

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



2017 Annual Performance Report

Callide Bulk

October 2017

Table of Contents

Introduction	3
Financial Summary	4
Water Usage	6
Revenue	7
Routine Expenditure	8
Operations	8
Preventive Maintenance	9
Corrective Maintenance	9
Non-Routine Expenditure	13
R&E – Annuity Funded	14
Corrective Maintenance	15
Other	15
R&E – Non Annuity	15
Annuity Balance	16
Appendix – Total Expenditure by Expense Type	17
Notes	19

Introduction

This annual Performance Report is to provide to SunWater Callide Valley 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

Callide WS		2013	2014	2015	2016	2017	2013 to 2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000
Revenue	3	1,282	1,169	1,535	2,283	2,032	8,301
Less - Routine Expenditure	4 & 7	1,080	1,257	1,008	1,155	1,308	5,808
Less - Non-Routine Expenditure							
• Annuity Funded	5, 6 & 7	530	2,500	1,687	2,056	805	7,578
• Non Annuity Funded	5	-	6	4	6	287	303
Surplus (Deficit)		(329)	(2,594)	(1,164)	(934)	(368)	(5,388)

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 smoothing impact of the renewals annuity. Further information is provided below in each section of this report.

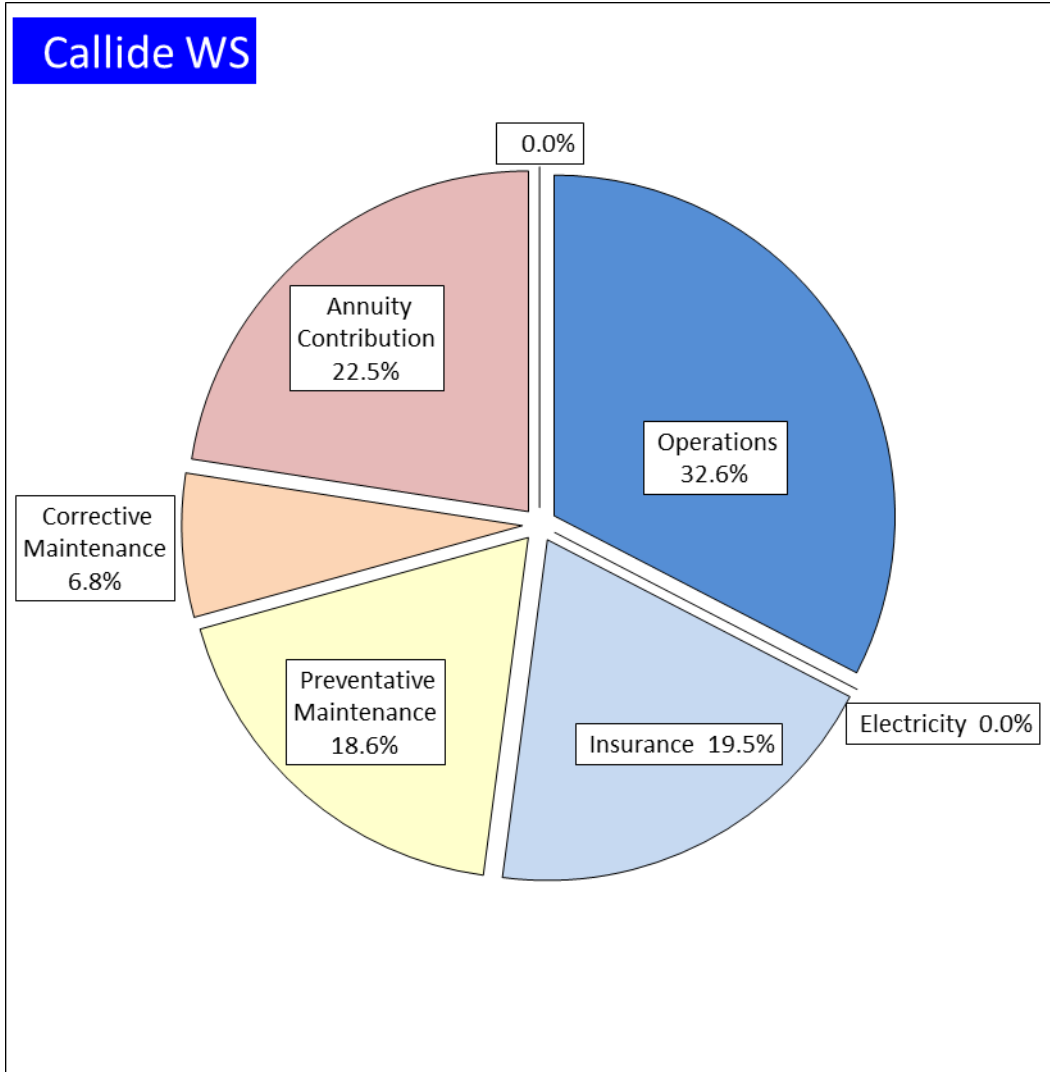


Figure 1: Breakdown of Irrigation Scheme Costs – 2017 Actual

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.

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		3,772	3,772	100	3,440	91
2. Irrigation		13,463	14,223	106	10,319	77
3. Urban		2,207	2,207	100	1,194	54
4. Other		0	0	0	0	0
5. SunWater		7	7	100	0	0
Scheme Total	141	19,449	20,209	104	14,953	77

QCA Assumed Total Water Usage 52.0%

In September 2014 the Department of Natural Resources and Mines completed the amendment to the Fitzroy Basin Resource Operations Plan to include Callide Valley Water Supply Scheme. That process resulted in a reduction in total groundwater allocations from 19,483.9ML down to 14,500ML.

Revenue

Table 3 – Revenue

Callide WS	2013	2014	2015	2016	2017	2013 to 2017
	Actual	Actual	Actual	Actual	Actual	Actual
	\$000	\$000	\$000	\$000	\$000	\$000
Irrigation	243	361	288	304	311	1,507
Industrial	744	522	797	540	1,383	3,986
Urban	236	259	283	316	335	1,429
Irrigation CSO	51	21	-	-	-	72
Revenue Transfers	-	-	-	-	-	-
Drainage	-	-	-	-	-	-
Other	7	6	15	9	4	40
Insurance Proceeds - Flood	-	-	153	1,114	-	1,267
Revenue Total	1,282	1,169	1,535	2,283	2,032	8,301

* 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

Callide WS	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	499	477	(22)	503	496	(7)	413	498	85	450	494	44	551	498	(53)	2,416	2,463	47
Electricity	9	7	(2)	12	7	(4)	5	8	3	-	8	8	-	9	9	25	38	13
Insurance	262	140	(122)	475	143	(332)	307	145	(162)	279	148	(131)	329	150	(179)	1,652	727	(926)
Operations Total	770	624	(146)	989	646	(344)	725	651	(74)	729	650	(79)	880	657	(223)	4,093	3,228	(865)
Preventative Maintenance	264	279	15	216	292	76	256	291	35	343	288	(55)	313	290	(23)	1,393	1,441	48
Corrective Maintenance	46	36	(10)	52	38	(14)	27	38	10	83	37	(46)	115	38	(77)	322	186	(136)
Routine Total	1,080	939	(141)	1,257	975	(282)	1,008	980	(28)	1,155	975	(180)	1,308	985	(323)	5,808	4,855	(953)

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:

- Schedule and deliver water including processing water orders, releasing water, operating pump stations, regulation and monitoring of channel flows and monitoring of customer deliveries;
- Emergency response 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.

¹ Activities listed will not apply to all service contracts.

The operations expenditure was above the QCA target.

- Insurance costs were higher than target;

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

² Activities listed will not apply to all service contracts.

- 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.
- 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.

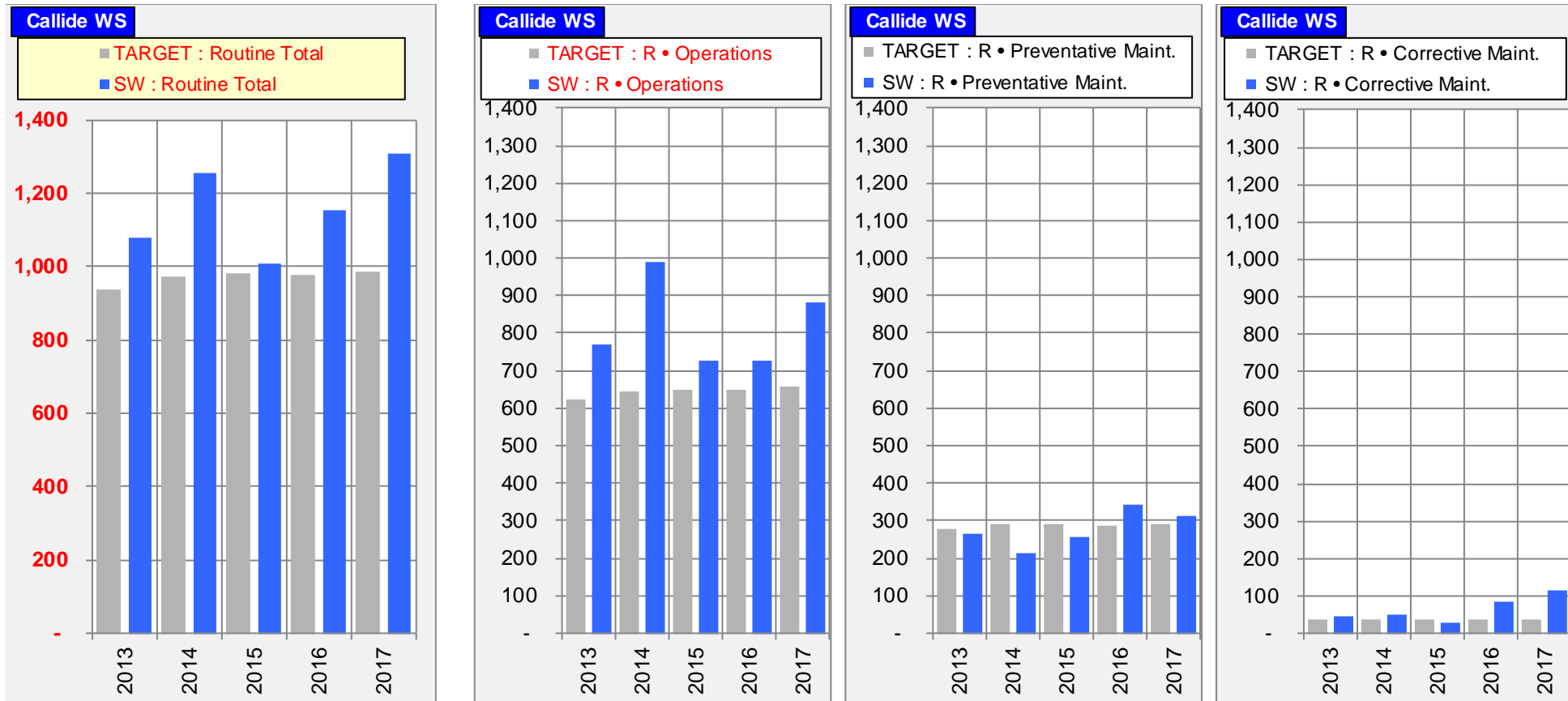
- Emergency corrective maintenance is maintenance that has to be carried out immediately to restore normal operation or supply to customers or to meet regulatory obligations (e.g. rectify a safety hazard) and includes:
 - Repair or correction of pump station faults;
 - Repair or correction of channel 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 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.

Table 5 – Non-Routine Expenditure

Callide WS	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	-	-	-	168	45	(123)	990	-	(990)	724	-	(724)	63	-	(63)	1,944	45	(1,899)
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	437	-	(437)	1,669	-	(1,669)	124	-	(124)	627	-	(627)	2	-	(2)	2,860	-	(2,860)
R&E	93	291	198	662	89	(573)	573	386	(188)	705	231	(474)	740	1,681	941	2,774	2,678	(96)
Non-routine Total	530	291	(239)	2,500	134	(2,365)	1,687	386	(1,302)	2,056	231	(1,825)	805	1,681	876	7,578	2,723	(4,855)
Non Annuity Funded	-			6			4			6			287			303		

R&E – Annuity Funded

The annuity funded R&E Projects undertaken included:

☐ R&E Annuity Funded	17CVA12 Study Callide Dam Operational Review - Callide Dam	347,741
	16CVA03 Review Comprehensive Risk Assessment - Callide Dam	94,701
	16CVA31 Installation Radial Gate Remote Sensing	53,339
	17CVA10 Study: Dam Safety Hydrology and Dam Break Review - Kroombit Dam	46,200
	16CVA06 Replace Siphon Safety Screens 13-18 with Pivoting Finger Screens - Callide Diversion Channel	37,237
	17CVA08 Study: Dam Safety Hydrology and Dam Break Review - Callide Dam	29,400
	17CVA04 Engage Electrician to Update Electrical Drawings - Callide Dam (2015 D/S Rec 10c and 10.d)	28,432
	17CVA05 Replace all Bearings on the Movable Weir's Sheaves for all 6 Gates with Stainless Steel Bearings - Spillway Gates - Callide Dam	26,846
	17CVA03 2 Yearly Condition Assessment - Electrical - Callide (2015 D/S Rec 10.h)	16,454
	17CVA01 Assess the Risk of a Possible Burst Pipe Event & Determine if Further Action is Required - Callide Dam (2015 DS Rec 5.4.10.a)	14,366
	17CVA02 Assess the Risk of a Possible Burst Pipe Event & Determine if Further Action is Required - Callide B (2015 D/S Rec 5.4.11.a)	10,729
	17CVA07 Replace Switchboard Main Valve House (Assess/Scope/Design/Procure - 2017, Install/Commission - 2018) - Callide Dam	9,280
	ADSCOPE-LBC Asset Delivery Scoping - Callide Supply	9,212
	15CVA09 Callide Dam Replace Hoists and Clean Conduit	8,653
	17CVA15 17CVA15 Replace failed meter M26 Fairley	2,874
	17CVA09 2 Yearly Condition Assessment - Electrical - Kroombit Dam	2,869
	17CVA06 Develop Crane Strategy - Callide Supply	2,186
	16CVA36 Callide Creek at 96km # Install staff gauges and PTZ camera	1,171
	16CVA12 Inspection (5 Yearly) - Callide Creek Weir	566
	16CVA04 Study, Review and Assess the Fencing Replacement Strategy - Callide Diversion Channel	80
	14CVA09 Investigate the integrity of the under drainage and several anchors in the slabs which most extremely spalled (D/S rec 5.2.2 2015) and then Refurbish Spillway Floor and Walls - Callide Dam (Remove Spalled Concrete per 2010 DS Recommendation)	0
	BI1142 Transfer of Recreation Area & Fac	-2,105
R&E Annuity Funded Total		740,231

Corrective Maintenance

The annuity funded corrective maintenance projects undertaken included:

☐ Corrective Maintenance	16CVA33 FD01 (2015) Callide Diversion Channel FI	219
	17CVA14 FD01 (2017) Flood Damage Inspection post TC Debbie - Callide Valley	1,464
Corrective Maintenance Total		1,683

Other

The annuity-funded Other projects undertaken included:

☐ Other	15CVA16 Callide Flood Review	8,209
	16CVA35 Create Material & Asset Hierarchy Standard & Task Lists - LBC	54,851
Other Total		63,060

R&E – Non Annuity

The Non-annuity funded R&E Projects undertaken included:

☐ Customer Funded	17CVA11 17CVA11 Install new meter to serve lot 22 RN 348	3,737
	17CVA13 Extend Outlet Snorkel - Callide	283,160
Customer Funded Total		286,897

Annuity Balance

The 2017 annuity balance is shown below.

Table 6 – Annuity Balance

Callide WS		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	(658)	(867)	(3,061)	(4,455)	(5,356)	(658)
Net Spend		(530)	(2,500)	(1,534)	(942)	(805)	(6,311)
Annuity Contribution		371	370	370	374	380	1,866
Interest		(49)	(65)	(229)	(334)	(401)	(1,078)
SunWater - Closing Balance		(867)	(3,061)	(4,455)	(5,356)	(6,182)	(6,182)
QCA - Closing Balance Difference		(221)	(2)	(17)	125	(1,167)	(1,167)
		(646)	(3,060)	(4,438)	(5,481)	(5,016)	(5,016)
Net Spend Analysis							
Spend	5 & 7	(530)	(2,500)	(1,687)	(2,056)	(805)	(7,578)
Insurance Proceeds Receipts							
• Prior Year		-	-	-	-	-	-
• Current Year		-	-	153	1,114	-	1,267
Net Spend		(530)	(2,500)	(1,534)	(942)	(805)	(6,311)

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)**

Callide WS	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	1,282			1,169			1,535			2,283			2,032			8,301		
Routine Spend																		
Operations																		
Labour	159	124	(35)	162	128	(34)	122	132	11	122	137	15	134	141	8	698	663	(35)
Contractors	15	6	(9)	8	6	(1)	29	7	(23)	11	7	(4)	9	7	(2)	71	33	(39)
Materials	9	2	(7)	1	2	0	1	2	0	3	2	(1)	0	2	2	14	8	(6)
Electricity	9	7	(2)	12	7	(4)	5	8	3	-	8	8	-	9	9	25	38	13
Insurance	262	140	(122)	475	143	(332)	307	145	(162)	279	148	(131)	329	150	(179)	1,652	727	(926)
Other	12	57	45	17	58	41	17	59	42	15	60	45	78	61	(17)	139	295	156
Non-directs	304	288	(17)	314	301	(13)	244	298	55	300	289	(11)	331	288	(43)	1,493	1,464	(29)
	770	624	(146)	989	646	(344)	725	651	(74)	729	650	(79)	880	657	(223)	4,093	3,228	(865)
Preventative Maintenance																		
Labour	85	83	(2)	73	85	13	82	88	6	106	91	(15)	109	94	(15)	455	441	(14)
Contractors	6	7	1	6	7	2	8	8	(0)	13	8	(5)	5	8	3	37	38	1
Materials	12	7	(5)	7	7	0	5	8	2	2	8	6	3	8	5	29	38	9
Other	(0)	3	4	2	4	1	8	4	(4)	11	4	(7)	7	4	(3)	28	18	(10)
Non-directs	162	179	17	127	188	61	153	184	32	212	178	(34)	190	177	(13)	844	906	62
	264	279	15	216	292	76	256	291	35	343	288	(55)	313	290	(23)	1,393	1,441	48
Corrective Maintenance																		
Labour	3	10	7	6	10	4	4	10	7	19	11	(9)	21	11	(10)	52	52	(0)
Contractors	30	1	(29)	17	1	(16)	14	1	(13)	5	1	(4)	47	1	(46)	113	5	(108)
Materials	6	2	(4)	15	2	(12)	0	2	2	12	2	(10)	1	2	1	35	11	(24)
Other	0	2	2	2	2	0	2	2	(0)	7	2	(5)	8	2	(6)	19	10	(9)
Non-directs	6	21	15	13	22	10	7	22	15	39	21	(17)	38	21	(17)	103	107	5
	46	36	(10)	52	38	(14)	27	38	10	83	37	(46)	115	38	(77)	322	186	(136)
Routine - total	1,080	939	(141)	1,257	975	(282)	1,008	980	(28)	1,155	975	(180)	1,308	985	(323)	5,808	4,855	(953)
Non-Routine Spend																		
Labour	135	44	(91)	286	25	(261)	335	63	(272)	337	20	(316)	140	127	(13)	1,232	279	(953)
Contractors	94	71	(23)	1,227	32	(1,195)	224	39	(186)	878	19	(859)	286	1,060	774	2,709	1,221	(1,488)
Materials	33	42	9	30	15	(15)	18	88	70	87	19	(68)	24	128	104	191	291	100
Other	43	21	(22)	345	1	(344)	463	12	(451)	3	11	8	93	68	(26)	947	112	(835)
Non-directs	227	114	(112)	612	61	(551)	648	185	(463)	751	161	(590)	263	299	36	2,500	820	(1,680)
Non-Routine - Total	530	291	(239)	2,500	134	(2,365)	1,687	386	(1,302)	2,056	231	(1,825)	805	1,681	876	7,578	2,723	(4,855)
Total Regulated Spend	1,610	1,230	(380)	3,756	1,109	(2,647)	2,695	1,366	(1,330)	3,211	1,206	(2,004)	2,113	2,666	553	13,386	7,578	(5,808)
Non Annuity Funded Spend	-			6			4			6			287			303		
Surplus (Deficit)	(329)			(2,594)			(1,164)			(934)			(368)			(5,388)		

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 following 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

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.