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2017 Annual Performance Report

Mareeba Distribution

October 2017

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Introduction

This annual Performance Report is to provide to SunWater Mareeba Dimbulah 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

Mareeba 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	5,225	6,802	6,197	6,727	5,983	30,934
Less - Routine Expenditure	4 & 7	4,286	4,567	5,123	4,953	4,731	23,660
Less - Non-Routine Expenditure							
• Annuity Funded	5, 6 & 7	471	1,091	544	1,129	902	4,137
• Non Annuity Funded	5	4	9	7	28	27	75
Surplus (Deficit)		465	1,135	522	617	324	3,063

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.

Mareeba IS

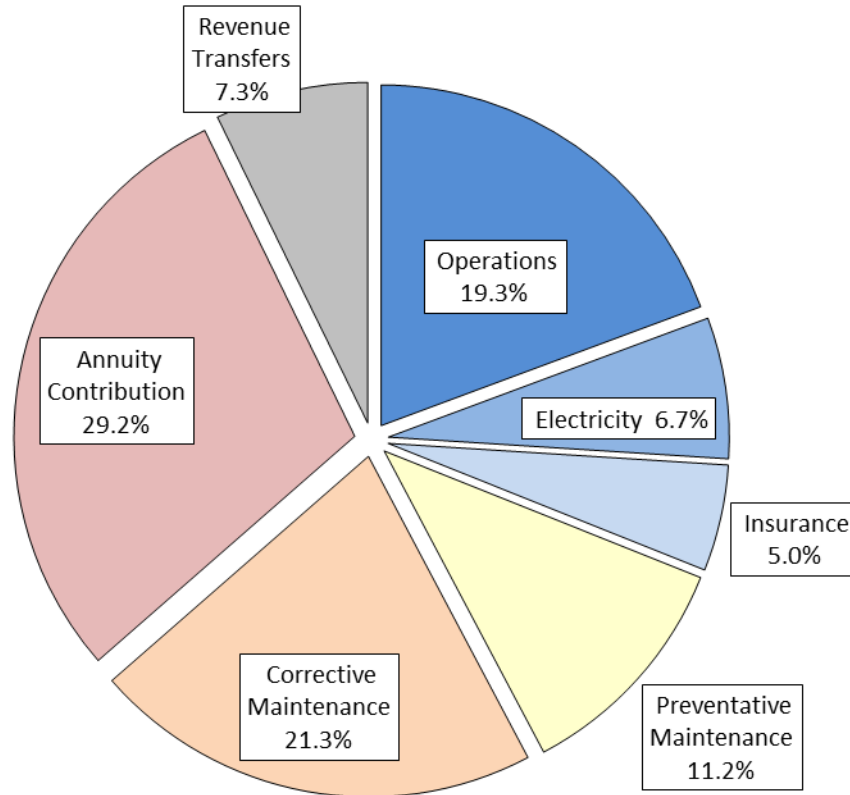


Figure 1: Breakdown of Irrigation Scheme Costs – 2017 Actual

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		1,243	1,129	91	684	55
2. Irrigation		144,538	145,334	101	105,680	73
3. Urban		1,153	563	49	412	36
4. Other		0	0	0	0	0
5. SunWater		45,000	45,000	100	25,308	56
Service Contract Total	1,083	191,934	192,027	100	132,084	69

QCA Assumed Total Water Usage 67.1%
 Total water use is above the QCA target.

Revenue

Table 3 – Revenue

Mareeba IS	2013	2014	2015	2016	2017	2013 to 2017
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000
Irrigation	6,314	6,610	6,126	6,750	5,974	31,774
Industrial	196	171	213	204	239	1,023
Urban	185	191	195	198	199	968
Irrigation CSO	495	332	142	82	66	1,117
Revenue Transfers	(1,989)	(532)	(512)	(537)	(540)	(4,111)
Drainage	-	-	-	-	-	-
Other	23	31	33	30	46	163
Insurance Proceeds - Flood	-	-	-	-	-	-
Revenue Total	5,225	6,802	6,197	6,727	5,983	30,934

* 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

Mareeba 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	1,830	1,571	(259)	1,716	1,617	(99)	1,580	1,653	73	1,576	1,663	87	1,438	1,650	212	8,141	8,155	14
Electricity	424	337	(87)	412	360	(51)	477	386	(91)	508	417	(91)	498	446	(52)	2,318	1,945	(373)
Insurance	406	287	(119)	564	292	(272)	434	297	(137)	391	302	(90)	375	307	(69)	2,170	1,483	(686)
Operations Total	2,660	2,195	(465)	2,692	2,269	(423)	2,490	2,335	(155)	2,475	2,382	(94)	2,312	2,403	91	12,629	11,584	(1,045)
Preventative Maintenance	489	498	9	679	513	(166)	1,030	525	(505)	841	531	(310)	833	529	(303)	3,872	2,597	(1,275)
Corrective Maintenance	1,136	1,373	237	1,197	1,442	245	1,603	1,505	(98)	1,636	1,553	(83)	1,586	1,579	(7)	7,159	7,453	294
Routine Total	4,286	4,067	(219)	4,567	4,224	(344)	5,123	4,366	(757)	4,953	4,465	(487)	4,731	4,511	(219)	23,660	21,633	(2,027)

Operations

Operation activities include the day-to-day costs of the administration and management of the scheme, customer liaison, 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.
- Property Management

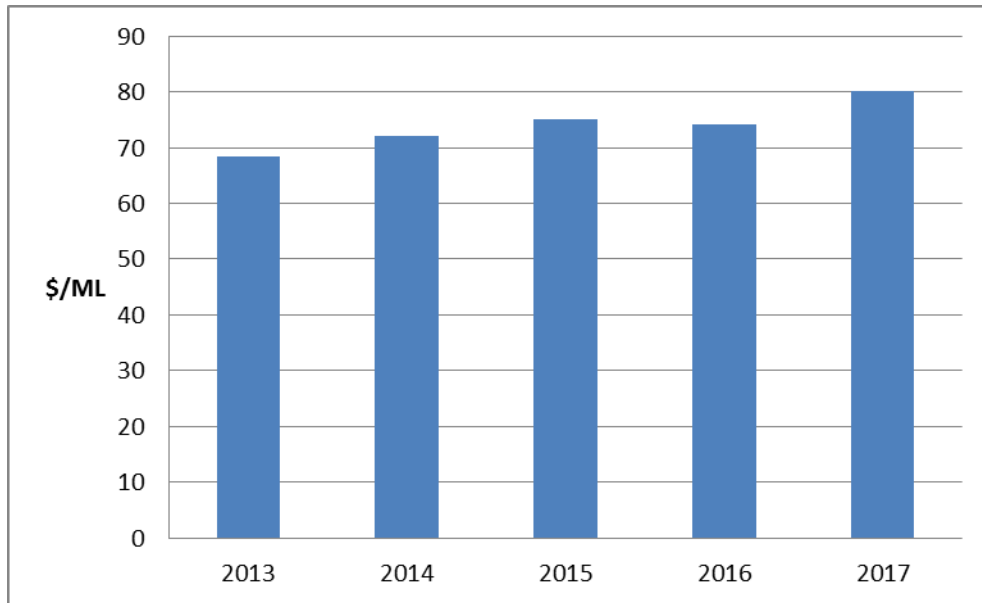
¹ Activities listed will not apply to all service contracts.

- Asset management

The operations expenditure was below the QCA target.

- Insurance costs were higher than target; and
- Electricity costs were above the QCA target.

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;
- Pre-wet season inspections of cross drains and other wet season critical 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;
 - Mechanical weed control of trees
 - Mechanical aquatic weed control such as scraping and chain dragging
 - 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;

² Activities listed will not apply to all service contracts.

- 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:

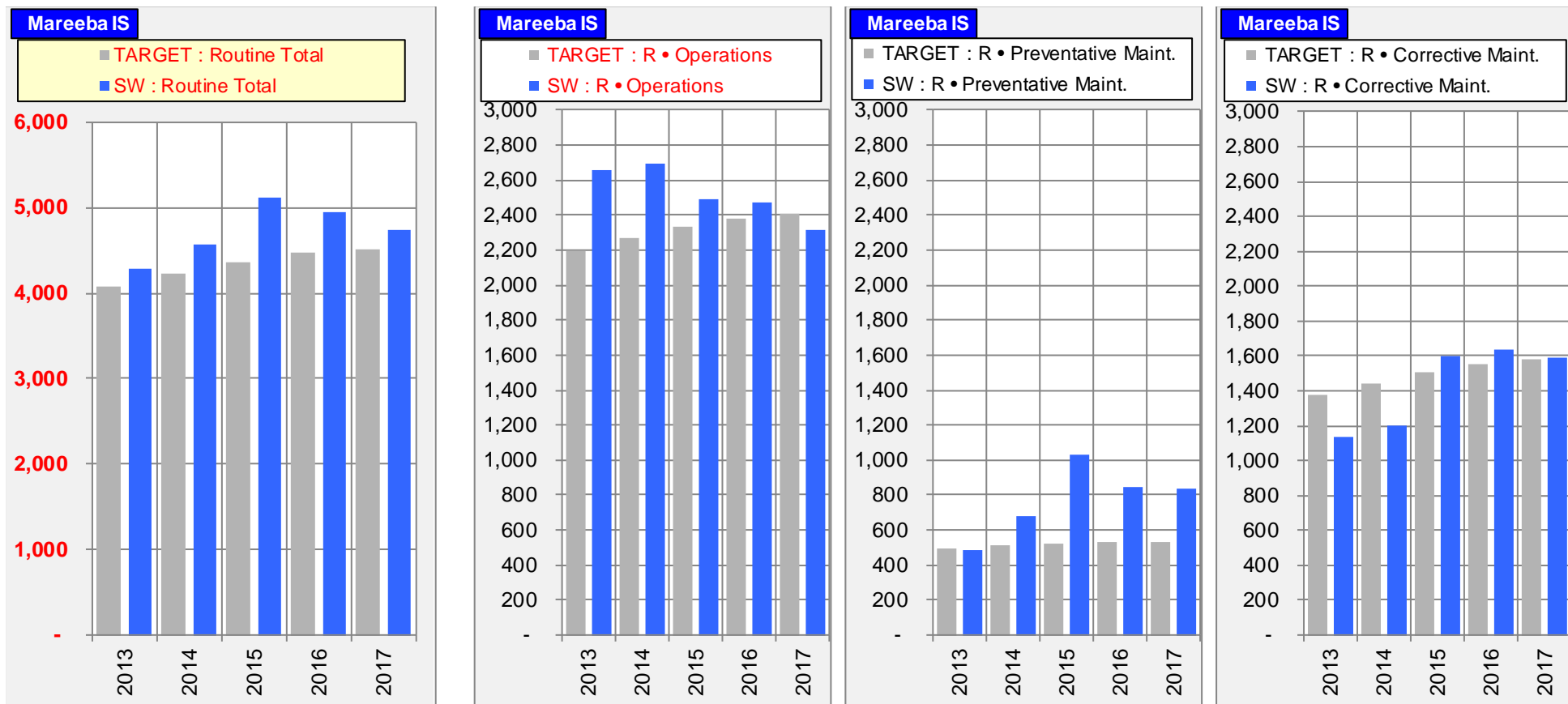
- Repair or correction of pump station faults;
- Repair or correction of channel faults;
- Repair SCADA control system and gate failures;
- Repair or correction of pipeline faults; and
- Response to theft or vandalism associated with scheme assets.

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

Mareeba 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	-	59	59	120	74	(46)	151	-	(151)	68	-	(68)	48	-	(48)	387	133	(254)
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R&E	471	1,141	670	971	1,239	268	393	1,537	1,144	1,060	1,813	752	855	1,546	692	3,749	7,275	3,526
Non-routine Total	471	1,200	729	1,091	1,313	221	544	1,537	993	1,129	1,813	684	902	1,546	644	4,137	7,408	3,272
Non Annuity Funded	<u>4</u>			<u>9</u>			<u>7</u>			<u>28</u>			<u>27</u>			<u>75</u>		

R&E – Annuity Funded

The annuity funded R&E Projects undertaken included:

☐ R&E Annuity Funded	17MDA11 17MDA11 Concrete Lining Refurbishment - Mareeba Channel Systems	200,890
	17MDA21 Replace standpipe at 10705m MMC	73,342
	16MDA12 Investigate & Replace Baulk Gates in Channel Structure at DC29 on West Barron Main Channel	69,588
	17MDA10 Address Overflow Risk - EBMC Splitter Box - East Barron Irrigation EB03	62,070
	16MDA15 Replace Access Bridges (Design 2016 FY) Springs & Cherry Creek	58,371
	16MDA19 Options Analysis - Protective Coating Refurbishment Gorge Ck Siphon	43,221
	15MDA41 Install new air valves M4 & M4 Duplication	39,971
	17MDA22 Replace Safety Screen North Walsh RG03	36,777
	17MDA12 17MDA12 Channel Roads Refurbishment - 30 Year Strategy (Item Ref #11.0)	32,104
	14MDA13 Implement Findings: Strategic Plan for MDWSS I&D SCADA - Stage 2	30,746
	17MDA06 17MDA06 Repair Level Sensors & SCADA - Collins & Leafgold Weirs	28,433
	17MDA15 Replace pump WB10 Pump Station	27,704
	17MDA04 17MDA04 Decommission Lateral EB1B & 1C	26,303
	15MDA43 15MDA43 Install Wforge Covers on Siphons	20,966
	17MDA08 17MDA08 Install shallow angle safety screen - SWMC 47.9K, 48.7K & SW29 75M	17,797
	17MDA07 17MDA07 Install 1 Apco Air Valve and 2 Vents EBMC	17,616
	17MDA05 17MDA05 Reinstate Drainage and Install Temporary V-Notch (refer #1750908) - East Barron BSTR	11,176
	15MDA21 Replace electrical switchboard Biboohra PSTN	10,434
	17MDA26 Install boundary fencing North Walsh drains - Neighbourhood Disputes (Dividing Fences and Trees) Act 2011	10,427
	17MDA13 17MDA13 Refurbish Electric Motor - Paddys Green PSTN Pump Unit 3	9,058
	17MDA09 17MDA09 Replace Safety Screen - M4 Org & Dup	9,009
	17MDA16 Study Options Analysis Bulk Flow meter replacements - Mareeba	4,078
	15MDA18 Development of Maintenance Manual Price Ck B	2,509
	15MDA08 Development of O&M Manual - Price Ck Relift PSTNA	2,493
	17MDA24 17MDA24 REPLACE ISOLATION VALVE O/T 931	2,157
	15MDA13 Review & Update Pump Station O&M Manual for Pump STNA Paddys Green	1,591
	15MDA22 Review & Update Pump Station Operations & Maintenance Manual NWL B	1,591
	15MDA10 Development of Operation and Maintenance Manual - Biboohra PSTN WB10	1,591
	16MDA08 Design and Install Safety Screen CR02 - South Walsh Main Channel	1,052
	13MDA03 Replace Control Gate GT02 - Nardellos Lagoon Balancing Store	655
	17MDA19 Inspect & Assess MSCL pipeline - Price Creek	409
	17MDA18 Inspect & Assess MSCL pipeline - Paddies Green	409
	15MDA44 Replace failed signs MDWSS	-3
R&E Annuity Funded Total		854,535

Corrective Maintenance

There was no expenditure categorised as “Corrective Maintenance”.

Other

The “Annuity-Funded Other” Projects included:

<input type="checkbox"/> Other	14MDA33 Study Copper Sulphate Research Project - West Barron Main Channel	47,620
Other Total		47,620

- Copper sulphate research project: \$68k was spent in 2016 to complete trials and testing to demonstrate a structured and quantified approach to copper sulphate use. The intention is to minimise copper residue in water courses whilst killing algae in the channel system. This is an ongoing project with the objective to obtain a use permit with the APVMA. An extension has been approved by the APVMA until March 2017. Environmental and efficacy (effectiveness) trials are complete unless further requested by the APVMA. The formal application has been sent to APVMA. Ongoing dosing using low dose rates and early detection and intervention data collection ongoing,. Final APVMA assessment response target was May-June 2016 but response has yet to be received. Possible further data may be required pending the post-evaluation response.

R&E – Non Annuity

The Non-annuity funded R&E Projects included:

<input type="checkbox"/> Customer Funded	17MDA25 Construct pipeline protection slab - Kippen Drive	7,478
	15MDA34 Install new offtake EBMC below storage	3,194
	17MDA29 Install New MO No1193 at 2718m on EBMC	2,784
	16MDA22 Install new meter 12207m WBMC Section A	2,588
	16MDA21 Install new offtake 12192m WBMC A Section	2,211
	15MDA35 Upgrade offtake to 150mm	1,967
	17MDA23 Install PRV and AV offtake 344 WB11 pipeline	1,638
	17MDA27 Replace Meter with DN200 Emag Meter - Walsh River MO28	1,556
	16MDA27 Upgrade offtake to EM meter 803	901
	17MDA30 Install New Temporary River Type MO at Granite Creek Farm 1194 - WBMC Sect. B	820
	16MDA24 Install new offtake Two Mile Creek - R 1189	796
	16MDA25 Install PRV, AV and modify delivery	426
	16MDA26 Install PRV & Air Valve	164
Customer Funded Total		26,523

Annuity Balance

The 2017 annuity balance is shown below.

Table 6 – Annuity Balance

Mareeba 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	(587)	660	1,507	2,981	4,016	(587)
Net Spend		(471)	(1,091)	(544)	(1,129)	(902)	(4,137)
Annuity Contribution		1,761	1,889	1,905	1,940	2,171	9,666
Interest		(44)	49	113	223	301	642
SunWater - Closing Balance		660	1,507	2,981	4,016	5,585	5,585
QCA - Closing Balance	983	1,633	2,124	2,410	3,215	3,215	
Difference		(323)	(126)	858	1,606	2,371	2,371
Net Spend Analysis							
Spend	5 & 7	(471)	(1,091)	(544)	(1,129)	(902)	(4,137)
Insurance Proceeds Receipts							
• Prior Year		-	-	-	-	-	-
• Current Year		-	-	-	-	-	-
Net Spend		(471)	(1,091)	(544)	(1,129)	(902)	(4,137)

Appendix – Total Expenditure by Expense Type

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

Mareeba 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	5,225			6,802			6,197			6,727			5,983			30,934		
Routine Spend																		
Operations																		
Labour	666	557	(109)	601	575	(26)	539	594	55	551	613	62	506	632	126	2,863	2,972	108
Contractors	1	6	5	1	6	4	7	6	(1)	3	6	3	10	6	(3)	21	30	8
Materials	13	9	(4)	4	9	5	2	10	8	6	10	4	1	10	9	26	47	21
Electricity	424	337	(87)	412	360	(51)	477	386	(91)	508	417	(91)	498	446	(52)	2,318	1,945	(373)
Insurance	406	287	(119)	564	292	(272)	434	297	(137)	391	302	(90)	375	307	(69)	2,170	1,483	(686)
Other	40	72	32	98	73	(25)	103	75	(28)	67	76	9	88	77	(11)	397	373	(23)
Non-directs	1,110	927	(183)	1,012	953	(59)	929	969	40	948	959	10	833	924	91	4,833	4,732	(100)
	2,660	2,195	(465)	2,692	2,269	(423)	2,490	2,335	(155)	2,475	2,382	(94)	2,312	2,403	91	12,629	11,584	(1,045)
Preventative Maintenance																		
Labour	204	149	(56)	229	153	(76)	312	158	(153)	258	163	(95)	251	169	(82)	1,254	792	(462)
Contractors	110	15	(94)	127	16	(111)	111	16	(94)	91	17	(74)	104	17	(87)	543	82	(461)
Materials	65	41	(23)	107	43	(64)	33	44	11	25	45	21	34	46	13	263	220	(43)
Other	1	56	55	3	58	55	48	60	12	28	62	34	34	63	29	114	300	185
Non-directs	110	236	127	212	243	31	527	247	(281)	439	243	(195)	410	234	(176)	1,698	1,203	(494)
	489	498	9	679	513	(166)	1,030	525	(505)	841	531	(310)	833	529	(303)	3,872	2,597	(1,275)
Corrective Maintenance																		
Labour	266	354	87	305	376	71	411	399	(13)	424	423	(2)	414	448	33	1,821	1,998	177
Contractors	58	31	(27)	30	32	2	84	33	(51)	104	34	(70)	74	34	(40)	350	163	(186)
Materials	348	241	(107)	345	249	(96)	328	257	(72)	303	265	(38)	336	269	(66)	1,660	1,280	(380)
Other	4	176	172	6	182	176	65	187	122	69	193	124	76	197	121	219	935	716
Non-directs	459	572	113	512	604	92	715	630	(85)	735	638	(97)	686	631	(55)	3,108	3,075	(33)
	1,136	1,373	237	1,197	1,442	245	1,603	1,505	(98)	1,636	1,553	(83)	1,586	1,579	(7)	7,159	7,453	294
Routine - total	4,286	4,067	(219)	4,567	4,224	(344)	5,123	4,366	(757)	4,953	4,465	(487)	4,731	4,511	(219)	23,660	21,633	(2,027)
Non-Routine Spend																		
Labour	57	128	71	158	146	(13)	158	182	24	196	229	33	201	287	86	771	972	201
Contractors	256	570	314	583	605	22	13	666	654	507	747	239	176	303	128	1,535	2,891	1,356
Materials	50	141	91	58	159	101	69	199	129	50	249	199	157	303	146	385	1,051	666
Other	2	77	75	11	87	77	31	108	78	15	136	120	29	165	137	88	574	486
Non-directs	105	284	179	282	316	34	273	381	108	359	452	92	340	488	148	1,358	1,920	562
Non-Routine - Total	471	1,200	729	1,091	1,313	221	544	1,537	993	1,129	1,813	684	902	1,546	644	4,137	7,408	3,272
Total Regulated Spend	4,757	5,266	510	5,659	5,536	(122)	5,667	5,903	236	6,081	6,278	197	5,633	6,058	425	27,797	29,041	1,245
Non Annuity Funded Spend	4			9			7			28			27			75		
Surplus (Deficit)	465			1,135			522			617			324			3,063		

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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