



2018/19 to 2023/24 Network Service Plan

# Callide Valley Bulk Water Service Contract

31 July 2018

Final

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### Disclaimer

This Network Service Plan (NSP) has been prepared by SunWater to provide indicative information to our customers for the purpose of consultation. It contains estimates and forecasts which are based upon a number of assumptions. The actual financial performance of the Service Contract to which this NSP relates, and the operations and activities actually undertaken by SunWater during the relevant periods, may vary materially from the information contained in this NSP. This NSP should not be relied upon beyond its purpose as a tool for consultation and you should not rely on the information contained in this NSP in making decisions about your circumstances. SunWater will not be responsible or liable for any loss (including consequential loss), claim or damage (including in tort) that is in any way connected with the use of this NSP or the information contained within it.

## Our plan for Callide Valley

We’re focused on reliability, efficiency and safety, ensuring through ongoing consultation that the Callide Valley Bulk Water Service Contract continues to meet the needs and expectations of our diverse customer base.

In this Network Service Plan (NSP) we outline a range of proposed immediate refurbishment and longer-term improvement projects, and provide a detailed breakdown of anticipated costs for review.

Over the coming years major works that have been identified for this Service Contract include replacement of ageing customer flow meters to ensure accurate flow metering and projects focused on dam safety requirements. Other major projects include infrastructure upgrades and replacements, particularly for electrical componentry that is reaching its replacement date. These replacements are to enable safe, efficient and reliable operation into the future.

It is important to us that our customers are consulted in making important decisions. We welcome and encourage your feedback on this NSP, and look forward to working with you to deliver the programs of work.



**Robert Lewis**  
General Manager Central

# 1. Introduction

A Network Service Plan details a range of proposed immediate and longer-term improvement projects, and provides a detailed breakdown of anticipated costs for review.

NSPs are an important part of our asset management framework, feeding into our strategic asset management and corporate strategic plans, as illustrated in **Appendix 1**.

The purpose of this year’s NSP is twofold:

1. to consult with customers on routine and non-routine expenditure throughout the coming financial year
2. to present to customers SunWater’s projected efficient costs for the six year period from 2018/19 to 2023/24.

In particular, the NSP covers:

- past performance for routine and non-routine expenditure
- forecast routine and non-routine expenditure for 2018/19 to 2023/24
- the long-term outlook for material non-routine expenditure.

In this NSP, the focus of consultation was the draft budget figures for 2018/19 and thereafter. We have retained prior year actual results in **Appendix 2** for reference, as requested by customers.

Input from customers is a valuable part of SunWater’s planning processes and ensures that we invest in areas which support the services we provide to customers. Figure 1 below shows how SunWater and customers work together in relation to NSPs. SunWater has consulted with the Irrigator Advisory Committee (IAC) on the draft NSP and feedback from the Committee has been considered and incorporated where appropriate.

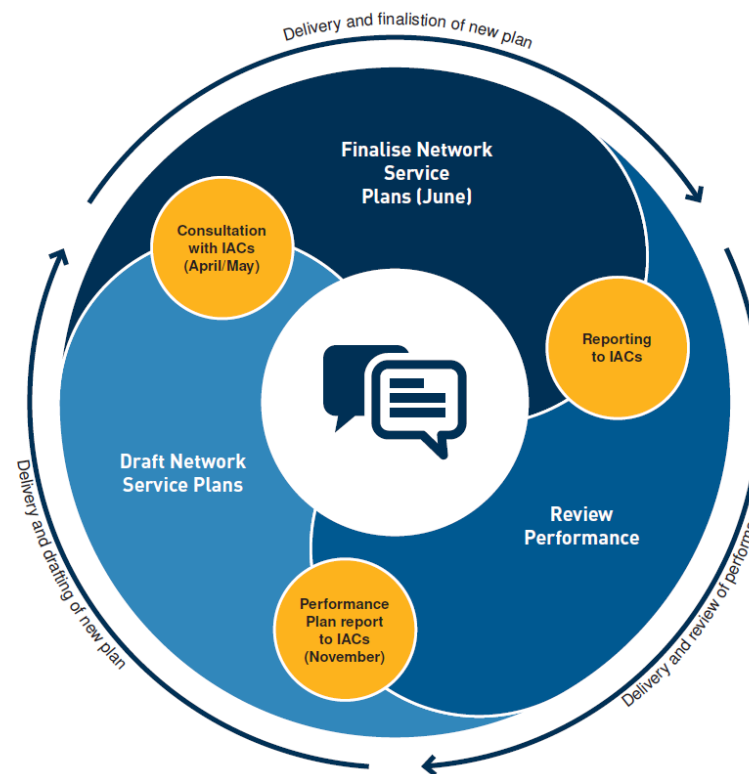
To have your say and shape future NSPs, please contact us via email or post:

Email: [nspfeedback@sunwater.com.au](mailto:nspfeedback@sunwater.com.au)

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

We consider and respond to all submissions, publishing all responses on our website.

**Figure 1: Customer consultation and Network Service Plans**



## 2. Delivering services to customers

At SunWater we are committed to working collaboratively with our customers to deliver value and fit-for-purpose water solutions. SunWater’s Customer Service Commitment can be viewed at: [www.sunwater.com.au](http://www.sunwater.com.au)

### 2.1 Our customers

The majority of our 141 customers in this Service Contract are irrigators of agriculture including dairy, winter and summer cereal cropping, and lucerne. Water is also supplied to township of Biloela and industrial users, including the Callide Power Station.

The water entitlements for each customer segment are shown in Table 1.

**Table 1: Water entitlement and usage data**

Customer Segment	Total Water Entitlements (ML)	High-A Priority Water Entitlements (ML)	High-B Priority Water Entitlements (ML)	Medium Priority Water Entitlements (ML)	Risk Priority Water Entitlements (ML)	Water Deliveries 2016/17 (ML)
Irrigation	13,463	0	79	12,870	514	10,319
Urban	2207	1220	987	0	0	1194
Industrial	3772	3084	0	688	0	3440
SunWater	7	7	0	0	0	0
<b>Total</b>	<b>19,449</b>	<b>4311</b>	<b>1066</b>	<b>13,558</b>	<b>514</b>	<b>14,953</b>

The 2018/19 charges and cost per megalitre are shown in Table 2. The Callide Valley Bulk Water Service Contract is not expected to fully recover irrigation’s share of costs.

**Table 2: Irrigation charges for 2018/19**

Product		2018/19 (\$/ML)	Cost (\$/ML) <sup>1,2,3</sup>	Subsidy (\$/ML)
<b>Medium Priority Allocation Charge</b>	Bulk Water Charge – Part A (fixed charge based upon entitlement)	18.05	54.20	36.15
<b>Medium Priority Allocation Water</b>	Bulk Water Charge – Part B (variable charge based upon usage)	8.62	13.02	4.40

1. Costs reflect lower bound cost recovery ie recovery of future replacement and ongoing maintenance and operations. Charges do not allow for any returns on existing assets.

2. The notional High Priority Allocation Charge cost per megalitre is \$251.93.

3. Costs reflect a revised Medium Priority Headworks Utilisation Factor of 27 per cent (previously 10 per cent).

## 2.2 Service targets

SunWater and customers have agreed Water Supply Arrangements and Service Targets for the Callide Valley Bulk Water Service Contract.

Table 3 below sets out our performance in 2016/17 against the service targets for: issuing notification of planned shutdowns; the duration of unplanned shutdowns; and the frequency of interruptions to supply.

In addition, SunWater will be setting targets for the time it takes to resolve complaints and will be able to report our performance against these targets in future NSPs.

**Table 3: Service targets and performance**

Service target		Target	Number of exceptions 2016/17
Planned shutdowns – notification	For shutdowns planned to exceed 2 weeks	8 weeks	0
	For shutdowns planned to exceed 3 days	2 weeks	0
	For shutdowns planned to be less than 3 days	5 days	0
Unplanned shutdowns – duration <sup>1</sup>	Unplanned shutdowns during Peak Demand Period	48 hours	0
	Unplanned shutdowns outside Peak Demand Period	5 working days	
Maximum number of interruptions	Planned or unplanned interruptions per water year	6	0

1. This is the number of times that the unplanned shutdown has exceeded the shortest of the peak/off peak periods.

## 2.3 Key infrastructure

Table 4 lists the key infrastructure used to deliver bulk water services to our customers in Callide Valley. We also maintain the Callide Diversion Channel, an open earth channel with short sections of pipes.

**Table 4: Key infrastructure**

Asset	Description	Total storage capacity (ML)
Callide Dam	Earth and rock fill dam with an ogee-type crest with three pairs of radial gates. Spillway chute is concrete lined and ends with a long dissipation pool. Classified as a referable dam under the <i>Water Supply (Safety and Reliability) Act 2008</i> .	136,000
Kroombit Dam	Spillway of roller-compacted concrete covered with facing concrete, which is flanked by earth and rock fill embankments. Classified as a referable dam under the <i>Water Supply (Safety and Reliability) Act 2008</i> .	14,600
Callide Creek Weir	Steel sheet piled structure with concrete rock infill	506

### 3. Financial summary – revenue and expenditure

All financial figures in this report are presented in nominal dollars.

A high-level summary of the budgeted financial performance of the Callide Valley Bulk Water Service Contract is presented in Table 5.

The revenue SunWater receives from urban and industrial customers is agreed by term contract. The revenue we receive from irrigation customers is determined by the Queensland Government based on recommendations made by the Queensland Competition Authority (QCA) as part of its review of irrigation charges and is intended to allow SunWater to recover its prudent and efficient costs of operating the Service Contract.

SunWater anticipates an increase in revenue for the Callide Valley Bulk Water Service Contract in 2018/19.

In 2018/19, SunWater plans to increase routine expenditure and decrease non-routine annuity funded expenditure for the Callide Valley Bulk Water Service Contract, with a focus on projects that improve efficiency and performance, and allow us to deliver the best possible service to our customers. This will continue to be our focus throughout the upcoming price path period.

Further detail on the planned spend and annuity revenue is outlined on subsequent pages of this NSP and a further breakdown of expenditure by type can be found in **Appendix 2**.

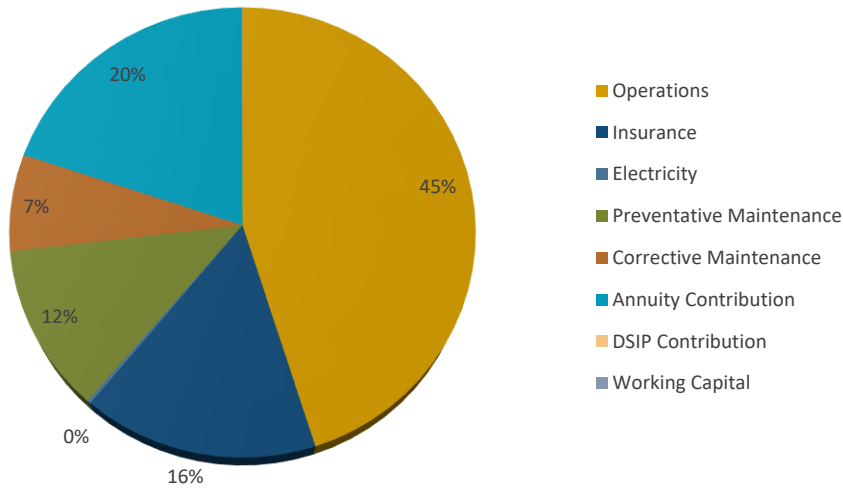
**Table 5: Service contract financial summary<sup>1</sup>**

Callide Valley Service Contract	2014/15 Actual \$'000	2015/16 Actual \$'000	2016/17 Actual \$'000	2017/18 Estimate \$'000	2018/19 Forecast \$'000
Revenue					
Irrigation	287.8	304.4	311.5	296.0	303.4
Community Service Obligation	-	-	-	-	-
Industrial <sup>2</sup>	797.3	539.7	1382.7	898.3	993.0
Urban <sup>2</sup>	282.9	315.9	334.6	355.3	364.2
Drainage	-	-	-	-	-
Other	167.4	9.0	3.6	2.0	2.0
Insurance proceeds – flood	-	-	-	-	-
<b>Revenue Total</b>	<b>1535.4</b>	<b>1169.0</b>	<b>2032.3</b>	<b>1551.6</b>	<b>1662.5</b>
Less – Routine expenditure	(1008.2)	(1155.1)	(1308.3)	(1249.3)	(1613.7)
Less – Non-routine expenditure					
Annuity funded	(1687.2)	(2055.5)	(805.0)	(1243.4)	(381.6)
Non annuity funded <sup>3</sup>	(3.6)	(6.5)	(286.9)	-	(459.5)
<b>Surplus (deficit)</b>	<b>(1163.6)</b>	<b>(2048.1)</b>	<b>(367.9)</b>	<b>(941.1)</b>	<b>(792.2)</b>

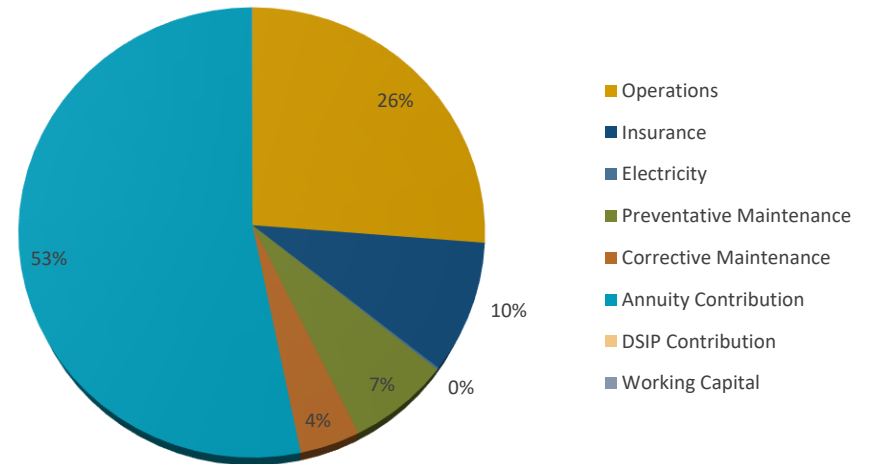
- Totals may not add due to rounding.
- Forecast revenues for industrial and urban customers are based on current contractual arrangements.
- This is expenditure which has not been funded by irrigation customers. An example of this in the Callide Valley Bulk Water Service Contract is for improvements to the spillway in response to the Inspector-General Emergency Management's (IGEM) review into the flooding of Callide Creek during Tropical Cyclone Marcia in February 2015.

As part of our commitment to transparency, Figure 2 and Figure 3 show a high-level breakdown of total Service Contract costs. The item 'Annuity Contribution' refers to the annualised renewals annuity component of the Service Contract's total costs.

**Figure 2: Breakdown of total service contract costs – 2018/19 forecast**



**Figure 3: Breakdown of total service contract costs – 2019/20 to 2023/24 forecasts**



## 4. Cost of delivering services – routine expenditure

Routine (or annual) expenditure includes funds for operations activities (operations, electricity and insurance), preventative maintenance and corrective maintenance.

SunWater has budgeted an increase in Callide Valley Bulk Water Service Contract’s routine operating expenditure in 2018/19 (refer to Table 6). SunWater’s proposed budgets for routine operating expenditure for 2019/20 to 2023/24 are also presented in this table.

From 2019/20, SunWater has built into forecast costs an efficiency saving of 0.2 per cent every year (cumulative).

Following consultation with customers on the draft NSPs and a further review of potential savings in non-direct costs, SunWater has included an additional one-off reduction in routine non-direct expenditure from 2019/20 onwards comprising: an 8.00 per cent reduction in corporate support costs, a 1.00 per cent reduction in local area support costs and a 0.92 per cent reduction in indirect costs.

The data presented in Table 6 includes direct expenses and a share of local area support costs, indirect costs and corporate support costs. For a more detailed breakdown and explanation of these costs, refer to **Appendix 2**.

**Table 6: Routine operating expenditure<sup>1,2</sup>**

Callide Valley Service Contract	2016/17			2017/18 <sup>3</sup>		2018/19 <sup>3</sup>		2019/20	2020/21	2021/22	2022/23	2023/24
	SunWater Actual \$'000	QCA Recommended \$'000	Variance \$'000	SunWater Estimate \$'000	2016/17 QCA Recommended (adjusted) \$'000	SunWater Forecast \$'000	2016/17 QCA Recommended (adjusted) \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000
Electricity	-	8.8	(8.8)	5.4	9.0	5.0	9.2	5.0	4.9	5.1	5.2	5.1
Insurance	329.1	150.3	178.8	329.1	154.1	319.5	157.9	326.9	334.4	342.1	349.9	358.0
Operations	550.9	498.4	52.5	615.3	510.8	908.6	523.6	903.5	927.2	951.5	976.4	1002.0
<b>Operations Total</b>	<b>880.0</b>	<b>657.5</b>	<b>222.5</b>	<b>949.7</b>	<b>673.9</b>	<b>1233.1</b>	<b>690.8</b>	<b>1235.3</b>	<b>1266.5</b>	<b>1298.6</b>	<b>1331.6</b>	<b>1365.1</b>
Preventative maintenance	313.4	290.2	23.1	176.8	297.5	240.4	304.9	238.4	244.7	251.2	257.9	264.7
Corrective maintenance	115.0	37.6	77.4	122.7	38.5	140.2	39.5	139.5	143.1	146.8	150.6	154.5
<b>Routine Total</b>	<b>1308.3</b>	<b>985.3</b>	<b>323.1</b>	<b>1249.3</b>	<b>1009.9</b>	<b>1613.7</b>	<b>1035.2</b>	<b>1613.2</b>	<b>1654.3</b>	<b>1696.7</b>	<b>1740.1</b>	<b>1784.3</b>

1. Totals may not add due to rounding.

2. SunWater’s 2019/20 to 2023/24 budget figures are draft as at the time of consultation. These figures will not be locked down until late in the financial year prior.

3. For 2017/18 and 2018/19 SunWater has included and reported against the 2016/17 QCA recommended costs adjusted for inflation which was assumed to be 2.5%.



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## 4.1 Operations

Callide Valley Bulk Water Service Contract's total operations budget in 2018/19 is 78.50 per cent above the QCA's recommended costs (adjusted for inflation). This variance is largely driven by insurance costs and ongoing implementation costs of the IGEM Review recommendations. For further detail on what is included in operations expenditure, refer to **Appendix 3**.

### Insurance

Insurance is one of SunWater's largest expenditure items and these costs have increased significantly in recent years due to multiple flood events in Queensland and global insurable events impacting premiums. Although SunWater is subject to market forces in the pricing of insurance premiums, we have also been actively managing insurance premium costs by reviewing coverage levels and policy specifications including deductibles to ensure that our insurance coverage is appropriate and reflective of the risks faced by our business.

Although insurance premiums are forecast to increase globally in 2018/19, SunWater is forecasting a small reduction in our insurance costs in 2018/19 compared to the 2017/18 budget as a result of the review of our insurance coverage and recent market testing.

## 4.2 Preventative maintenance

Preventative maintenance underpins the ongoing operational performance and service capacity of Callide Valley Bulk Water Service Contract's physical assets.

Preventative maintenance is cyclical in nature with a typical interval of 12 months or less, however, the intervals can be longer. Callide Valley Bulk Water Service Contract's preventative maintenance for 2018/19 is budgeted to be 21.15 per cent below the QCA's recommended costs (adjusted for inflation).

For more information on what is included as preventative maintenance, refer to **Appendix 3**.

## 4.3 Corrective maintenance

Corrective maintenance is identified in several ways including:

- through the performance of preventative maintenance
- operation of assets and equipment
- operational inspections where defects are identified
- through continuous monitoring by control systems, hazard inspections, safety audits and from incident and accident investigation outcomes.

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. SunWater conducts two types of corrective maintenance: scheduled and emergency.

Corrective maintenance expenditure forecasts include provision for labour, materials and plant hire, but do not include 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.

Callide Valley Bulk Water Service Contract's corrective maintenance for 2018/19 is budgeted to be 255.26 per cent above the QCA's recommended costs (adjusted for inflation). However, this is in line with historical expenditure.

### Scheduled corrective maintenance

Scheduled corrective maintenance is maintenance that can be planned and scheduled. For a list of what this typically includes, refer to **Appendix 3**. This work is managed on a risk and priority basis with as much forward planning as possible to cater for pricing cycles.

### Emergency corrective maintenance

Emergency corrective maintenance (or breakdown maintenance) includes works required to restore system supply and capacity or equipment operation after an unplanned event. It is carried out immediately to restore normal operation or supply to customers or to meet regulatory obligations (eg rectify a safety hazard). For a list of what this typically includes, refer to **Appendix 3**.

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## 5. Cost of delivering services – non-routine expenditure

SunWater’s approach to managing non-routine expenditure is underpinned by the concept of ‘optimised life cycle cost’, which seeks to optimise capital outlays and ongoing maintenance spend.

Our whole-of-life asset replacement and maintenance strategy looks at the risk and condition of each asset and uses this information to estimate the future work required to ensure it will continue to provide the required level of service into the future.

Having up-to-date knowledge of asset conditions is essential to this process. Information from our continuous program of asset inspections and condition assessments feeds into the annual review of the renewals program.

Non-routine expenditure is funded via an annuity. This expenditure could be capital or operating expenditure. The annuity approach acknowledges a long-term view of renewals spend and seeks to reduce the burden on future generations of water users.

The QCA applied a 20 year planning period for the purpose of calculating the 2012/13 to 2016/17 renewals annuity. For 2018/19 to 2023/24, SunWater is proposing to adopt a 30 year planning period. Our forecast annuity funded non-routine expenditure presented in Table 7 and elsewhere in this NSP reflects this proposal.

While the immediate program for the 2018/19 budget is well defined, estimates become more uncertain further into the planning timeline. As such, the program of works is not a specific forecast of when individual projects are expected to be executed, but rather a portfolio-level estimate based on the best-available risk and condition information for the Service Contract as a whole.

At SunWater, we focus on ensuring our assets are maintained to the required standard at the lowest cost. Our review of the renewals profiles also 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.

Table 7 sets out our non-routine annuity and non-annuity funded expenditure.

Details of the major non-routine projects planned for the period from 2018/19 to 2023/24 are set out in **Appendix 4**.

**Table 7: Non-routine expenditure<sup>1</sup>**

Callide Valley Service Contract	2016/17			2017/18 <sup>2</sup>		2018/19 <sup>2</sup>		2019/20	2020/21	2021/22	2022/23	2023/24
	SunWater Actual \$'000	QCA Recommended \$'000	Variance \$'000	SunWater Estimate \$'000	QCA Forecast \$'000	SunWater Forecast \$'000	QCA Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000
<b>Annuity funded</b>												
Operations	63.1	-	63.1	16.1	-	-	-	-	-	-	-	-
Preventative maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Corrective maintenance (flood)	1.7	-	1.7	-	-	-	-	-	-	-	-	-
Renewals	740.2	1681.0	(940.8)	1227.3	349.7	381.6	226.3	1181.3	787.9	451.1	167.9	481.5
<b>Non-routine total</b>	<b>805.0</b>	<b>1681.0</b>	<b>(876.0)</b>	<b>1243.4</b>	<b>349.7</b>	<b>381.6</b>	<b>226.3</b>	<b>1181.3</b>	<b>787.9</b>	<b>451.1</b>	<b>167.9</b>	<b>481.5</b>
<b>Non annuity funded</b>												
<b>Other</b>	<b>286.9</b>			-		<b>459.5</b>		-	-	-	-	<b>155.1</b>

1. Totals may not add due to rounding.

2. The QCA Forecast for 2017/18 and 2018/19 are based upon the modelling undertaken by the QCA as part of the 2012 irrigation pricing review.

## 6. Annuity balance

Annuities are managed by SunWater on behalf of each Service Contract. They allow for customer charges to reflect a constant amount necessary to recoup the costs of refurbishment/rehabilitation of the assets over a pre-determined period of time. The forecast annuity balances, and the impacts of budgeted non-routine spend, are shown in Table 8 below.

The QCA and SunWater closing balances will differ due to differences in the expenditure profile allowed by the QCA in 2012 and actual expenditure incurred by SunWater between 2012/13 and 2018/19. For example, renewals expenditure

is greater than QCA recommended forecasts as a result of flood events in 2012/13, 2014/15 and 2016/17. SunWater has not received insurance proceeds for these events, which may impact annuity balances going forward. Other unplanned projects include: responding to the 2015 IGEM Review of Callide Dam (\$1.5 million), the installation of vibrating wire piezometers to address potential stability issues in the left embankment (\$558,000) and the replacement of a crane at Callide Dam which was required to undertake the five yearly inspection (\$261,000).

**Table 8: Annuity balance<sup>1</sup>**

Callide Valley Service Contract	2016/17 Actual \$'000	2017/18 Estimate \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000	2023/24 Forecast \$'000
<b>Annuity</b>								
Opening balance <sup>2</sup>	(5356.4)	(6182.1)	(7498.6)	(8042.1)	(8879.6)	(7907.2)	(6528.4)	(4750.8)
Spend	(805.0)	(1243.4)	(381.6)	(1181.3)	(787.9)	(451.1)	(167.9)	(481.5)
Insurance proceeds receipts (if applicable)								
Prior year	-	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-	-
Annuity contribution <sup>3</sup>	380.4	390.0	399.7	409.7	2274.2	2287.4	2323.3	2345.5
Interest/financing costs	(401.2)	(463.0)	(561.6)	(602.4)	(513.8)	(457.6)	(377.8)	(274.9)
<b>SunWater – Closing Balance</b>	<b>(6182.1)</b>	<b>(7498.6)</b>	<b>(8042.1)</b>	<b>(9416.0)</b>	<b>(7907.2)</b>	<b>(6528.4)</b>	<b>(4750.8)</b>	<b>(3161.7)</b>
<b>QCA – Closing Balance</b>	<b>(1166.5)</b>	<b>(1213.7)</b>	<b>(1131.2)</b>					
Difference	(5015.6)	(6284.9)	(6910.9)					

1. Totals may not add due to rounding.

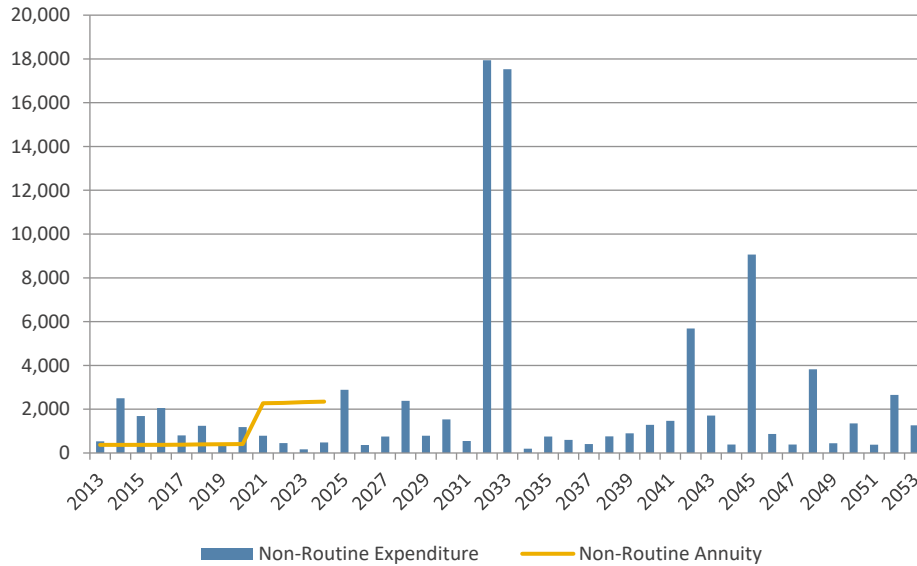
2. The difference in the closing balance for 2019/20 and the opening balance for 2020/21 relates primarily to expenditure incurred prior to the start of the 2012 price path. For example, flood repairs associated with an insurance claim that were still outstanding in 2012. These amounts have been carried forward to 2020/21 so that they can be considered as part of the QCA's review of expenditure for the new irrigation price path.

3. The annuity contribution is included in the prices paid by customers. It was set by the QCA for 2012/13 to 2016/17 and is rolled forward with CPI for 2017/18, 2018/19 and 2019/20. Thereafter the annuity contribution is based upon SunWater's forecast and will be included as part of SunWater's submission to the QCA for the upcoming price review.

## 6.1 Overview of annuity-funded, non-routine projects to 2052/53

The estimated renewals expenditure out to 2052/53 is shown in Figure 4 below.

**Figure 4: Annuity expenditure to 2052/53 (\$'000)**



The renewals annuity presented above is calculated over a 30 year planning period, with projects forecast to occur up to 2052/53 affecting the renewals annuity. The greater the value of the project, the more significant impact upon the renewals annuity.

## 6.2 Options assessment

SunWater is committed to maintaining assets that are fit for service with the lowest possible lifecycle cost.

In response to a recommendation from the QCA in 2012, SunWater has been preparing options analyses for all material renewals projects within the planning period. SunWater now has the benefit of learnings, having applied this approach for number of years, and has reflected and considered whether it is the most efficient approach or whether there is another way to approach this which provides customers with reassurance that SunWater's renewals expenditure is prudent and justified.

Following consultation with IACs, SunWater has decided to implement a new procedure for options assessments.

SunWater will continue to prepare an options analysis and supporting investigation where:

- there is no obvious solution
- the current maintenance strategy is changing
- technology has changed significantly, or
- there is a high risk in the project execution.

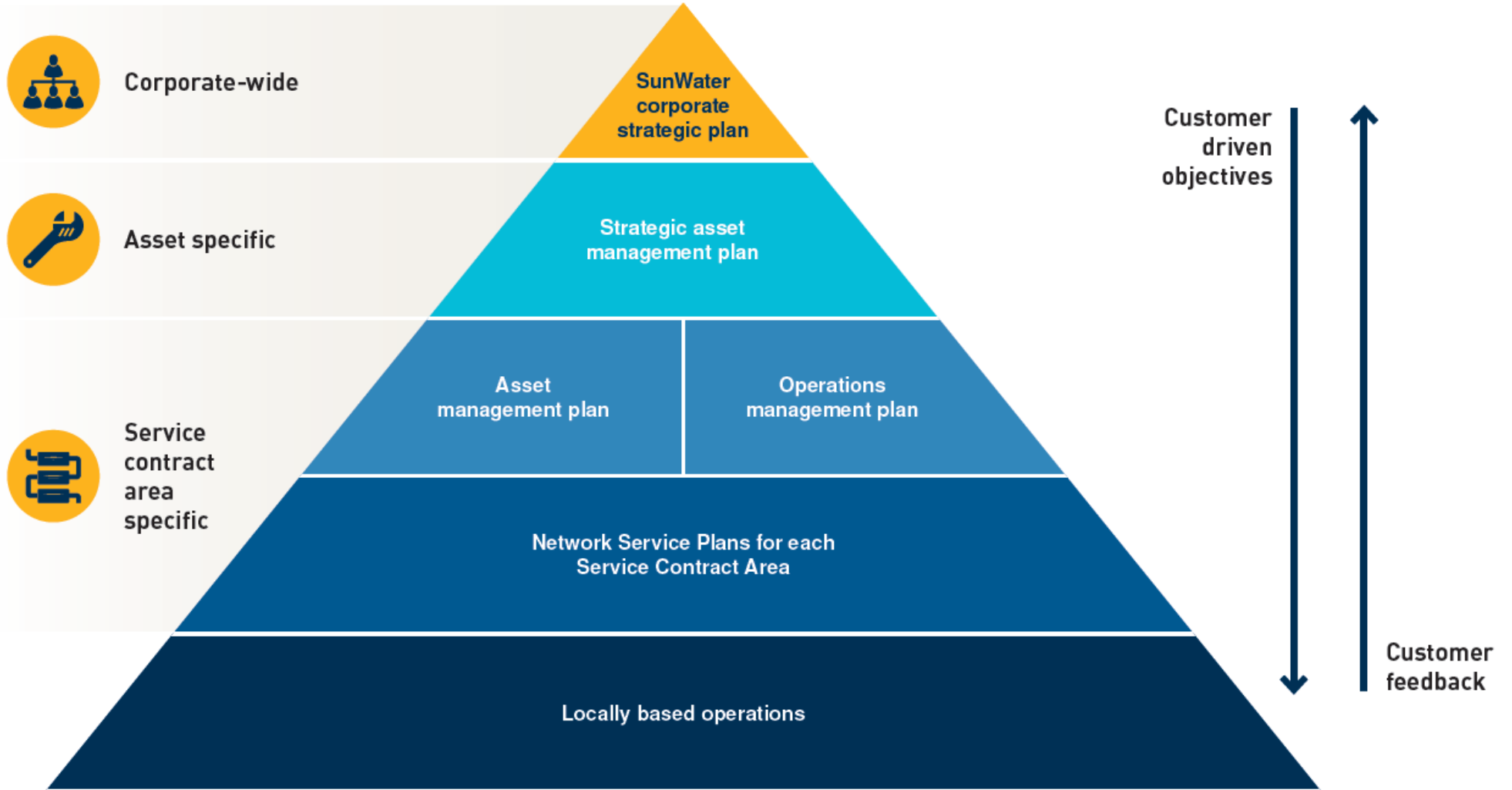
For less complex (more routine) renewals projects with fewer practical outcomes, SunWater will use its engineering knowledge and experience to determine the optimum solution.

This approach takes the emphasis off the value of the renewals project and focuses on solutions and risk. It ensures that SunWater invests resources appropriately in those projects that would benefit from an options analysis.

SunWater will transition to this new approach, given options analyses have already been prepared for the 2018/19 material renewals projects. In the future, the Network Service Plans will identify renewals projects that we expect to prepare an options analysis for under the new approach. Customers will be able to provide feedback through the consultation process.

# Appendix 1: SunWater's asset management framework

Figure 5: SunWater's asset management framework



## Appendix 2: Total expenditure by expense type

Table 9: Expenditure for activity by type<sup>1</sup>

Callide Valley Service Contract	2014/15			2015/16			2016/17			2017/18		2018/19		2019/20	2020/21	2021/22	2022/23	2023/24
	SunWater Actual \$'000	QCA Recommended \$'000	Variance \$'000	SunWater Actual \$'000	QCA Recommended \$'000	Variance \$'000	SunWater Actual \$'000	QCA Recommended \$'000	Variance \$'000	SunWater Estimate \$'000	2016/17 QCA Recommended (Adjusted) \$'000	SunWater Forecast \$'000	2016/17 QCA Recommended (Adjusted) \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000
<b>Routine spend</b>																		
<b>Operations</b>																		
Labour	121.7	132.5	(10.7)	121.7	136.7	(15.0)	133.6	141.1	(7.5)	149.7	144.6	140.3	148.2	141.9	146.0	150.3	154.7	159.2
Contractors	29.2	6.5	22.7	10.7	6.7	3.9	8.8	6.9	2.0	40.0	7.0	17.0	7.2	17.1	17.5	17.9	18.4	18.8
Materials	1.2	1.6	(0.4)	2.9	1.7	1.2	0.1	1.7	(1.6)	2.0	1.7	2.0	1.8	2.0	2.1	2.1	2.2	2.2
Electricity	4.9	7.6	(2.7)	-	8.2	(8.2)	-	8.8	(8.8)	5.4	9.0	5.0	9.2	5.0	4.9	5.1	5.2	5.1
Insurance	306.9	145.3	161.6	279.1	147.8	131.3	329.1	150.3	178.8	329.1	154.1	319.5	157.9	326.9	334.4	342.1	349.9	358.0
Other	17.3	59.0	(41.7)	14.8	60.0	(45.3)	77.8	61.1	16.7	24.0	62.6	86.0	64.2	86.4	88.4	90.5	92.5	94.7
Local area support costs	90.9	-	90.9	104.0	-	104.0	114.3	-	114.3	116.8	-	179.6	-	179.3	184.0	188.8	193.7	198.7
Corporate support costs	59.6	143.5	(84.0)	49.2	141.4	(92.2)	58.0	144.5	(86.5)	83.0	148.1	91.2	151.8	84.7	86.9	89.1	91.5	93.8
Indirect costs	93.4	154.9	(61.5)	146.5	147.3	(0.8)	158.3	143.2	15.1	199.8	146.8	392.4	150.5	392.1	402.3	412.8	423.5	434.6
<b>Preventative maintenance</b>																		
Labour	82.4	88.2	(5.8)	106.0	91.0	15.0	109.0	93.9	15.1	52.4	96.3	58.1	98.7	58.7	60.4	62.2	64.0	65.9
Contractors	7.7	7.6	0.1	12.7	7.8	4.9	4.7	8.0	(3.3)	32.0	8.2	25.0	8.4	25.2	25.8	26.4	27.0	27.7
Materials	5.3	7.6	(2.3)	1.7	7.8	(6.2)	2.7	8.0	(5.2)	2.0	8.2	2.0	8.4	2.0	2.1	2.1	2.2	2.2
Other	7.8	3.6	4.2	10.6	3.7	6.9	7.2	3.8	3.4	9.0	3.9	9.0	4.0	9.0	9.3	9.5	9.7	9.9
Local area support costs	60.7	-	60.7	91.2	-	91.2	93.7	-	93.7	40.8	-	74.3	-	74.2	76.1	78.1	80.1	82.2
Corporate support costs	29.6	88.8	(59.3)	30.9	87.2	(56.3)	31.2	89.1	(57.9)	24.3	91.4	37.7	93.7	35.0	35.9	36.9	37.8	38.8
Indirect costs	62.6	95.6	(33.0)	90.2	90.7	(0.5)	64.8	87.5	(22.7)	16.3	89.6	34.3	91.9	34.3	35.2	36.1	37.0	38.0
<b>Corrective maintenance</b>																		
Labour	3.7	10.4	(6.7)	19.2	10.7	8.5	20.8	11.1	9.8	24.6	11.3	25.6	11.6	25.9	26.7	27.4	28.2	29.1
Contractors	14.4	1.1	13.3	5.4	1.1	4.3	46.7	1.1	45.5	43.0	1.2	40.0	1.2	40.2	41.2	42.2	43.2	44.3
Materials	0.2	2.1	(1.9)	12.4	2.2	10.2	1.0	2.2	(1.3)	15.0	2.3	10.0	2.4	10.1	10.3	10.5	10.8	11.0
Other	2.1	2.1	0.0	7.2	2.1	5.0	8.1	2.2	6.0	-	2.2	-	2.3	-	-	-	-	-
Local area support costs	2.2	-	2.2	16.5	-	16.5	17.3	-	17.3	19.2	-	32.8	-	32.7	33.6	34.5	35.4	36.3
Corporate support costs	1.9	10.6	(8.7)	6.6	10.4	(3.8)	8.6	10.7	(2.0)	13.3	10.9	16.6	11.2	15.5	15.9	16.3	16.7	17.1
Indirect costs	2.6	11.3	(8.7)	15.4	10.7	4.8	12.4	10.3	2.1	7.7	10.6	15.1	10.8	15.1	15.5	15.9	16.3	16.8
<b>Routine total</b>	<b>1008.2</b>	<b>980.0</b>	<b>28.1</b>	<b>1155.1</b>	<b>975.4</b>	<b>179.6</b>	<b>1308.3</b>	<b>985.3</b>	<b>323.1</b>	<b>1249.3</b>	<b>1009.9</b>	<b>1613.7</b>	<b>1035.2</b>	<b>1613.2</b>	<b>1654.3</b>	<b>1696.7</b>	<b>1740.1</b>	<b>1784.3</b>
<b>Non-routine spend</b>																		
Labour	334.5	62.5	272.0	336.9	20.4	316.5	139.8	126.9	12.9	240.2	34.5	36.0	22.4	165.8	78.3	31.9	33.1	78.5
Contractors	224.3	38.7	185.6	877.9	19.3	858.6	285.6	1059.9	(774.2)	511.7	159.5	227.2	103.2	543.4	525.5	157.6	57.8	126.8
Materials	17.6	87.5	(69.9)	87.0	19.3	67.7	23.5	127.8	(104.3)	85.8	38.0	32.6	24.6	66.2	9.0	168.0	6.1	68.8
Other	462.8	12.3	450.5	2.9	10.5	(7.6)	93.5	67.8	25.6	11.3	14.6	7.4	9.5	63.1	14.6	27.5	4.4	37.5
Local area support costs	273.8	93.7	180.1	289.6	84.6	205.0	120.2	183.7	(63.5)	187.4	57.0	33.6	36.9	114.8	49.6	21.8	21.4	61.3
Corporate support costs	135.8	-	135.8	142.7	-	142.7	59.3	-	59.3	132.0	-	23.4	-	137.6	65.0	26.5	27.5	65.1
Indirect costs	238.3	90.8	147.5	318.5	76.6	241.9	83.1	114.8	(31.8)	75.0	46.0	21.3	29.8	90.4	46.1	17.8	17.6	43.4
<b>Non-routine total</b>	<b>1687.2</b>	<b>385.6</b>	<b>1301.7</b>	<b>2055.5</b>	<b>230.8</b>	<b>1824.8</b>	<b>805.0</b>	<b>1681.0</b>	<b>(876.0)</b>	<b>1243.4</b>	<b>349.7</b>	<b>381.6</b>	<b>226.3</b>	<b>1181.3</b>	<b>787.9</b>	<b>451.1</b>	<b>167.9</b>	<b>481.5</b>
<b>Total spend</b>	<b>2695.4</b>	<b>1365.6</b>	<b>1329.8</b>	<b>3210.6</b>	<b>1206.2</b>	<b>2004.4</b>	<b>2113.3</b>	<b>2666.3</b>	<b>(553.0)</b>	<b>2492.7</b>	<b>1359.6</b>	<b>1995.3</b>	<b>1261.5</b>	<b>2794.5</b>	<b>2442.2</b>	<b>2147.7</b>	<b>1908.0</b>	<b>2265.8</b>

1. Totals may not add due to rounding.

## Direct costs

Direct costs are those costs which are able to be directly attributable to either an asset or a service contract eg maintenance or insurance of an asset or the electricity and other operations costs for a service contract.

## Local area support costs

Local area support costs are spread across service contracts managed in each locality. They are costs which support local people doing their jobs eg regional accommodation costs, local administration support and training.

In 2018/19 the Callide Valley Bulk Water Service Contract is allocated 1.361 per cent of the forecast total local area support costs. Forecast local overheads in 2018/19 are higher than previous years and now more closely reflect actual local overheads in each region rather than local overheads averaged across SunWater.

## Indirect costs

Indirect cost pools capture costs such as billing and customer support, irrigation pricing regulation and asset management (including dam safety, asset systems, channels and drainage) that have not been directly charged. They also include flood room operations, the IGEM emergency management program, water planning, hydrographic services, and environmental support costs. Indirect costs are based on a user pays approach eg service contracts without a dam or weir are not apportioned dam safety costs.

In 2018/19 the Callide Valley Bulk Water Service Contract is allocated 2.508 per cent of the forecast total indirect costs. Increases in indirect costs allocated to Operations are largely driven by new IGEM costs, which are \$282,000 in 2018/19 for this Service Contract.

## Corporate support costs

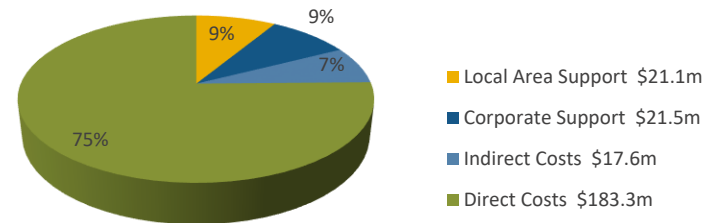
Corporate support costs are more generic than indirect costs and local area support costs, and are spread across all service contacts based on direct labour. They include the cost of human resources and payroll, information and communications technology, corporate communications, legal, property, finance,

and internal audit, plus the costs of the Chief Executive Officer, Chief Financial Officer and the SunWater Board, where these costs are not directly charged to activities within service contracts.

In 2017/18 SunWater completed a corporate restructure which resulted in a net reduction of 20 positions from the business and a reduction in total corporate overhead costs. Despite this, corporate overheads allocated to each service contract have increased since 2017/18. Contributing factors to the increase are: the transfer of St George and potential transfer of Dawson distribution schemes to locally managed entities and less charging of labour to direct costs.

In 2018/19 the Callide Valley Bulk Water Service Contract is allocated 0.677 per cent of the forecast total corporate support costs.

**Figure 6: Total SunWater cost pools – 2018/19 forecast**



In the 2012 irrigation pricing review, the QCA reviewed and accepted SunWater’s methodology for recovering local area support costs, indirect costs and corporate support costs. In 2018 we reviewed the cost allocation methodology and made changes to increase the transparency of local overhead costs and the allocation of corporate support costs to direct expenses. We also:

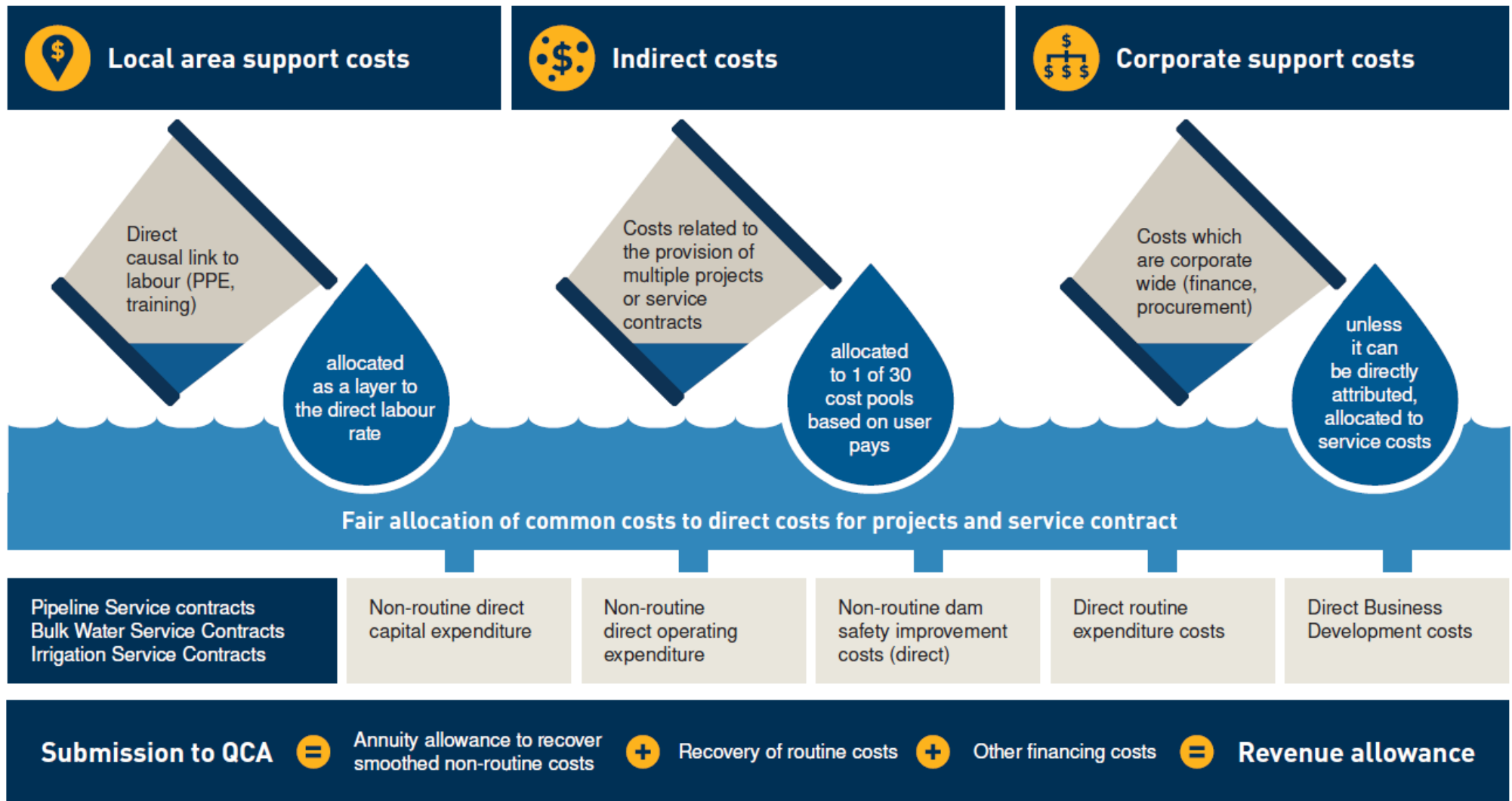
- removed the cascading of corporate overheads into indirect costs
- made the local overhead rate specific to each region
- simplified the cost drivers to labour only, removing the 5 per cent on direct cash costs excluding labour and electricity.

Forecast figures contained in this NSP reflect this change in approach.

Figure 7 below illustrates the allocation of costs associated with providing services.



Figure 7: How are SunWater's costs allocated to each service contract?



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## Appendix 3: Routine expenditure

### Operations

Operations expenditure includes day-to-day costs associated with management of the Service Contract, water delivery and meeting compliance obligations. Specific activities include the direct and non-direct costs of:

- scheduling and delivering water, including processing water orders, releasing water, operating pump stations, regulating and monitoring channel flows, and monitoring customer deliveries
- Emergency Action Plans and seasonal event responses
- meter reading
- administration of water accounts, billing and receipting payments
- customer management, including enquiries, complaints and maintaining the customer service help desk
- Service Contract management, including licences and permits, rates, land management, planning and reporting
- insurance
- monitoring the security of infrastructure and unauthorised access
- managing engagement associated with the Service Contract
- managing enquiries from adjoining landholders and developers that require input from and negotiations with SunWater’s property and legal sections
- performing tri-weekly dam inspections and other surveillance activities
- water quality sampling to meet regulatory requirements.

### Preventative maintenance

Preventative maintenance for the Callide Valley Bulk Water Service Contract includes:

- Condition monitoring — the inspection, testing or measurement of physical assets to report and record condition and performance to determine maintenance requirements. Condition monitoring is carried out on electrical, mechanical and civil assets, including channels (regulator gates, civil works,

signs, structures, etc.), pipelines (valves, air valves, scours easements etc.) and other infrastructure.

- Servicing — planned maintenance activities carried out routinely on physical assets including valves, gauging stations, cranes, sump pumps and associated equipment.
- Weed control — management of weeds, including:
  - slashing channels and drains
  - spraying and other activities to control nuisance and noxious weeds.

### Scheduled corrective maintenance

Scheduled corrective maintenance varies by asset type and typically includes minor corrective works on:

- Storages (balancing storages and reservoirs):
  - repairing control gates, valves and concrete structures
  - repairing walls, embankments and spillways.
- Channels:
  - de-silting channels and catch drains
  - erosion control and repairing rock protection works
  - repairing fencing, concrete structures, regulator gates, and control valves.
- Pipelines (associated with channel diversion):
  - repairing pipe breaks, air and scour valves and concrete structures
  - erosion control and repairing rock protection works.
- Service Contract roads:
  - repairing pot holes and grading roads
  - repairing, replacing, and painting guide posts and signs.

- 
- Meters:
    - repairing bulk water meters and customer meters.

### **Emergency corrective maintenance**

Emergency corrective maintenance typically includes the repair or correction of faults in storages, channels or pipelines. It also includes responding to theft or vandalism associated with Service Contract assets.

## Appendix 4: Non-routine projects for 2018/19 to 2023/24

Non-routine projects are asset-related projects required to support service delivery which are undertaken less frequently than annually.

**Table 10: Non-routine projects (or planning items) 2018/19 to 2023/24**

Year	Project Title	Project Scope	Budget (\$'000)
2018/19	Meter replacements	This is an allowance to replace failed customer meters in the Callide scheme. A number of large diameter meters were identified as coming to the end of their life so it is prudent to allow for their replacement. All unspent money will remain in the annuity.	63
	Callide Dam – Comprehensive risk assessment	A comprehensive risk assessment identifies and assesses the defects identified during a 20 year dam safety review and makes recommendations to reduce the level of risk to an acceptable level.	98
	Callide Diversion Channel – Fence refurbishment	An options study completed in 2016 recommended that sections of the dividing fence be replaced over a 3 to 5 year period to prevent stock from entering and damaging the channel.	101
	Callide Dam – Ventilation system replacement	The ventilation system in the main conduit is at the end of its useful life. Attempts have been made to repair the motors etc. but they are too damaged. The system needs replacing to avoid it becoming a confined space.	46
	Callide Dam – 20 year safety review (continuation)	This is the continuation of the 20 year safety review of Callide Dam. The safety review assesses the condition of the dam against current standards and design guidelines before the recommendations are risk assessed for action.	46
	Other works	There is 1 other non-routine project for 2018/19.	27
	<b>2018/19 Total</b>		<b>381</b>
2019/20	Callide Diversion Channel – Fence refurbishment	An options study completed in 2016 recommended that sections of the dividing fence be replaced over a 3 to 5 year period to prevent stock from entering and damaging the channel.	128
	Kroombit Dam – 20 year dam safety review	This is the commencement of the 20 year safety review of Kroombit Dam. The safety review assesses the condition of the dam against current standards and design guidelines before the recommendations are risk assessed for action.	357

Year	Project Title	Project Scope	Budget (\$'000)
	Callide Dam – Enlarge four manholes	The main conduit in Callide Dam has four manholes that need enlarging to allow for confined space rescue. Currently they are too small for a person wearing breathing apparatus gear to enter. Costs have been taken from similar works at other dams.	119
	Kroombit Dam – 5 year comprehensive inspection	SunWater is required to conduct comprehensive dam safety inspections of its dams every five years. The inspections allow SunWater to maintain current knowledge of the assets condition and then optimise the forward non-routine maintenance plans. The scope will be shared with the 20 year dam safety review.	116
	Callide Dam – 5 year comprehensive inspection	SunWater is required to conduct comprehensive dam safety inspections of its dams every five years. The inspections allow SunWater to maintain current knowledge of the assets condition and then optimise the forward non-routine maintenance plans.	136
	Other works	There are 7 other non-routine projects for 2019/20.	325
	<b>2019/20 Total</b>		<b>1181</b>
<b>2020/21</b>	Meter replacements	This is an allowance to replace failed customer meters in the Callide scheme. A number of large diameter meters were identified as coming to the end of their life so it is prudent to allow for their replacement. All unspent money will remain in the annuity.	65
	Callide Dam – Ground Penetrating Radar and camera inspection survey of the spillway	In response to significant damage to the spillway at Fairbairn Dam, SunWater is further assessing all concrete spillways for sub-surface damage. Initial assessments do not suggest there is any cause for concern at Callide Dam; however, it is prudent to fully examine the spillway beneath the surface.	242
	Kroombit Dam – Comprehensive risk assessment	A comprehensive risk assessment identifies and assesses the defects identified during a 20 year dam safety review and makes recommendations to reduce the level of risk to an acceptable level.	155
	Callide Dam – Cables and cableways	The electrical cabling at Callide Dam is coming towards the end of its life. This project is to design and prepare the to be constructed drawings arising from the options study from 2019/20, if any actions are required.	92
	Asset revaluation	Asset revaluations are done by SunWater for insurance purposes and to allow for better cost estimation of the forward non-routine maintenance program.	66
	Other works	There are 6 other non-routine projects for 2020/21.	168

Year	Project Title	Project Scope	Budget (\$'000)
	<b>2020/21 Total</b>		<b>788</b>
2021/22	Meter replacements	This is an allowance to replace failed customer meters in the Callide scheme. A number of large diameter meters were identified as coming to the end of their life so it is prudent to allow for their replacement. All unspent money will remain in the annuity.	66
	Callide Dam – Cables and cableways	This project is to install and commission the electrical cabling at Callide Dam.	327
	Callide Dam – 3 switchboards	This project is to design, procure and install 3 switchboards at Callide Dam.	57
	Other works	There are no other non-routine projects for 2021/22.	-
	<b>2021/22 Total</b>		<b>450</b>
2022/23	Meter replacements	This is an allowance to replace failed customer meters in the Callide scheme. A number of large diameter meters were identified as coming to the end of their life so it is prudent to allow for their replacement. All unspent money will remain in the annuity.	68
	Callide Dam – 3 switchboards	This is a continuation of the switchboard replacement program at Callide Dam.	60
	Other works	There are 2 other non-routine projects for 2022/23.	40
	<b>2022/23 Total</b>		<b>168</b>
2023/24	Meter replacements	This is an allowance to replace failed customer meters in the Callide scheme. A number of large diameter meters were identified as coming to the end of their life so it is prudent to allow for their replacement. All unspent money will remain in the annuity.	70
	Callide Dam – Refurbish access road	The internal access roads will be condition and risk assessed closer to 2023/24 to determine the need for any work.	68
	Callide Dam – 3 switchboards	These are the final 3 switchboards to be replaced at Callide Dam.	93
	Gauging stations x3	Components of 3 gauging stations along Kroombit Creek are coming towards the end of their life. If the condition assessment determines they need replacing, they will be.	89

Year	Project Title	Project Scope	Budget (\$'000)
	Callide Dam – Refurbish access bridge	This is an allowance to work on the spillway access bridge in case the Level 2 bridge assessment finds any high-risk damage to it. If the bridge assessment is favourable, this money will remain in the annuity.	96
	Other works	There are 10 other non-routine projects for 2023/24.	66
	<b>2023/24 Total</b>		<b>482</b>



### **Contact us**

To have your say and shape future NSPs, please contact us via email or post:

Email: [nspfeedback@sunwater.com.au](mailto:nspfeedback@sunwater.com.au)

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

We consider and respond to all submissions, publishing all responses on our website.



# Addendum to the 2018/19 to 2023/24 Network Service Plan

Callide Valley Bulk Water Service Contract

6 November 2018

Final

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## How to read this addendum

Several changes have been made to our forecast costs since we published our 2019 Network Service Plan for the Callide Valley Bulk Water Service Contract in July 2018. We have therefore prepared this addendum to aid our customers' understanding of the changes and to assist the Queensland Competition Authority (QCA) in their review.

We have:

- updated for 2017/18 actual expenditure. This has positively impacted the annuity balances for this service contract going forward, when compared to the 2019 Network Service Plan.
- revised market parameters, such as escalators and the Weighted Average Cost of Capital, for the latest available information
- used the scheme's 15-year average water usage over the 2002/03 to 2016/17 period to determine the Part B cost per megalitre.

Note:

- All financial figures contained in this addendum are nominal dollars.
- Totals may not add due to rounding.

**Table 1: Irrigation charges for 2018/19 – Restatement of Table 2 from the 2019 Network Service Plan**

Product		2018/19 (\$/ML)	Cost (\$/ML) <sup>1,2,3</sup>	Subsidy (\$/ML)
Medium Priority Allocation Charge	Bulk Water Charge – Part A (fixed charge based upon entitlement)	18.05	54.20	36.15
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon usage)	8.62	12.24	3.62

1. Costs reflect lower bound cost recovery, ie recovery of future replacement and ongoing maintenance and operations. Charges do not allow for any returns on existing assets.
2. The notional High Priority Allocation Charge cost per megalitre is \$251.97.
3. Costs reflect a revised Medium Priority Headworks Utilisation Factor of 27 per cent (previously 10 per cent at the time of the 2012 review).

**Table 2: Routine operating expenditure<sup>1</sup> – Restatement of Table 6 from the 2019 Network Service Plan**

	2016/17			2017/18 <sup>2</sup>		2018/19 <sup>2</sup>		2019/20	2020/21	2021/22	2022/23	2023/24
	SunWater Actual \$'000	QCA Recommended \$'000	Variance \$'000	SunWater Actual \$'000	2016/17 QCA Recommended (adjusted) \$'000	SunWater Forecast \$'000	2016/17 QCA Recommended (adjusted) \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000
Electricity	-	8.8	(8.8)	-	9.0	5.0	9.2	4.6	4.5	4.7	5.1	5.1
Insurance	329.1	150.3	178.8	299.4	154.1	319.5	157.9	326.1	333.6	341.2	349.1	357.1
Operations	550.9	498.4	52.5	757.6	510.8	908.6	523.6	901.8	924.9	948.6	972.5	997.0
<b>Operations Total</b>	<b>880.0</b>	<b>657.5</b>	<b>222.5</b>	<b>1056.9</b>	<b>673.9</b>	<b>1233.1</b>	<b>690.8</b>	<b>1232.5</b>	<b>1263.0</b>	<b>1294.5</b>	<b>1326.7</b>	<b>1359.1</b>
Preventative maintenance	313.4	290.2	23.1	295.5	297.5	240.4	304.9	238.0	244.1	250.5	256.8	263.3
Corrective maintenance	115.0	37.6	77.4	62.8	38.5	140.2	39.5	139.2	142.8	146.4	150.0	153.8
<b>Routine Total</b>	<b>1308.3</b>	<b>985.3</b>	<b>323.1</b>	<b>1415.3</b>	<b>1009.9</b>	<b>1613.7</b>	<b>1035.2</b>	<b>1609.8</b>	<b>1649.9</b>	<b>1691.4</b>	<b>1733.5</b>	<b>1776.2</b>

1. SunWater's 2019/20 to 2023/24 budget figures are draft as at the time of consultation. These figures will not be locked down until late in the financial year prior.
2. For 2017/18 and 2018/19 SunWater has included and reported against the 2016/17 QCA recommended costs adjusted for inflation which was assumed to be 2.5%.

**Table 3: Annuity balance – Restatement of Table 8 from the 2019 Network Service Plan**

	2016/17 Actual \$'000	2017/18 Actual \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000	2023/24 Forecast \$'000
<b>Annuity</b>								
Opening balance <sup>1</sup>	(5356.4)	(6182.1)	(7118.4)	(7633.4)	(8441.3)	(7469.1)	(6089.7)	(4310.4)
Spend	(805.0)	(863.1)	(381.6)	(1181.3)	(787.9)	(451.1)	(167.9)	(481.5)
Insurance proceeds receipts (if applicable)								
Prior year	-	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-	-
Annuity contribution <sup>2</sup>	380.4	390.0	399.7	408.7	2253.6	2267.2	2303.2	2325.7
Interest/financing costs	(401.2)	(463.0)	(533.2)	(571.7)	(493.5)	(436.7)	(356.1)	(252.0)
<b>SunWater – Closing balance</b>	<b>(6182.1)</b>	<b>(7118.4)</b>	<b>(7633.4)</b>	<b>(8977.7)</b>	<b>(7469.1)</b>	<b>(6089.7)</b>	<b>(4310.4)</b>	<b>(2718.3)</b>
<b>QCA – Closing balance</b>	<b>(1166.5)</b>	<b>(1213.7)</b>	<b>(1131.2)</b>					
Difference	(5015.6)	(5904.7)	(6502.2)					

1. The difference in the closing balance for 2019/20 and the opening balance for 2020/21 relates primarily to expenditure incurred prior to the start of the 2012 price path. Table 4 provides further details.
2. The annuity contribution is included in the prices paid by customers. It was set by the QCA for 2012/13 to 2016/17 and is rolled forward with the Consumer Price Index (CPI) for 2017/18, 2018/19 and 2019/20. Thereafter the annuity contribution is based on SunWater's forecast.

**Table 4: Adjustments to 2020/21 opening annuity balance**

Adjustment	\$'000
Actual spend adjustment	(7)
Annuity income difference	318
Intersafe project spend adjustment	0
Interest difference	(10)
Alignment to previously reported data	0
Interest	235
<b>Total</b>	<b>536</b>

**Table 5: Cost building blocks and notional cost allocations**

	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000	2023/24 Forecast \$'000
<b>Cost building blocks</b>						
Routine costs	1613.7	1609.8	1649.9	1691.4	1733.5	1776.2
Non-routine costs (Annuity contribution)	399.7	408.7	2253.6	2267.2	2303.2	2325.7
Dam improvement program	-	-	-	-	-	-
Working capital	1.4	1.4	-	-	-	-
Revenue offsets	(2.0)	(2.1)	(2.1)	(2.2)	(2.2)	(2.3)
Transfers (Distribution losses)	-	-	-	-	-	-
<b>Total costs</b>	<b>2012.7</b>	<b>2017.8</b>	<b>3901.5</b>	<b>3956.5</b>	<b>4034.5</b>	<b>4099.6</b>
<b>Notional cost allocations</b>						
Irrigation customers	793.4	794.1	1251.9	1273.0	1299.9	1323.7
Urban/Industrial customers	1217.5	1221.9	2645.5	2679.3	2730.4	2771.7
SunWater	1.8	1.8	4.0	4.1	4.2	4.2
<b>Total costs</b>	<b>2012.7</b>	<b>2017.8</b>	<b>3901.5</b>	<b>3956.5</b>	<b>4034.5</b>	<b>4099.6</b>

**Table 6: Historical actual water usage**

<b>Year</b>	<b>Usage (ML)</b>
2002/03	7602
2003/04	13,898
2004/05	15,561
2005/06	12,899
2006/07	12,844
2007/08	6970
2008/09	7635
2009/10	7991
2010/11	6042
2011/12	11,117
2012/13	11,801
2013/14	13,808
2014/15	10,812
2015/16	14,442
2016/17	14,953
<b>15-year average</b>	<b>11,225</b>