	2,297	393	(1,904)
Materials	762	215	(547)	452	222	(230)	305	229	(76)	203	237	34	191	241	50	1,912	1,144	(768)
Other	11	203	192	12	209	197	109	216	107	88	223	135	234	227	(8)	455	1,078	623
Non-directs	1,004	606	(397)	920	623	(297)	1,037	632	(405)	929	625	(304)	805	602	(202)	4,693	3,088	(1,605)
	3,054	1,473	(1,582)	2,322	1,517	(805)	2,600	1,555	(1,045)	2,210	1,577	(633)	1,880	1,577	(303)	12,066	7,699	(4,367)
Routine - total	14,508	13,762	(746)	15,856	14,341	(1,515)	16,902	14,904	(1,997)	16,116	15,447	(670)	14,701	15,855	1,154	78,083	74,308	(3,775)
Non-Routine Spend																		
Labour	183	210	27	208	133	(74)	114	90	(24)	112	197	85	168	647	478	785	1,277	492
Contractors	816	209	(606)	459	146	(313)	660	124	(536)	847	295	(552)	1,006	728	(278)	3,787	1,502	(2,284)
Materials	196	264	68	135	146	11	108	83	(25)	92	203	111	202	691	489	733	1,387	655
Other	23	117	95	5	80	74	21	49	28	38	107	69	56	371	314	144	724	580
Non-directs	351	422	71	363	264	(98)	235	174	(61)	236	371	135	334	1,104	770	1,519	2,335	817
Non-Routine - Total	1,568	1,223	(345)	1,169	769	(400)	1,138	520	(618)	1,325	1,174	(151)	1,767	3,541	1,774	6,967	7,226	260
Total Regulated Spend	16,076	14,984	(1,092)	17,025	15,110	(1,915)	18,039	15,424	(2,615)	17,441	16,620	(821)	16,468	19,396	2,928	85,050	81,534	(3,515)
Non Annuity Funded Spend	257			144			1			-			2					
Surplus (Deficit)	(2,664)			1,287			1,818			1,789			1,585				3,816	

Non-Direct Costs Explained

Non-direct costs reflect SunWater's methodology for distributing indirect costs, local overheads and corporate overheads to each service contract. Wherever practicable labour and other costs are booked direct to service contracts, however, where this is not possible the costs accumulate in either indirect or overhead accounting cost pools and are then distributed to service contracts.

Indirect cost pools capture costs such as billing and customer support, irrigation pricing regulation, asset management (including dam safety, asset systems, channels and drainage) that have not been directly charged. They also include flood room operations including the IGEM emergency management program, water planning, hydrographic services, environmental support costs and GM Operations. These indirect costs are shared between SunWater's lines of business ie Bulk Water, Irrigation Distribution Systems, Industrial Pipeline and Facilities Management where appropriate. For example service contracts without a dam are not apportioned dam safety costs.

Local overheads are spread across service contracts managed in each locality. They include regional accommodation costs, vehicle costs, local admin support and other local labour not directly booked to activities within service contracts.

Corporate overhead costs are more generic than indirect cost and local overheads and are spread across all service contracts based on direct labour. They include the cost of HR and payroll, ICT, communications, legal and property, finance, internal audit, plus the costs of the CEO, GM Corporate and the SunWater Board of Directors, where these costs are not directly charged to activities within service contracts.

SunWater's methodology was reviewed and accepted by the QCA during the 2012 pricing review.

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	1.051	1.077	1.104	1.131	1.16
Accumulative March Quarter CPI	1.0494	1.0714	1.105	1.1208	1.1397

Disclaimer

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