

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

Upper Condamine 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 Upper Condamine 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

Financial Summary

Table 1 – Operating Revenue Less Spend

| Upper Condamine 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 | 2,140 | 2,094 | 2,165 | 2,416 | 2,729 | 11,544 |
| Less - Routine Expenditure | 4 & 7 | 1,047 | 1,020 | 976 | 1,155 | 1,321 | 5,518 |
| Less - Non-Routine Expenditure | | | | | | | |
| • Annuity Funded | 5, 6 & 7 | 123 | 212 | 218 | 621 | 840 | 2,015 |
| • Non Annuity Funded | 5 | - | - | - | - | - | - |
| Surplus (Deficit) | | 971 | 862 | 971 | 640 | 567 | 4,011 |

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.

Upper Condamine WS

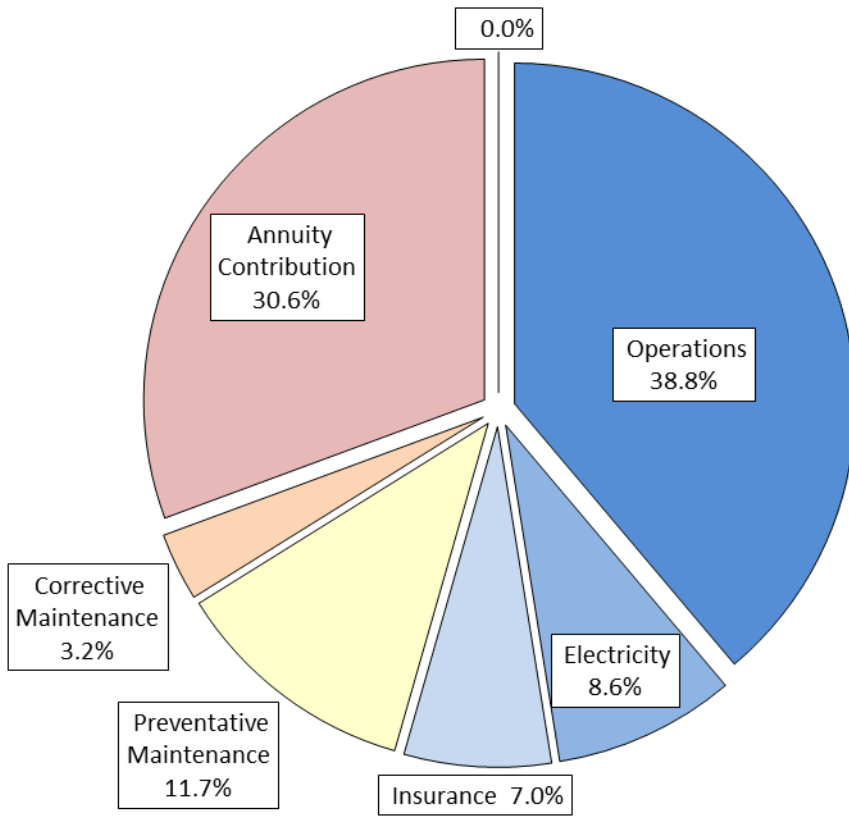


Figure 1: Breakdown of Irrigation Scheme Costs – 2017 Actual

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 | | 0 | 0 | 0 | 0 | 0 |
| 2. Irrigation | | 30,363 | 18,344 | 60 | 17,919 | 59 |
| 3. Urban | | 3,332 | 3,332 | 100 | 1,999 | 60 |
| 4. Other | | 4 | 4 | 100 | 2 | 64 |
| 5. SunWater | | 261 | 463 | 177 | 275 | 105 |
| Scheme Total | 91 | 33,960 | 22,143 | 65 | 20,195 | 59 |

QCA Assumed Total Water Usage 54.1%
 Water deliveries for the Upper Condamine included Allocation and Risk A Water

Revenue

Table 3 – Revenue

| Upper Condamine WS | 2013 | 2014 | 2015 | 2016 | 2017 | 2013 to 2017 |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Actual \$000 | Actual \$000 | Actual \$000 | Actual \$000 | Actual \$000 | Actual \$000 |
| Irrigation | 1,155 | 1,076 | 951 | 1,040 | 1,190 | 5,412 |
| Industrial | 17 | 33 | 10 | - | - | 60 |
| Urban | 929 | 975 | 1,128 | 1,322 | 1,538 | 5,892 |
| Irrigation CSO | 30 | 2 | - | - | - | 32 |
| Revenue Transfers | - | - | - | - | - | - |
| Drainage | - | - | - | - | - | - |
| Other | 10 | 7 | 0 | 2 | - | 20 |
| Insurance Proceeds - Flood | - | - | 76 | 53 | - | 129 |
| Revenue Total | 2,140 | 2,094 | 2,165 | 2,416 | 2,729 | 11,544 |

Routine Expenditure

Table 4 – Routine Operating Expenditure

| Upper Condamine 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 | 597 | 638 | 41 | 466 | 667 | 201 | 490 | 667 | 177 | 691 | 662 | (29) | 740 | 668 | (72) | 2,984 | 3,302 | 317 |
| Electricity | 104 | 64 | (40) | 80 | 69 | (12) | 79 | 73 | (5) | 81 | 79 | (2) | 164 | 85 | (79) | 509 | 370 | (138) |
| Insurance | 129 | 69 | (60) | 234 | 70 | (163) | 166 | 72 | (94) | 149 | 73 | (77) | 133 | 74 | (59) | 811 | 358 | (453) |
| Operations Total | 831 | 771 | (59) | 780 | 806 | 26 | 734 | 812 | 77 | 922 | 815 | (107) | 1,037 | 827 | (210) | 4,304 | 4,030 | (274) |
| Preventative Maintenance | 155 | 176 | 21 | 228 | 184 | (44) | 211 | 184 | (27) | 184 | 182 | (2) | 223 | 183 | (40) | 1,001 | 908 | (93) |
| Corrective Maintenance | 61 | 73 | 12 | 11 | 76 | 64 | 30 | 76 | 46 | 49 | 76 | 28 | 62 | 77 | 16 | 213 | 378 | 165 |
| Routine Total | 1,047 | 1,020 | (27) | 1,020 | 1,066 | 46 | 976 | 1,072 | 96 | 1,155 | 1,073 | (82) | 1,321 | 1,087 | (234) | 5,518 | 5,317 | (201) |

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 was above the QCA target.

- Insurance costs were higher than target;
- Electricity 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:

² Activities listed will not apply to all service contracts.

- 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;
 - 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

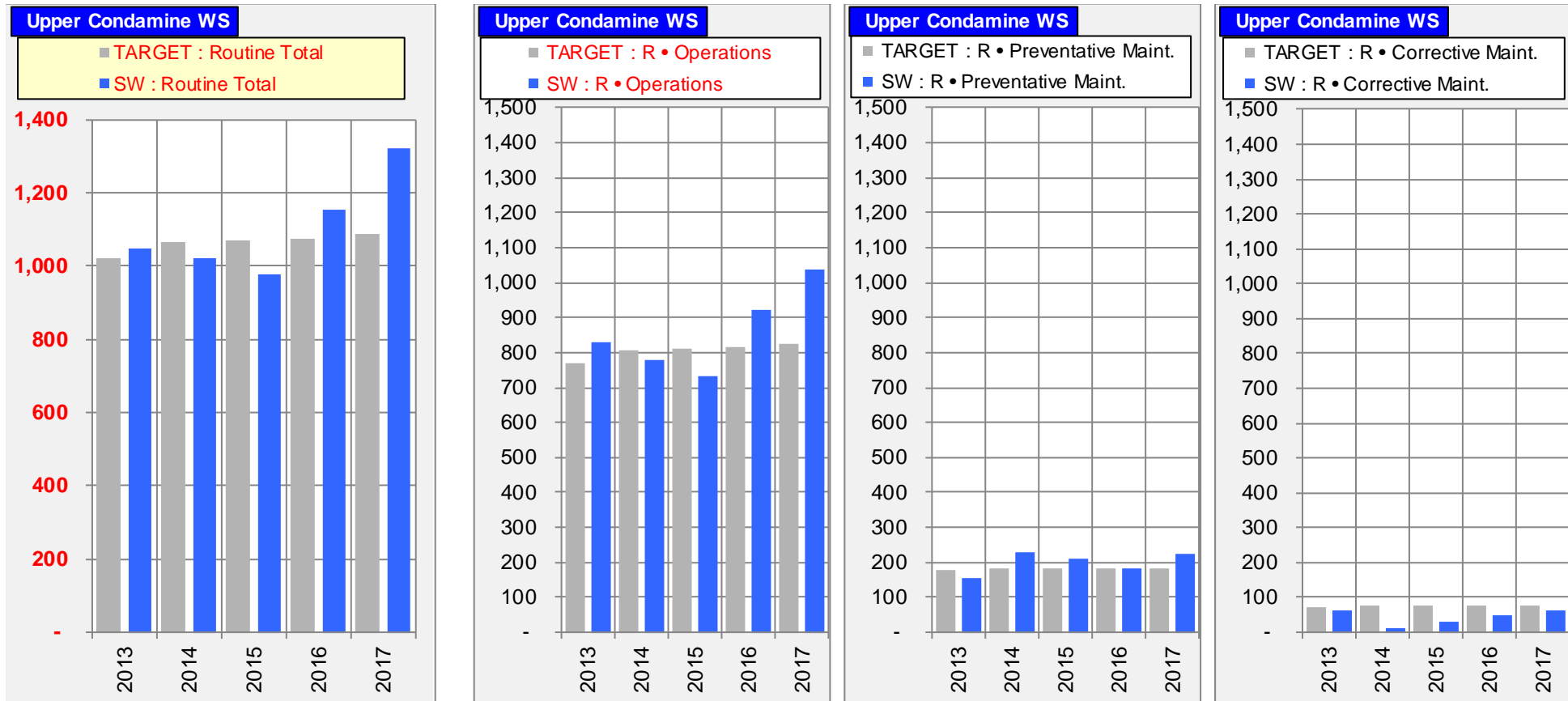
- Repair customer meters.
- Emergency corrective maintenance is maintenance that has to be carried out immediately to restore normal operation or supply to customers or to meet regulatory obligations (e.g. rectify a safety hazard) and includes:
 - Repair or correction of pump station faults;
 - Repair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

Corrective maintenance was below 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

| Upper Condamine 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 | - | - | - | - | - | - | - | - | - | 5 | - | (5) | 34 | - | (34) | 39 | - | (39) |
| Preventative Maintenance | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Corrective Maintenance (Flood) | 80 | - | (80) | 20 | - | (20) | - | - | - | - | - | - | 3 | - | (3) | 103 | - | (103) |
| R&E | 43 | 235 | 192 | 192 | 381 | 189 | 218 | 357 | 138 | 617 | 629 | 13 | 803 | 861 | 58 | 1,872 | 2,462 | 590 |
| Non-routine Total | 123 | 235 | 112 | 212 | 381 | 169 | 218 | 357 | 138 | 621 | 629 | 8 | 840 | 861 | 20 | 2,015 | 2,462 | 447 |
| Non Annuity Funded | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

R&E – Annuity Funded

The annuity funded R&E Projects undertaken included:

| | | |
|-------------------------------------|--|----------------|
| R&E Annuity Funded | 15UCO09 Yarramalong PSTN - Refurbishment of the Rising Main Pipeline | 185,156 |
| | 16UCO20 Leslie Dam - Refurbish 5 sets of RAM's (Gate 1 - 5) | 123,079 |
| | 16UCO16 Yarramalong Pump Station - Refurbish Pump 1, 2 and 3 | 116,249 |
| | 17UCO18 Leslie Dam - Replacement of Emergency Battery System | 102,488 |
| | 17UCO11 Leslie Dam - Dam Safety Hydrology & Dam Break Review | 48,825 |
| | 16UCO08 Address Safety Issues (Lights) on Dam Crest - Leslie Dam | 40,120 |
| | 17UCO09 Update O&M Manual & SOPs - Leslie Dam | 39,132 |
| | 17UCO06 Leslie Dam - Design, Supply & Certify Hydraulic Lifting Device for Safe Removal of Hydraulic Rams | 23,774 |
| | 17UCO21 Refurbish the crane by replacing the drive motors and worm gearbox's. | 23,485 |
| | 17UCO16 Talgai Weir Gauging Station 422340A - Relocate Gauging Station | 19,978 |
| | 17UCO17 Lemon Tree Weir Gauging Station - Relocate Gauging Station | 18,185 |
| | 15UCO01 Leslie Dam - Leslie Dam - Hand over the Town Water Supply Treatment Facility . | 14,225 |
| | 17UCO14 Yarramalong PSTN - Replace Actuators for Siphon Valves 1 & 2 | 11,892 |
| | 17UCO02 Leslie Dam - Remove Bypass & Filling Line Pipework & Understake Outlet Works Refurbishment | 11,038 |
| | ADSCOPE-IBU Asset Delivery Scoping - Upper Condamine Supply | 9,828 |
| | 17UCO05 Leslie Dam - Replace Wooden Trays with Galvanised Steel Racks/Shelving for Core Storage | 9,267 |
| | 17UCO04 Leslie Dam - Refurbish/Replace Town Water Inlet Screen | 8,269 |
| | 17UCO08 Upgrade Computer/Control Operating Platform from XP to Windows 7 - Leslie Dam | 2,215 |
| | 17UCO15 North Branch - Reprofile Channel | 388 |
| | 17UCO07 Leslie Dam - Purchase Hydraulic Lifters for Safe Removal of Conduit Manhole Cover | 0 |
| | 16UCO07 Leslie Dam: Refurbish Gantry 12.5T Spillway Crane | -4,809 |
| R&E Annuity Funded Total | | 802,784 |

Corrective Maintenance

The corrective maintenance projects undertaken were:

| | | |
|-------------------------------------|---|--------------|
| Corrective Maintenance | 17UCO20 FD01 (2017) Flood Damage Inspection post TC Debbie - Upper Condamine North Branch | 2,330 |
| | 17UCO22 FD01 (2017) Flood Damage Inspection post TC Debbie - Upper Condamine River | 1,072 |
| Corrective Maintenance Total | | 3,402 |

Other

There was one project categorised as "Annuity-funded Other".

| | | |
|--------------------|---|---------------|
| Other | 16UCO19 Create Material & Asset Hierarchy Standard & Task Lists - IBU | 34,292 |
| Other Total | | 34,292 |

R&E – Non Annuity

There was no expenditure categorised as "Non Annuity".

Annuity Balance

The 2017 annuity balance is shown below.

Table 6 – Annuity Balance

| Upper Condamine 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 | (1,505) | (1,196) | (948) | (560) | (593) | (1,505) |
| Net Spend | | (123) | (212) | (98) | (568) | (840) | (1,841) |
| Annuity Contribution | | 545 | 549 | 556 | 578 | 583 | 2,811 |
| Interest | | (113) | (90) | (71) | (42) | (44) | (360) |
| SunWater - Closing Balance | | (1,196) | (948) | (560) | (593) | (895) | (895) |
| QCA - Closing Balance | | (818) | (711) | (564) | (658) | (985) | (985) |
| Difference | | (378) | (238) | 4 | 65 | 90 | 90 |
| Net Spend Analysis | | | | | | | |
| Spend | 5 & 7 | (123) | (212) | (218) | (621) | (840) | (2,015) |
| Insurance Proceeds Receipts | | | | | | | |
| • Prior Year | | - | - | 44 | - | - | 44 |
| • Current Year | | - | - | 76 | 53 | - | 129 |
| Net Spend | | (123) | (212) | (98) | (568) | (840) | (1,841) |
| | | | | | | | |

Appendix – Total Expenditure by Expense Type

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

| Upper Condamine 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 | 2,140 | | | 2,094 | | | 2,165 | | | 2,416 | | | 2,729 | | | 11,544 | | |
| Routine Spend | | | | | | | | | | | | | | | | | | |
| Operations | | | | | | | | | | | | | | | | | | |
| Labour | 194 | 181 | (13) | 148 | 186 | 38 | 148 | 192 | 44 | 199 | 198 | (0) | 220 | 205 | (15) | 909 | 962 | 54 |
| Contractors | 9 | 17 | 9 | 9 | 18 | 8 | 28 | 19 | (9) | 22 | 19 | (3) | 12 | 19 | 7 | 80 | 93 | 12 |
| Materials | 6 | 9 | 2 | 10 | 9 | (1) | 3 | 9 | 6 | 4 | 10 | 6 | 3 | 10 | 7 | 27 | 46 | 19 |
| Electricity | 104 | 64 | (40) | 80 | 69 | (12) | 79 | 73 | (5) | 81 | 79 | (2) | 164 | 85 | (79) | 509 | 370 | (138) |
| Insurance | 129 | 69 | (60) | 234 | 70 | (163) | 166 | 72 | (94) | 149 | 73 | (77) | 133 | 74 | (59) | 811 | 358 | (453) |
| Other | 17 | 34 | 18 | 23 | 35 | 12 | 25 | 36 | 10 | 38 | 36 | (2) | 73 | 37 | (36) | 175 | 178 | 2 |
| Non-directs | 372 | 397 | 26 | 275 | 419 | 143 | 285 | 411 | 126 | 429 | 399 | (30) | 432 | 397 | (35) | 1,793 | 2,023 | 230 |
| | 831 | 771 | (59) | 780 | 806 | 26 | 734 | 812 | 77 | 922 | 815 | (107) | 1,037 | 827 | (210) | 4,304 | 4,030 | (274) |
| Preventative Maintenance | | | | | | | | | | | | | | | | | | |
| Labour | 53 | 55 | 2 | 67 | 57 | (10) | 64 | 59 | (5) | 56 | 61 | 5 | 74 | 63 | (11) | 314 | 295 | (19) |
| Contractors | 3 | 1 | (2) | 29 | 1 | (28) | 9 | 1 | (8) | 9 | 1 | (8) | 14 | 1 | (13) | 64 | 5 | (58) |
| Materials | 4 | 3 | (1) | 8 | 3 | (5) | 7 | 3 | (4) | 2 | 3 | 1 | 1 | 3 | 2 | 22 | 16 | (6) |
| Other | 1 | - | (1) | 4 | - | (4) | 11 | - | (11) | 2 | - | (2) | 7 | - | (7) | 26 | - | (26) |
| Non-directs | 94 | 117 | 22 | 120 | 123 | 3 | 120 | 120 | 1 | 115 | 116 | 2 | 127 | 115 | (11) | 575 | 592 | 16 |
| | 155 | 176 | 21 | 228 | 184 | (44) | 211 | 184 | (27) | 184 | 182 | (2) | 223 | 183 | (40) | 1,001 | 908 | (93) |
| Corrective Maintenance | | | | | | | | | | | | | | | | | | |
| Labour | 17 | 15 | (2) | 3 | 16 | 13 | 7 | 16 | 10 | 2 | 17 | 15 | 9 | 17 | 8 | 38 | 82 | 44 |
| Contractors | 2 | 10 | 8 | 0 | 11 | 10 | 5 | 11 | 6 | 26 | 11 | (15) | 18 | 11 | (6) | 52 | 54 | 3 |
| Materials | 7 | 10 | 3 | 1 | 11 | 10 | 5 | 11 | 6 | 14 | 11 | (2) | 16 | 11 | (5) | 43 | 54 | 12 |
| Other | 0 | 3 | 3 | 1 | 3 | 2 | 1 | 3 | 3 | 1 | 3 | 3 | 1 | 3 | 2 | 4 | 16 | 12 |
| Non-directs | 34 | 34 | (1) | 6 | 35 | 30 | 13 | 35 | 22 | 6 | 34 | 27 | 17 | 33 | 16 | 76 | 171 | 95 |
| | 61 | 73 | 12 | 11 | 76 | 64 | 30 | 76 | 46 | 49 | 76 | 28 | 62 | 77 | 16 | 213 | 378 | 165 |
| Routine - total | 1,047 | 1,020 | (27) | 1,020 | 1,066 | 46 | 976 | 1,072 | 96 | 1,155 | 1,073 | (82) | 1,321 | 1,087 | (234) | 5,518 | 5,317 | (201) |
| Non-Routine Spend | | | | | | | | | | | | | | | | | | |
| Labour | 15 | 32 | 18 | 55 | 60 | 5 | 42 | 53 | 10 | 99 | 97 | (2) | 87 | 144 | 57 | 298 | 386 | 88 |
| Contractors | 34 | 62 | 29 | 18 | 77 | 59 | 59 | 54 | (6) | 232 | 132 | (100) | 539 | 150 | (388) | 881 | 475 | (406) |
| Materials | 41 | 49 | 7 | 35 | 68 | 32 | 33 | 59 | 26 | 22 | 117 | 95 | 12 | 160 | 148 | 143 | 452 | 309 |
| Other | 2 | 3 | 1 | 6 | 15 | 10 | 1 | 56 | 55 | 52 | 51 | (1) | 23 | 82 | 58 | 85 | 208 | 124 |
| Non-directs | 31 | 88 | 57 | 98 | 161 | 62 | 83 | 135 | 52 | 216 | 232 | 16 | 180 | 324 | 145 | 608 | 940 | 332 |
| Non-Routine - Total | 123 | 235 | 112 | 212 | 381 | 169 | 218 | 357 | 138 | 621 | 629 | 8 | 840 | 861 | 20 | 2,015 | 2,462 | 447 |
| Total Regulated Spend | 1,169 | 1,255 | 85 | 1,232 | 1,446 | 215 | 1,194 | 1,428 | 234 | 1,776 | 1,702 | (74) | 2,162 | 1,947 | (214) | 7,533 | 7,779 | 246 |
| Non Annuity Funded Spend | - | | | - | | | - | | | - | | | - | | | - | | |
| Surplus (Deficit) | 971 | | | 862 | | | 971 | | | 640 | | | 567 | | | 4,011 | | |

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

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.