

Queensland Competition Authority

Final Report

SEQ Price Monitoring for 2013-15 Part B – Unitywater

March 2014

The QCA wishes to acknowledge the contribution of the following staff to this report:

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1 INTRODUCTION

1.1 Background

This is the fourth price monitoring review of monopoly distribution and retail water and sewerage activities in south east Queensland (SEQ) by the Queensland Competition Authority (QCA).

1.2 Ministerial Direction

Under the Ministerial Direction (**Appendix A**), the QCA must investigate the monopoly distribution and retail water and sewerage activities of Unitywater, Queensland Urban Utilities (QUU), Logan City Council, Redland City Council and Gold Coast City Council for the period 1 July 2013 to 30 June 2015. In doing so, the QCA must:

- (a) monitor the change in prices of distribution and retail water and sewerage services for residential and non-residential customers
- (b) monitor water and sewerage revenues against the maximum allowable revenue (MAR) based on the total prudent and efficient costs of carrying on the activity
- (c) advise a benchmark Weighted Average Cost of Capital (WACC) and monitor the WACCs applied by the entities against the benchmark WACC
- (d) provide information to customers about the costs and other factors underlying the provisions of water and sewerage services including distinguishing between bulk and distribution/retail costs.

1.3 Scope of review

There are some changes in the scope of the review compared to previous years, arising from the Ministerial Direction. In contrast with previous reviews, there is a two year review period of 2013-15 (instead of one year), there is no legislated Consumer Price Index (CPI) cap which requires separate reporting against capped and non-capped services (as in 2011-12 and 2012-13), and there is a specific requirement to sample six capital expenditure items per entity and review policies and procedures.

Further, the water businesses of Logan City Council, Redland City Council and Gold Coast City Council are now included in the review (these were excluded in 2012-13, following their de-amalgamation from Allconnex Water on 1 July 2012).

Unitywater noted that in 2012-13, the Noosa referendum passed a motion to de-amalgamate from Sunshine Coast Regional Council. The reconstituted Noosa Shire Council was expected to be established by 1 January 2014 and would become a third participating council. Unitywater will continue to provide water and sewerage services for Noosa residents and businesses.

A key focus of the review remains the prudence and efficiency of costs (the MAR) and whether there is evidence of an exercise of market power in comparing revenues and MARs. The QCA's benchmark WACC is used to calculate the MAR. The provision of information to customers about costs also continues from previous years.

1.4 Structure of report

This report is one of five entity-specific reports that form Part B. An overview of the price monitoring review and the key findings for all entities forms Part A.

The structure of each Part B report largely follows that of the Direction. Information on prices and bills (Chapter 2) and demand (Chapter 3) are followed by a review of capital and operating costs (Chapters 4 and 5) which form the MAR (Chapter 6). A comparison of revenues and MARs (Chapter 7) informs whether there is evidence of an exercise of market power. Data on costs, revenues and prices is summarised (Chapter 8) followed by key findings (Chapter 9).

1.5 Unitywater's water and sewerage services

Unitywater provides distribution and retail water and sewerage services to 722,030 residents in the Sunshine Coast and Moreton Bay local government areas.

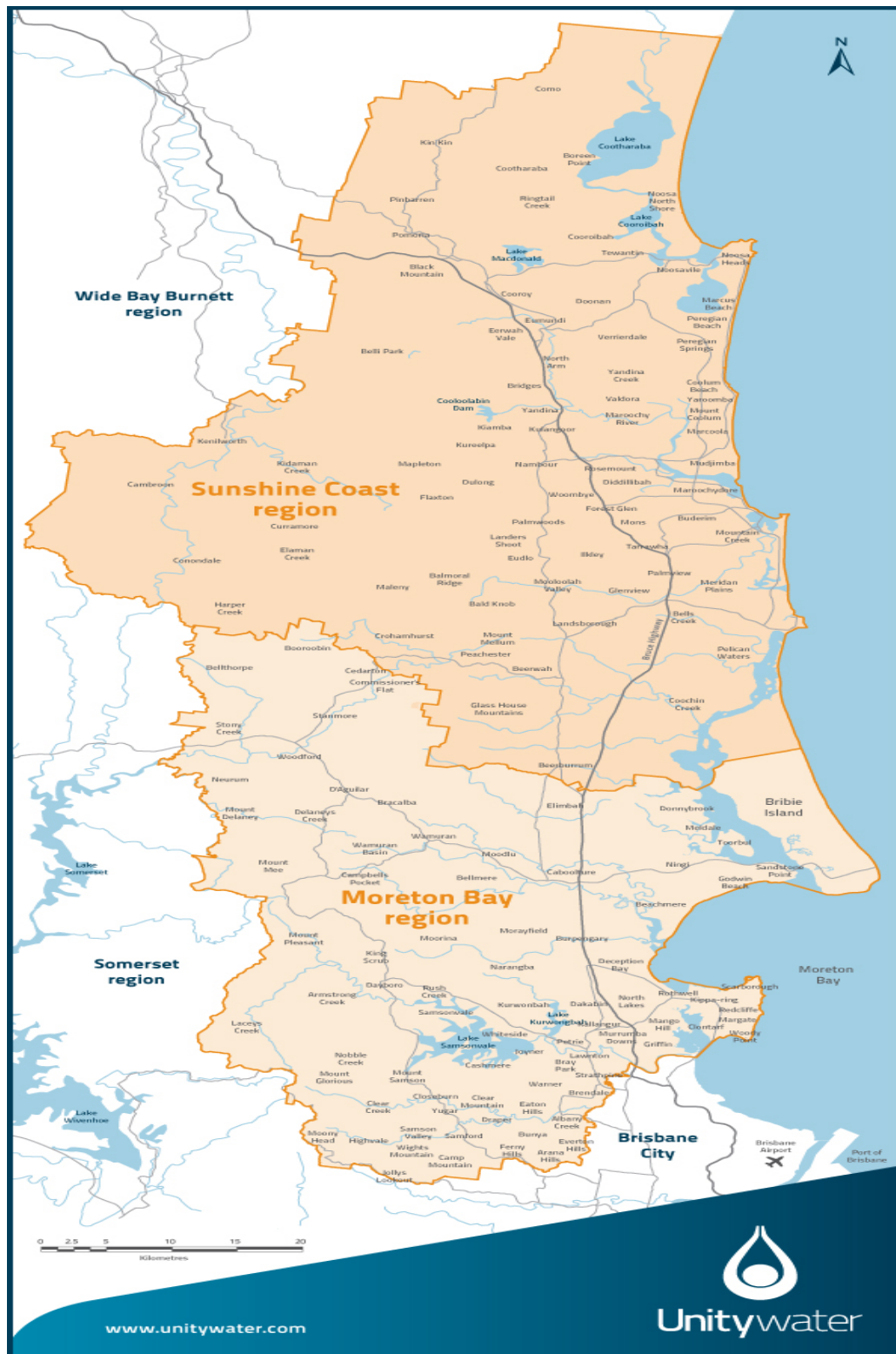
Key characteristics of Unitywater's service and asset base appear in Table 1 below. A map of the area serviced by Unitywater forms Figure 1.

Table 1 Unitywater Service and Asset Base as at 30 June 2012

| | <i>Moreton Bay</i> | <i>Sunshine Coast</i> | <i>Total</i> |
|-----------------------------------|--------------------|-----------------------|--------------|
| Population | 399,406 | 322,624 | 722,030 |
| Residential Water Connections | 142,737 | 124,373 | 267,110 |
| Non-residential water connections | 6,721 | 8,486 | 15,207 |
| Water reservoirs | 43 | 65 | 108 |
| Water supply network (km) | 3,087 | 2,455 | 5,542 |
| Sewerage network (km) | 2,839 | 2,513 | 5,352 |
| Sewage treatment plants | 8 | 10 | 18 |

Note: Population and connections data as at 30 June 2012. Due to timing, this data differs from the average Unitywater connections for 2012-13 in chapter 3 which also exclude offsets. Source: Unitywater (2013a).

Figure 1 Unitywater service territory



Source: Unitywater (2012).

2 PRICES AND BILLS

2.1 Scope of review

Under the Ministerial Direction, the QCA must monitor the change in prices of distribution and retail water and sewerage services for residential and non-residential customers.

The change in residential bills is also monitored, as in previous years, as this shows the net impact of changes in all the components of the residential bill. The residential bill is a focus as the SEQ entities derive the majority of their revenues from residential customers.

As noted in Chapter 1, there are some differences to our previous reviews. These derive from changes in the Direction and consultation with stakeholders to clarify our reporting.

For price monitoring in 2013-15, there is no legislated CPI cap which requires separate reporting for capped and non-capped services.¹ The comparison of the change in revenues for non-capped services (trade waste, seepage and recycled water and one-off sundry services) with the change in costs of the activity is therefore no longer reported. The change in these prices is still identified.

The comparison of Unitywater's average price (based on its revenues) with the QCA's full cost recovery average price (based on its MAR) is now reported in Chapter 7, as this contains the comparison of entity revenues and the QCA's MAR. Both of these comparisons inform our finding of whether there is an exercise of monopoly power (Chapter 7).

2.2 Changes in prices

Unitywater noted that, after being restructured (see below), the fixed and volumetric components of prices for distribution and retail water and sewerage services (exclusive of the bulk charge) to stand-alone residential houses would increase by 3% (Unitywater 2013a).

All other properties would receive a 3% increase to the prices of existing distribution and retail water and sewerage services until they move onto the new price structure, being phased in progressively for sporting groups (1 October 2013), residential vacant land (1 January 2014), residential unit complexes (by June 2014) and all other customers over the period to 30 June 2015 (Unitywater 2013b).

2.2.1 Change in tariff structure

Customer control over bills

Unitywater stated that customer research in late 2012 indicated that its customers supported a change towards a more user-pays system for water and sewerage. Customer research was undertaken via an online survey, with 1,195 online surveys (601 in Moreton Bay and 594 in Sunshine Coast) completed between 24 September 2012 and 10 October 2012.²

¹ In 2011-12 and 2012-13, a CPI price cap was applied to retail and distribution water and sewerage prices for specified customers, under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* (Qld). The specified customers include residential and small business customers and any other customer who passed on charges to either of those groups. The March to March Brisbane All Groups CPI for the preceding year was used, so in 2011-12 the CPI cap was 3.6% and in 2012-13 the CPI cap was 1.3%. The CPI cap no longer applies.

² Unitywater supporting information (2013).

In May 2013, Unitywater stated that the new user-pays pricing structure would allow users more control over bills. For stand-alone residential customers from 1 July 2013, Unitywater announced:

- (a) that customers in Moreton Bay would pay \$102 less in annual water and sewerage fixed access charges³, and customers in Sunshine Coast would pay \$61 less in fixed charges⁴
- (b) a standard two tiers of water usage charges across the region, with an increase in the threshold for tier one. The first tier of water usage charges would be \$0.644 per kilolitre (kl), up to 822 litres per day (l/day). Higher water usage (the second tier) would be \$1.288 per kl⁵
- (c) a new charge for the volume of sewage discharged. The volume of sewage produced would be calculated as 90% of water used by a household. The sewage usage charge is \$0.644 per kl up to a maximum of 740l/day.⁶

The QCA notes that Unitywater did not cite cost-reflectivity as a factor underlying the change in tariff structure. The QCA considers that tariff structures should also reflect underlying costs. Typically, variable charges should reflect long-run marginal costs. The QCA has requested but has not been provided with Unitywater's fixed and variable costs underpinning its changes to tariff structure.

Unitywater stated that enhancing user pays has the potential to reduce demand in the long term, pushing expensive infrastructure investments back, resulting in significant cost savings. Unitywater did not quantify the anticipated savings.

Revenue-neutrality

Unitywater stated that the change in tariff structure was designed to be revenue neutral, based on forecast 2012-13 revenue with a 3% price increase then applied to the new tariffs.

The QCA investigated the process adopted by Unitywater to ensure revenue neutrality.

Unitywater adopted expected residential non-bulk revenues for 2012-13 from its billing system in early 2013 (\$259.7 million) for the revenue target for 2013-14 prices, following the change in tariff structure.

There were a range of risks identified in this process, including that the change in tariff structure would reduce water use and issues arising from inconsistent categorisation of customers as residential or non-residential. To account for these risks, a revenue buffer (of around 1.5% of residential revenues) was applied, based on advice from an external consultant. After accounting for risk, Unitywater forecast no change in revenue arising from the change in tariff structure.

Prices were then increased by 3% to fund cost increases and for consistency with other customers not subject to tariff reform in 2013-14 (see further below).

Modelling of changes in tariff structure was undertaken separately from the budget (revenue) process. As a result, there is no direct reconciliation between actual prices and Unitywater's revenue forecast for 2013-14. However, the QCA notes there is only a small difference in the revenues used for modelling the change in tariff structure (\$259.7 million) and the residential

³ Unitywater (2013c).

⁴ Unitywater (2013d).

⁵ Unitywater (2013c) and (2013d).

⁶ Unitywater (2013c) and (2013d).

non-bulk revenue forecast adopted in the budget processes (\$264.2 million). The QCA has used the higher revenue estimate for this review (chapters 3 and 7).

90% discharge factor

The QCA requested and was provided with the information underpinning Unitywater's choice of a 90% discharge factor for residential sewerage use.

Unitywater referred to a range of factors including:

- (a) 63% of households surveyed prefer a user pays sewerage tariff structure over a fixed charge
- (b) it is impractical to meter actual discharges into the sewer system. However, discharge volumes to sewer are related to the use of potable water for certain purposes (e.g. showers, flushing toilets, washing clothes, washing dishes for residential customers)
- (c) the high level conclusions of the SEQ Residential End Use Study, that on average 89% of water used was returned to the sewerage network⁷
- (d) sewerage charging practices by other water utilities, including that:
 - (i) the three Victorian metropolitan retail water providers assume a 90% discharge factor
 - (ii) the three Victorian metropolitan retailers' discharge factor is supplemented with a seasonal factor for houses and units, which reduces the discharge factor in the non-winter months. This reflects greater outdoor use in those months and less discharge to the sewer.

Unitywater stated a seasonal factor was not required for its service area which has less volatility in water usage. However, Unitywater applied a cap on the sewerage volumetric charge to allow for higher outdoor usage during warmer periods
 - (iii) San Francisco uses a discharge factor of 90% for single-family residential users and non-residential users and 95% for multi-family residential users
- (e) scenario analysis based on a variety of households that indicated residential discharges ranging from 80% (large garden and pool) to 96% (unit, no garden or pool)
- (f) tailored discharge factors by customer or individual metering of discharges were not economically feasible. Unitywater noted it has therefore developed a process to allow customers to challenge their discharge factor.

2.2.2 Price increases

3% increase in 2013-14

The QCA can confirm that Unitywater's water and sewerage prices that were not subject to a change in tariff structure increased by 3% in 2013-14, as noted in **Appendix B**.

The QCA notes that the 3% increase in water and sewerage charges is more than the CPI of 2.1%.⁸ While a legislated CPI cap no longer applies, CPI provides a broad benchmark against which changes in prices can be compared. As a result, price increases that exceed CPI require

⁷ Urban Water Security Research Alliance Technical Report No 47; C Beal and R Stewart; South East Queensland Residential End Use Study: Final Report, November 2011; p119.

⁸ March to March Brisbane All Groups for the preceding year.

further explanation. The QCA's review of the prudence and efficiency of underlying costs is detailed further below.

As noted above, the 3% price increase in 2013-14 excludes the impact of tariff restructuring, bulk water prices and government subsidies or rebates. The actual impact on customers requires consideration of all changes which affect their bill (see below).

Unitywater also noted that bulk water charges had increased by 11.2% in Moreton Bay⁹ and 15.2% for the Sunshine Coast¹⁰, and Unitywater was obliged to pass this through to customers. Further, the Moreton Bay Regional Council subsidy was due to expire on 30 June 2013.¹¹

Trade waste, recycled water and sundry charges

Trade waste permit fees and strength charges (see **Appendix B**) also increased by 3% in 2013-14. Trade waste volumetric charges were harmonised across council areas, with some components increasing while others fell. Unitywater has continued harmonisation as noted in previous reviews.

Recycled water charges have increased up to 30% for some residential dual reticulation users and up to 225% for the supply of Class B recycled water. In previous reviews Unitywater stated the recycled water price path was designed to recover the operational costs of providing recycled water. The QCA notes that recycled water prices remain below the comparable potable water charge (as bulk water charges are avoided).

Some sundry charges were rationalised in 2013-14, with some prices increasing (up to 133%) while others fell (by up to 36%). The revenues from these price increases are incorporated in the comparison of revenues and the MAR.

Pricing principles review

A detailed assessment of the level and structure of Unitywater's prices is beyond the scope of this review, which primarily focuses on a comparison of revenues and costs (the MAR).

The QCA has commenced a separate investigation of pricing principles.¹² The pricing principles investigation will involve the release of position papers for consultation and is to be finalised in September 2014.

2014-15 prices

As part of price monitoring for 2013-15, the QCA requested information on 2014-15 prices.

However, Unitywater has not published prices for 2014-15. In its 2013-15 price monitoring submission, Unitywater provided an indicative revenue forecast for 2014-15 rather than a revenue forecast based on individual prices. Unitywater stated this is because budgets are set annually and it is reviewing various required inputs, including the discharge factors required to set non-residential volumetric sewerage prices in 2014-15.

As Unitywater has not published its prices for 2014-15, the QCA cannot monitor the (specific) changes in the residential and non-residential prices in that year.

⁹ Unitywater (2013c).

¹⁰ Unitywater (2013d).

¹¹ Unitywater (2013b).

¹² More information is available from the QCA's website: <http://www.qca.org.au/Water/Urban-retail-water/Retail/SEQ-Reg-framework>

The QCA has used Unitywater's forecast revenue for 2014-15 for the other aspects of its review (Chapter 7).

2.3 Residential bills

Draft report

Customers should be clearly notified of the likely increase in bills by their retail water provider. The increase in each component of the bill and the overall increase should be notified, with any updates being provided in a consistent and timely manner.

In information released in May 2013, Unitywater calculated the changes in annual 2013-14 bills for a variety of households in stand-alone houses, ranging from a lower water user on 80l/day – e.g. a single pensioner - to a large water user on 1,320l/day (e.g. large family plus garden or pool, or acreage with irrigation system). For example:

- (a) for an average Sunshine Coast two-adult two-child household using 573l/day (209kl/year), Unitywater estimated their 2013-14 bill would increase by \$133, from \$1,252 in 2012-13 [a 10.7% increase]
- (b) for an average Moreton Bay two-adult two-child household using 550l/day (201kl/year), Unitywater estimated their 2013-14 bill would increase by \$158, from \$1,566 in 2012-13 [a 10.1% increase].

However, the QCA notes that residential bills for detached dwellings will increase by more than that indicated by Unitywater (see **Appendix C**). The QCA estimates that residential bills for a household using 200kl of water a year will increase by 17.8% in the Sunshine Coast, 28.0% in Caboolture, 25.3% in Pine Rivers and 38.8% in Redcliffe. This is a much higher increase than indicated by Unitywater.¹³

The higher increase calculated by the QCA is predominantly due to the removal of government rebates. The State Government provided a one-off \$80 bulk water rebate to residential customers in 2012-13.¹⁴ Moreton Bay Regional Council provided rebates towards water and sewerage bills in 2012-13 of \$140.00 in Caboolture, \$111.12 in Pine Rivers and \$244.72 in Redcliffe. These rebates no longer apply.

Unitywater excluded government rebates from its residential bill calculations as they are outside its control. The QCA has included these rebates as they affect the bill paid by residential customers.

While retail water entities do not control government rebates, the QCA is concerned that excluding rebates in the information provided to customers means there is a lack of clarity about increases in bills in 2013-14.

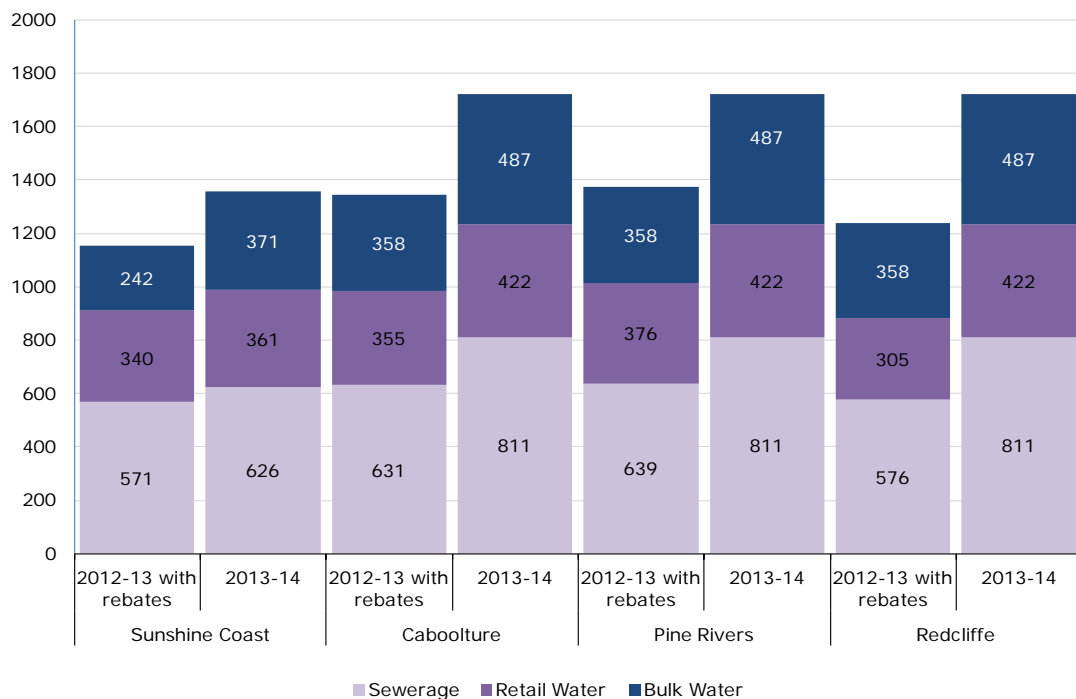
The QCA considers that retail water providers should provide their customers with comprehensive information that identifies the increase in each component of the bill and the overall (net) increase, with any updates being provided in a consistent and timely manner.

¹³ As in previous price monitoring reports, the residential bills in the QCA's analysis are calculated on detached dwellings using 200kl of water per year. The standard 200kl usage allows for price comparisons across SEQ and is used for national performance reporting (NWC 2010). Unitywater adopted an average two-adult two-child household usage of 209kl in Sunshine Coast and 201kl in Moreton Bay, reflecting the actual usage patterns in these council areas.

¹⁴ Queensland Government Bulk Water Prices: <http://www.dews.qld.gov.au/policies-initiatives/water-sector-reform/water-pricing/bulk-water-prices>.

As noted above, Unitywater has not released its prices for 2014-15, so the QCA cannot report on the changes in prices and residential bills in 2014-15.

Figure 2 Residential bills (\$ per year)



Note: Assumes 200kl of water per year and one pedestal (where relevant). The bulk water rebate was a one-off \$80 deduction to the residential bill in 2012-13. Moreton Bay Regional Council provided rebates towards water and sewerage bills in 2012-13 in Caboolture, Pine Rivers and Redcliffe. These rebates no longer apply. See Appendix C for detailed data.

Submissions in response to draft report

Unitywater submitted that it worked closely with key stakeholders prior to the release of 2013-14 prices to ensure the transition to the new tariff structure was well understood and that the impact of changes was transparent to different types of residential users.

Unitywater proposed that the final report show disaggregated price movements and statements regarding price movements should be qualified by reference to Unitywater’s component of the increase. Unitywater stated that there was a lack of disaggregated information in the draft report, with the potential to mislead the reader. Further Unitywater claimed that the Direction neither specifies nor implies that price movements outside of an entity’s control are to be attributed to an entity as though these movements are within its control. Unitywater was also of the view that the report is unlikely to deliver upon the spirit or intent of the Ministerial Direction.

In particular, Unitywater submitted that Figure 2 in the draft report was misleading as rebates are netted off the 2012-13 prices. Their removal in 2013-14 is beyond Unitywater’s control, distorts the year on year movement in Figure 2 and supports the formation of an erroneous view that price increases are attributable to Unitywater.

Further, Unitywater submitted that table below provided users with a more holistic view of the drivers behind customer price increases (although average usage instead of 200kl per annum would be preferable).

Table 2 Change in pricing between 2012-13 and 2013-14 bill based on 200kl annual usage (note 75% of Moreton Bay customers use less than 200kl per annum)

| Region | Retail Distribution (Unitywater) | Sewerage (Unitywater) | Total Unitywater | Bulk water | Loss of Rebates | Total change in bill |
|----------------|----------------------------------|-----------------------|------------------|------------|-----------------|----------------------|
| Sunshine Coast | 1.8% | 4.8% | 6.6% | 11.2% | 0% | 17.8% |
| Caboolture | 3.1% | 4.9% | 8.0% | 9.6% | 10.4% | 28.0% |
| Pine Rivers | 3.0% | 4.8% | 7.8% | 9.4% | 8.1% | 25.3% |
| Redcliffe | 3.3% | 5.4% | 8.7% | 10.4% | 19.7% | 38.8% |

Source: Unitywater (2014).

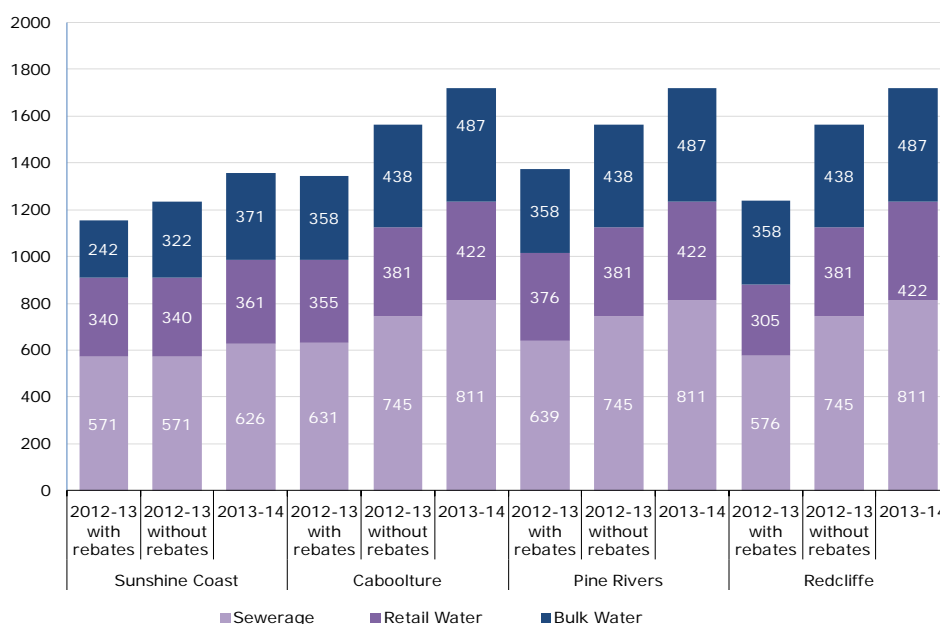
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The QCA considers that it is the retail water providers' responsibility to provide their customers with comprehensive information that identifies the increase in each component of the bill and the overall (net) increase, with any updates being provided in a consistent and timely manner.

The QCA clearly identified the drivers of the increase in residential bills in its fact sheet and draft report by shading the retail and bulk components of the bill (see Figure 4). The QCA also clearly stated that the higher increase calculated by the QCA is predominantly due to the removal of government rebates. The Ministerial Direction requires the QCA to provide information to customers about the costs and other factors underlying the provision of water and sewerage services including distinguishing between bulk and retail costs (which the QCA has provided). The QCA has also confirmed with Treasury that changes in residential bills are within the scope of the Ministerial Direction.

In response to Unitywater's representations additional information is provided relating to comparisons with 2012-13 residential bills (see Figure 3).

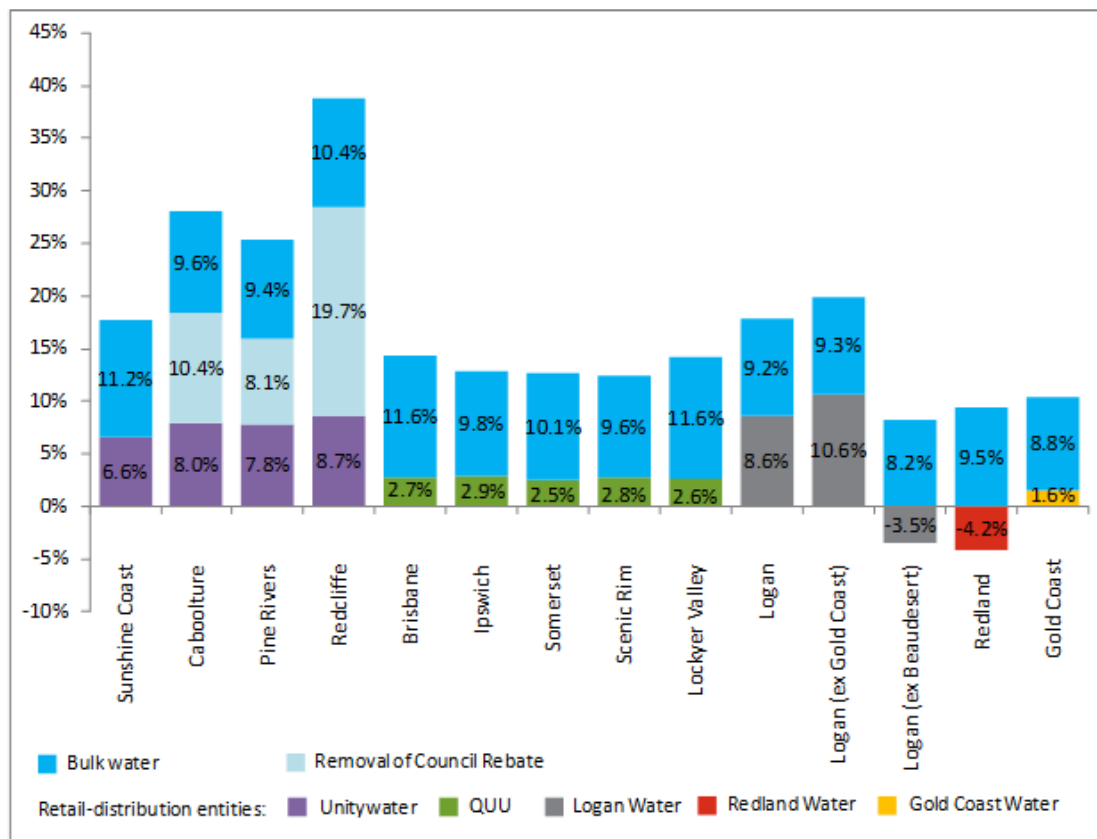
Figure 3 Residential bills (with and without 2012-13 rebates)



Note: 'without rebates' refer to the bill without bulk water and Moreton Bay Regional Council rebates. Source: Unitywater (2013b).

Further, in response to comments made by Unitywater and other water retailers on the draft report, the QCA presents the change in residential bills across SEQ according to the retail and distribution, council rebate, and bulk water (including the expiry of the bulk water rebate) drivers (see Figure 4).

Figure 4 Change in residential bills (by retail and bulk drivers)



Note: Bulk water includes the impact of the removal of the bulk water rebate. Source: QCA calculations.

2.4 Other bills

In its submission, the Queensland Council of Social Service (QCOSS 2013) noted that the QCA fact sheets released in previous reviews have improved the transparency and understanding of the impact of prices on water bills. QCOSS recommended that price monitoring for 2013-15 could be expanded to show the impact of prices on different levels of usage and household type and noted that Unitywater had already released such information.

QCOSS commended Unitywater for its release of information on the impact of their 2013-14 prices on different types of customers based on usage.

As noted above, for price monitoring purposes, the QCA has continued to compare standard bills for residential customers, as this allows for a focus on key price differences across SEQ and as 200kl is the standard usage adopted for national performance reporting purposes. The QCA does not review the distribution of levels of usage across household types, as that is contained in detailed billing data that is not collected under price monitoring.

While information released by Unitywater described the impact on a range of household types, the QCA recognises that customers may benefit from Unitywater consulting with QCOSS and other stakeholders about the release of information about bill increases for different levels of usage and customer type.

Submissions on draft report

Unitywater also submitted a concern relating to the way price movements have been presented in the draft report. Unitywater stated that, as a result of its tariff reform:

- (a) a typical low use (29kl pa) customer in Redcliffe experienced a 8.6% reduction in the component of their bill attributable to Unitywater out of a total increase of 31.2%.
- (b) an average customer (150kl pa) received a 4.9% increase in the component of their bill attributable to Unitywater out of a total increase of 37.2%
- (c) the outlier high volume (200kl pa) customer selectively identified in the draft report would have a 8.7% increase attributable to Unitywater out of a total increase of 38.8%.

Unitywater further submitted that three quarters of its residential customers consume less than 200kl per annum and that expressing increases based on high usage is inflammatory, unbalanced and misleading.

Unitywater proposed that, given the QCA's analysis of demand indicates that SEQ customers are using less than 182.5kl per annum, annual usage of no more than 182kl should be used as a basis for bill comparisons across each of the entities. Further, the average use for a region should also be adopted (for Unitywater this is 150kl per annum). Unitywater also provided further information to indicate that lower water users received savings as a result of tariff rebalancing and requested that this be included in the QCA's final report.

Table 3 Change in pricing between 2012-13 and 2013-14 bill based on 150kl annual usage

| <i>Region</i> | <i>Retail Distribution (Unitywater)</i> | <i>Sewerage (Unitywater)</i> | <i>Total Unitywater</i> | <i>Bulk water</i> | <i>Loss of Rebates</i> | <i>Total change in bill</i> |
|----------------|---|------------------------------|-------------------------|-------------------|------------------------|-----------------------------|
| Sunshine Coast | 1.5% | 2.5% | 5.0% | 11.2% | 0% | 15.2% |
| Caboolture | 1.4% | 3.0% | 4.4% | 9.6% | 11.4% | 25.4% |
| Pine Rivers | 1.4% | 3.0% | 4.4% | 9.4% | 8.9% | 22.6% |
| Redcliffe | 1.6% | 3.3% | 4.9% | 10.4% | 21.8% | 37.2% |

Source: Unitywater (2014).

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As noted in the draft report, for price monitoring purposes, the QCA has continued to compare standard bills for residential customers, as this allows for a focus on key price differences across SEQ and as 200kl is the standard usage adopted for national performance reporting purposes.

The QCA does not review the distribution of levels of usage across household types, as that is contained in retailers' detailed billing data that is not collected under price monitoring.

Further, the average use for each region will change every year; the QCA does not favour changing the water use benchmark in each review – and for each retailer under review – as this would reduce the comparability of our reports each year and over time.

Most importantly, as stated above, the QCA considers it is the retailers' primary responsibility to explain total changes in bills in a timely manner. The QCA supports the release of information by Unitywater such as that provided in response to its draft report, which outlines the total increase in bill and identifies the component attributable to Unitywater. This information has been included as **Appendix D**.

2.5 Hardship and stakeholder engagement

QCOSS (2013) also recommended that price monitoring for 2013-15 should monitor the entities' policies in relation to hardship and stakeholder engagement. Further (and possibly separate to price monitoring) QCOSS recommended the QCA could be tasked to collect and publish statistics on incidence and trends in hardship, complaints and disconnections (as it does for electricity).

Unitywater's financial hardship policy seeks to provide a framework for customers who are suffering financial hardship to apply for an instalment plan to ensure payment of their account within a reasonable timeframe. Unitywater's objective is to assist customers in arriving at a satisfactory resolution and protect the customers from debt recovery action.

Unitywater stated that it is committed to keeping customers and stakeholders informed, including through:

- (a) its community advisory group, which consists of nine members representing community and the business sectors and meets quarterly to provide feedback to Unitywater on community and business needs
- (b) regular briefings to community organisations and other groups on relevant topics
- (c) customers research forums which gauge the effectiveness of communications and gain feedback on planned initiatives
- (d) online material and printed material mailed with customer accounts
- (e) its obligations under the customer charter to inform customers of planned interruptions
- (f) its use of Facebook and You Tube as complementary means of communicating with targeted customers.

The QCA is developing best practice guidelines on customer engagement as part of its review of the long term framework for economic regulation. Performance reporting is also part of that review. The Department of Energy and Water Supply (DEWS) is undertaking a review of the Water and Sewerage Services Code for Small Customers in South East Queensland and will consider the water businesses' current policies (including hardship) in relation to supporting customers.

3 DEMAND

3.1 Introduction

The cost of providing water and sewerage services is affected by the quality and the quantity of the services provided. For the purposes of the current review, the QCA has accepted the current standards of service.

Estimates of demand for water and sewerage have a direct impact on the prudence and efficiency of operating and capital expenditure, as well as on the prices paid.

3.2 Water

3.2.1 Residential

Forecasting methodology

Unitywater forecast water volumes by multiplying connected population by an underlying level of consumption (in litres) per person per day (l/p/d). Total residential water volume was then apportioned to the consumption tiers, based on actual water demand during the first half of 2012-13. To progress demand forecasting, Unitywater sought the QCA's endorsement and participation in a regional working group to discuss demand forecasting.

In the draft report, the QCA noted that Unitywater's methodology is relatively unsophisticated but appropriate for its purpose. The QCA considered that the entities should develop and compare different approaches to demand forecasting for future use. Collaborative and cost-effective approaches to considering these issues are supported.

Connections

Draft report

Unitywater forecast water connections by applying an annual growth rate to the previous financial year's June connections. Connections for June 2013 were estimated using data from its billing system.

Unitywater noted that it had contacted the OESR for advice on the appropriate growth rate. The OESR was unable to direct it to a specific growth forecast. Therefore, Unitywater used the OESR medium dwelling series, as used by its participating councils. Unitywater used the compound annual growth rates (CAGR) between 2010-11 and 2015-16 of 2.39% for Moreton Bay and 2.30% for Sunshine Coast.

Unitywater distributed the total annual forecast connections in a non-uniform fashion throughout the year, based on historical data (Table 4 refers). Unitywater then calculated the average connections in any year by weighting its monthly forecasts by the number of days in the corresponding month.

Table 4: Distribution of new connections (%)

| | <i>Jul</i> | <i>Aug</i> | <i>Sept</i> | <i>Oct</i> | <i>Nov</i> | <i>Dec</i> | <i>Jan</i> | <i>Feb</i> | <i>Mar</i> | <i>Apr</i> | <i>May</i> | <i>Jun</i> |
|---------|------------|------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Phasing | 8.3% | 8.3% | 8.3% | 8.3% | 8.3% | 6.7% | 6.7% | 8.3% | 8.3% | 8.3% | 10.0% | 10.0% |

Source: Unitywater (2013f).

Since the 2011-12 review, the QCA has adopted the OESR's low growth series, as OESR provides the State's official population forecasts and had advised low growth in the short term. The QCA also notes that the SEQ Water Strategy Annual Report 2012 (QWC 2012) adopted OESR low growth rates to forecast bulk water demand for the next three years. The QCA derives these growth rates by using OESR's annual population data and interpolated occupancy rates.

While a departure from official growth forecasts may be justified on the basis of more recent data, historical data on a consistent basis is not available for Unitywater. Unitywater noted that its new billing engine, which has been operating smoothly for over 18 months, and the demand management and tracking tool scheduled to be up and running by 2014, will enable it to compare actual growth with OESR's forecasts in the future.

Pending this information, the QCA has continued to apply OESR low growth rates.

Table 5: Connection growth rates applied

| Council | 2012-13 | 2013-14 | | 2014-15 | |
|----------------|---------|------------|-------|------------|-------|
| | | Unitywater | QCA | Unitywater | QCA |
| Moreton Bay | 2.22% | 2.39% | 1.83% | 2.39% | 1.83% |
| Sunshine Coast | 1.97% | 2.30% | 1.87% | 2.30% | 1.87% |

Note: Connections growth rates applied to June connections of previous financial year under Unitywater's methodology. Source: Unitywater (2013f).

For 2013-14, the OESR growth rates applied in Unitywater's models (Table 5) differs from the growth in average connections (Table 6). As noted above, Unitywater applied the OESR growth rate to June connections in the previous financial year to form total connections, which were then distributed throughout the year and weighted to form an annual average. However, the distribution of actual connections in 2012-13 differed from the assumed distribution in 2013-14, so the growth in average connections differs from the OESR rate.

The growth rates would be the same if the OESR rate was applied to average (mid-year) connections (instead of end of year connections).

For 2014-15, the OESR growth rates (Table 5) are the same as the growth in average connections (Table 6) as the distribution of connections is the same in both years.

The QCA has adopted Unitywater's methodology, but applied the growth rates that are consistent with the OESR's low population series.

Table 6: Average residential water connections

| Council | 2012-13 | 2013-14 | | | | 2014-15 | | | |
|----------------|----------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | | Unitywater | | QCA | | Unitywater | | QCA | |
| | | # | Growth | # | Growth | # | Growth | # | Growth |
| Moreton Bay | 139,853 | 143,081 | 2.31% | 142,660 | 2.01% | 146,507 | 2.39% | 145,269 | 1.83% |
| Sunshine Coast | 125,001 | 127,755 | 2.20% | 127,467 | 1.97% | 130,699 | 2.30% | 129,849 | 1.87% |
| Total | 264,854 | 270,836 | 2.26% | 270,127 | 1.99% | 277,206 | 2.35% | 275,118 | 1.85% |

Source: Unitywater (2013f), OESR (2011).

Submissions on the draft report

Unitywater submitted that it has experienced substantially different levels of connections growth between the Sunshine Coast and Moreton Bay regions. While arguably the OESR low series would, in hindsight, have provided a more appropriate basis for forecasting connections growth on the Sunshine Coast, this approach exhibited the potential to be flawed for the Moreton Bay region.

Unitywater's actual connections growth for water in 2012-13 was, and its forecast growth for 2013-14 based on year to date actual is, as follows:

Table 7: Unitywater's actual and year-to-date growth rates and OESR low growth rates

| | 2012-13 | | | 2013-14 | | |
|----------------|------------|-------|------------|------------|-------|------------|
| | Unitywater | OESR | Difference | Unitywater | OESR | Difference |
| Moreton Bay | 1.90% | 1.80% | 0.10% | 2.20% | 1.80% | 0.60% |
| Sunshine Coast | 1.50% | 1.90% | -0.40% | 1.10% | 1.90% | -0.80% |

Source: Unitywater (2014).

Table 8: Unitywater's actual and year-to-date growth rates and OESR medium growth rates

| | 2012-13 | | | 2013-14 | | |
|----------------|------------|-------|------------|------------|-------|------------|
| | Unitywater | OESR | Difference | Unitywater | OESR | Difference |
| Moreton Bay | 1.90% | 2.40% | -0.50% | 2.20% | 2.40% | -0.10% |
| Sunshine Coast | 1.50% | 2.30% | -0.80% | 1.10% | 2.30% | -1.20% |

Source: Unitywater (2014).

Unitywater proposed that the final report highlights that actual usage may vary from OESR assumptions and that the entities should reflect this in their forecasts. Subsequent to their submission, Unitywater clarified that it was not requesting the QCA to use the more recent actual information to adjust forecast connection growth.

Final report

The QCA notes that actual connections growth has differed from that forecast by OESR. Further, a departure from official growth forecasts may be justified where more recent data indicates previous estimates were incorrect or there is a structural change so that previous forecasts are no longer relevant.

Furthermore, price monitoring is based on the information available at the time of price setting, therefore, the QCA has continued to apply connection growth rates that correspond to the OESR's low population series.

However, the QCA recognises and accepts that actual connection growth rates may vary from the OESR assumptions, and that the entities should reflect this in their forecasts at the time prices are being set.

Connected population

Unitywater forecast connected population by applying medium OESR population growth rates to the previous year's June estimate. Connected population for June 2013 was based on

estimated actual connections from its billing system and assumptions about occupancy rates. An occupancy rate of 2.7 was applied for Moreton Bay and 2.5 for Sunshine Coast. Unitywater distributed population growth in a non-uniform fashion throughout the year.

The QCA has applied growth rates from the OESR's low population series, as noted above.

Table 9: Connected population consuming water

| Council | 2012-13 | 2013-14 | | 2014-15 | |
|--|----------------|----------------|----------------|----------------|----------------|
| | | Unitywater | QCA | Unitywater | QCA |
| Residential connections consuming water (%) | | | | | |
| Moreton Bay | 98.53 | 98.74 | 98.74 | 98.74 | 98.74 |
| Sunshine Coast | 96.31 | 96.37 | 96.37 | 96.39 | 96.39 |
| Total | 97.49 | 97.62 | 97.62 | 97.62 | 97.62 |
| Residential connections consuming water (number) | | | | | |
| Moreton Bay | 137,804 | 141,285 | 140,869 | 144,668 | 143,445 |
| Sunshine Coast | 120,393 | 123,118 | 122,840 | 125,954 | 125,136 |
| Total | 258,197 | 264,403 | 263,709 | 270,622 | 268,580 |
| Occupancy rates (number) | | | | | |
| Moreton Bay | 2.70 | 2.70 | 2.70 | 2.70 | 2.70 |
| Sunshine Coast | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| Population growth rates applied (%) | | | | | |
| Moreton Bay | | 2.00 | 1.47% | 2.00 | 1.47% |
| Sunshine Coast | | 2.17 | 1.78% | 2.17 | 1.78% |
| Residential connected population (Number) | | | | | |
| Moreton Bay | 372,020 | 380,679 | 379,630 | 388,277 | 385,197 |
| Sunshine Coast | 300,983 | 307,576 | 306,949 | 314,243 | 312,398 |
| Total | 673,052 | 688,255 | 686,579 | 702,520 | 697,595 |

Source: Unitywater (2013e), QCA calculations.

Consumption per person (l/p/d)

Draft report

Unitywater applied the growth rates in l/p/d in SKM's draft report for the 2012-13 price monitoring review to its estimated actual average consumption for 2012-13. Unitywater did not cap its average consumption as in previous years.¹⁵

In the 2012-13 review, SKM confirmed its view that rebound will occur over a four to five year period and settle at around the 200 l/p/d voluntary target for SEQ as a whole (Target 200) (SKM 2013). The QCA accepted SKM's approach.

¹⁵ In the 2012-13 review, Unitywater applied a cap of 200 l/p/d across both council areas, to reflect the voluntary target for the whole of SEQ.

Recent data highlights that SEQ residents have continued to maintain water consumption below Target 200. In 2011-12, average daily residential water use in SEQ was 158 l/p/d (QWC 2012). As a result, the 'most likely' demand scenario in the SEQ Water Strategy Annual Report 2012 (QWC 2012) assumed that average consumption will increase over the 5 years from 2012 to 185 l/p/d for SEQ as a whole

The QCA has updated SKM's previous approach for this information, estimating average residential consumption in each of Unitywater's council areas by assuming rebound to a whole-of-SEQ forecast of 185 l/p/d in 2016-17.

In previous reviews, the QCA has stated that price elasticity should be explicitly included in demand forecasting once the estimated level of rebound is achieved. The QCA notes that for 2013-14, Unitywater has separately taken into account the risk of a reduction in demand arising from its changes to tariff structure in a separate modelling exercise (as well as the risks arising from incorrect customer categorisation) as noted in chapter 2. The impact is therefore not included in the data below.

Following this approach, the QCA's estimate of average consumption in 2013-14 and 2014-15 is lower than Unitywater's. Table 10 refers.

Table 10: Residential Water Volume (ML)

| Council | 2012-13 | 2013-14 | | 2014-15 | |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| | | Unitywater | QCA | Unitywater | QCA |
| Residential l/p/d | | | | | |
| Moreton Bay | 164.0 | 170 | 164.4 | 176 | 164.9 |
| Sunshine Coast | 191.2 | 199 | 191.8 | 206 | 192.4 |
| Residential Volume (ML) | | | | | |
| Moreton Bay | 22,272 | 23,652 | 22,792 | 25,007 | 23,190 |
| Sunshine Coast | 21,019 | 22,319 | 21,513 | 23,659 | 21,955 |
| Total | 43,291 | 45,972 | 44,306 | 48,666 | 45,144 |

Source: Unitywater (2013f), OESR (2011), QWC (2012), QCA calculations.

Submissions on the draft report

Unitywater agreed with the QCA's view that recent data no longer supports SKM's view that a rebound to 200 l/p/d is likely. Unitywater also noted that in its 2012-13 final report, the QCA provided advice in relation to residential average consumption (l/p/d) rates, which were above those in the QCA's 2013-15 Draft Report.

Unitywater submitted that, in developing its budget assumptions, it took into consideration the estimates in QCA's final report 2012-13. However, the QCA did not advise Unitywater on its changing position on average consumption rates to inform Unitywater's 2013-15 submission.

Unitywater noted that it would have been beneficial had this view been provided to the distributor-retailers in February 2013, when forecasts for the 2013-14 period were being developed, although the details below highlight that forecasts will vary to actual and do not consistently reflect low or medium outlooks.

Table 11: QCA residential average consumption rates (l/p/d)

| <i>Council</i> | <i>2013-14</i> | | <i>2014-15</i> | |
|----------------|---|---|---|---|
| | <i>QCA's 2012-13 Final Report</i> | <i>QCA's 2013-15 Draft Report</i> | <i>QCA's 2012-13 Final Report</i> | <i>QCA's 2013-15 Draft Report</i> |
| Moreton Bay | 169 | 164.4 | 171 | 164.9 |
| Sunshine Coast | 206 | 191.8 | 216 | 192.4 |

Source: Unitywater (2014).

Unitywater submitted that it has relied on trends in actual demand to inform 2014-15 prices and a long term price path. Unitywater's actual data for the residential sector are as follows.

Table 12: Unitywater's actual residential average consumption

| <i>Council</i> | <i>UW Actual 2012-13</i> | | <i>UW YTD Actual 2013-14 (Jul 13 – Jan 14)</i> | |
|----------------|------------------------------|----------------|--|----------------|
| | <i>l/p/d</i> | <i>kl/year</i> | <i>l/p/d</i> | <i>kl/year</i> |
| Moreton Bay | 158 | 144 | 165 | 151 |
| Sunshine Coast | 186 | 170 | 196 | 179 |

Source: Unitywater (2014).

Unitywater proposed that the final report highlights that actual usage may vary from OESR [QWC] assumptions and that the entities should reflect this in their forecasts.

Final report

As noted in our draft report, the QCA's view on average consumption (i.e. l/p/d for 2013-14 and 2014-15) for each SEQ council area is based on the pattern of (estimated) actual average consumption across SEQ in 2012-13, transitioned to the whole-of-SEQ average of 185 l/p/d in 2016-17. The target l/p/d for 2016-17 is informed by the latest QWC report (QWC 2012).

Similarly, the QCA's view on average consumption rates in its final report for 2012-13 were informed by SEQ entities' actual l/p/d data for 2011-12, and the relevant target l/p/d, which was 200l/p/d at the time of the 2012-13 review.

In each price monitoring review, the QCA has updated its forecasts of average consumption based on the latest (estimated) actual data and any better information on the target residential l/p/d available at the time prices were set. This approach, if applied by Unitywater going forward, would adjust average consumption following the availability of (estimated) actual data across SEQ. Seqwater's view on the most likely future water consumption across SEQ may be considered to warrant a departure from the current consumption target.

As a result, the QCA recognises that actual usage varies from QWC assumptions and the entities should reflect this in their forecasts at the time prices are set.

It is important to note that the QCA is monitoring prices after they have been set. In that sense the QCA cannot provide advice as to the appropriate demand forecast on which the prices should be set but rather seeks to review the basis on which they were so set.

3.2.2 Non-residential

Forecasting methodology

Unitywater forecast non-residential water volumes by multiplying the number of non-residential connections by consumption (in litres) per connection per day (l/c/d). Total water volume was apportioned to tiers on the basis of actual water demand during 2012-13.

Unitywater applied OESR medium growth rates to its 2012-13 connections using the same methodology as for residential water connections.

Equivalent Persons (EPs) v connections

The QCA notes that Unitywater adopted SKM's recommendation in the 2012-13 review to move away from average non-residential consumption per EP to average consumption per connection. Using connections is superior, as this information can be readily extracted from the billing system.

As for residential water connections, the QCA has applied OESR low growth rates.

Table 13: Non-residential water connections consuming water

| Council | 2012-13 | 2013-14 | | | | 2014-15 | | | |
|----------------|---------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|
| | | Unitywater | | QCA | | Unitywater | | QCA | |
| | | # | Growth Rate | # | Growth Rate | # | Growth Rate | # | Growth Rate |
| Moreton Bay | 8,522 | 8,787 | 3.11% | 8,761 | 2.80% | 8,998 | 2.39% | 8,922 | 1.83% |
| Sunshine Coast | 12,560 | 12,834 | 2.18% | 12,805 | 1.95% | 13,130 | 2.30% | 13,045 | 1.87% |
| Total | 21,085 | 21,621 | 2.56% | 21,567 | 2.30% | 22,128 | 2.34% | 21,966 | 1.85% |

Source: Unitywater (2013f), OESR (2011), QCA calculations.

Consumption per connection (l/c/d)

As in the 2012-13 review, Unitywater does not expect any rebound for its non-residential customers and did not apply any growth to average non-residential consumption. Unitywater applied seasonal factors to account for monthly variation in water demand.

As historical data on a consistent basis is not available for Unitywater, and as businesses do not usually have significant discretionary and outdoor water use, the QCA accepts the no-growth assumption for non-residential average consumption.

The QCA's forecast of non-residential water volume reflects its application of different connections growth rates. Table 14 refers.

Table 14: Non-residential water volume (ML)

| Council | 2012-13 | 2013-14 | | 2014-15 | |
|-----------------------------|--------------|--------------|--------------|---------------|---------------|
| | | Unitywater | QCA | Unitywater | QCA |
| Non-residential l/c/d | | | | | |
| Moreton Bay | 1,176 | 1,176 | 1,176 | 1,176 | 1,176 |
| Sunshine Coast | 1,311 | 1,312 | 1,312 | 1,312 | 1,312 |
| Non-residential volume (ML) | | | | | |
| Moreton Bay | 3,623 | 3,736 | 3,761 | 3,825 | 3,829 |
| Sunshine Coast | 5,964 | 6,095 | 6,129 | 6,236 | 6,244 |
| Total | 9,587 | 9,831 | 9,890 | 10,061 | 10,073 |

Source: Unitywater (2013e), QCA calculations.

3.2.3 Non-revenue water (losses)

Unitywater's estimate of non-revenue water encompasses network losses, unbilled water and theft. For 2012-13, this is estimated to be around 10.5% of total water purchased in Moreton Bay and 11.5% in the Sunshine Coast.

Supporting information and historical data showed that in Moreton Bay losses range from 7.3% to 12.1% on a quarterly basis, with a loss factor of 10% over the period. If the period of the floods in early 2011 is excluded, the average loss factor is 10.3%. For the Sunshine Coast, historical data on losses averaged 12.2%. If the flood period is excluded, losses are 11.4%.

Going forward, Unitywater has embarked on a program which aims to quantify and classify the non-revenue water component of its water balance. This project will benchmark Unitywater's non-revenue water against that of other water businesses and to identify opportunities to reduce losses.

Unitywater expects a loss reduction of 3.8% per year for Moreton Bay and 4.6% for the Sunshine Coast such that by 2021, the loss factor of 7.4% would apply for Moreton Bay and 7.6% for the Sunshine Coast.

Given the above, the QCA accepts Unitywater's loss factors and applied these to estimate non-revenue water volume.

Table 15: Non-revenue water (ML)

| Council | 2012-13 | 2013-14 | | 2014-15 | |
|--|---------------|---------------|---------------|---------------|---------------|
| | | Unitywater | QCA | Unitywater | QCA |
| Total water demand ⁽¹⁾ (ML) | | | | | |
| Moreton Bay | 25,894 | 27,388 | 26,553 | 28,832 | 27,019 |
| Sunshine Coast | 26,983 | 28,415 | 27,642 | 29,895 | 28,199 |
| Total | 52,877 | 55,803 | 54,195 | 58,728 | 55,217 |
| Loss factors | | | | | |
| Moreton Bay | 10.5% | 9.9% | 9.9% | 9.5% | 9.5% |
| Sunshine Coast | 11.5% | 10.7% | 10.7% | 10.2% | 10.2% |
| Non-revenue water volume (ML) | | | | | |
| Moreton Bay | 3,061 | 3,016 | 2,920 | 3,042 | 2,847 |
| Sunshine Coast | 3,512 | 3,419 | 3,321 | 3,415 | 3,216 |
| Total | 6,573 | 6,436 | 6,241 | 6,457 | 6,063 |

Note: ⁽¹⁾ includes demand for dialysis and fire service that has not been included in the demand by residential and non-residential customers. Source: Unitywater (2013f), QCA calculations.

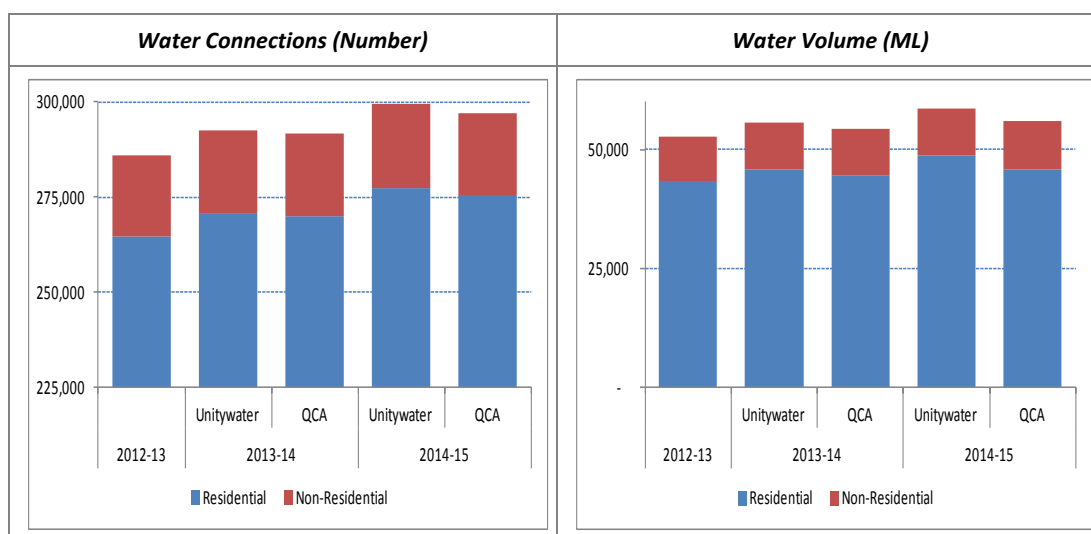
3.2.4 Bulk water

Bulk water is the sum of residential, non-residential and non-revenue water. The QCA's forecasts of bulk water are lower than Unitywater's, arising from the QCA's lower connection growth rates and average consumption rates.

Table 16: Bulk water (ML)

| Council | 2012-13 | 2013-14 | | 2014-15 | |
|----------------|---------------|---------------|---------------|---------------|---------------|
| | | Unitywater | QCA | Unitywater | QCA |
| Moreton Bay | 28,956 | 30,405 | 29,473 | 31,874 | 29,866 |
| Sunshine Coast | 30,495 | 31,834 | 30,963 | 33,310 | 31,414 |
| Total | 59,451 | 62,239 | 60,437 | 65,184 | 61,280 |

Note: ⁽¹⁾ includes demand for dialysis and fire service requirement that has not been included in the demand by residential and non-residential customers. Source: Unitywater (2013f), QCA calculations.

Figure 5: Water Forecasts

Source: Unitywater (2013f), QCA calculations.

3.3 Sewerage

3.3.1 Residential Connections

Unitywater applied OESR medium growth rates to forecast residential sewerage connections using the same approach as for water connections.

As for water, the QCA has applied growth rates that are consistent with the OESR's low population series.

Table 17: Residential Sewerage Connections

| Council | 2012-13 | 2013-14 | | | | 2014-15 | | | |
|----------------|----------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | | Unitywater | | QCA | | Unitywater | | QCA | |
| | | # | Growth Rate | # | Growth Rate | # | Growth Rate | # | Growth Rate |
| Moreton Bay | 123,363 | 126,149 | 2.26% | 125,777 | 1.96% | 125,777 | 2.39% | 128,077 | 1.83% |
| Sunshine Coast | 125,678 | 128,548 | 2.28% | 128,257 | 2.05% | 128,257 | 2.30% | 130,655 | 1.87% |
| Total | 249,041 | 254,696 | 2.27% | 254,035 | 2.01% | 254,035 | 2.35% | 258,732 | 1.85% |

Note: Growth rate based on average annual connections. Source: Unitywater (2013f), OESR (2011), QCA calculations.

3.3.2 Non-residential Forecast methodology

Unitywater forecast non-residential sewage volumes for the Sunshine Coast by applying discharge factors, which vary by the type of water customers, to water use.

Connections

Unitywater applied medium OESR growth rates to forecast non-residential sewerage connections using the same approach as for water connections.

As for water, the QCA has applied OESR low growth rates, resulting in lower connections.

Table 18: Non-residential sewerage connections

| Council | 2012-13 | 2013-14 | | | | 2014-15 | | | |
|----------------|---------------|---------------|----------------------------|---------------|--------------|---------------|--------------|---------------|--------------|
| | | Unitywater | | QCA | | Unitywater | | QCA | |
| | | # | Growth Rate ⁽¹⁾ | # | Growth Rate | # | Growth Rate | # | Growth Rate |
| Moreton Bay | 5,813 | 6,005 | 3.32% | 5,988 | 3.02% | 6,149 | 2.39% | 6,097 | 1.83% |
| Sunshine Coast | 6,526 | 6,700 | 2.67% | 6,685 | 2.44% | 6,854 | 2.30% | 6,810 | 1.87% |
| Total | 12,338 | 12,706 | 2.98% | 12,673 | 2.71% | 13,004 | 2.35% | 12,907 | 1.85% |

Note: Growth rate based on average annual connections. Source: Unitywater (2013f), OESR (2011), QCA calculations.

Volume

Unitywater applied a set of discharge factors to water use to estimate the deemed volume of sewage disposal for 2012-13 in the Sunshine Coast. Unitywater does not charge for non-residential sewage volumes in Moreton Bay.

Table 19: Non-residential sewage discharge factors

| Discharge Factor | Description |
|------------------|--|
| 0% | Fountain, nature strip, planter box, round-about, vacant land, extractive (mining), agricultural business. |
| 25% | Ready mixed concrete depot, concrete batching plant, football oval, golf course, plant nursery, quarry, racing tracks, recreation reserve, cemetery, construction site, bowling green, animals special - boarding kennel beekeeping, parks and gardens, sporting field, farms. |
| 50% | Ambulance, bus/tram depot, car sales, caravan park, caravan/boat parking lot, child care, fire brigade, kennels, kindergartens, machinery storage, school, SES, yacht club, depot (private enterprise). |
| 75% | Tourist attraction/resort, school/training institute (private), clubs/community organisations (non-profit), airport, tennis clubs (non-profit), tennis courts for hire, club-licensed, factory, service station, public toilets. |
| 90% | All other non-residential customers. |

Source: Unitywater (2013a).

For 2013-15, Unitywater assumed no growth in average non-residential sewage disposal, consistent with its no growth assumption for non-residential water use.

The QCA has accepted this assumption. The QCA has a slightly lower estimate of deemed sewage volume due to its lower non-residential connections.

Table 20: Non-residential sewage discharge volume

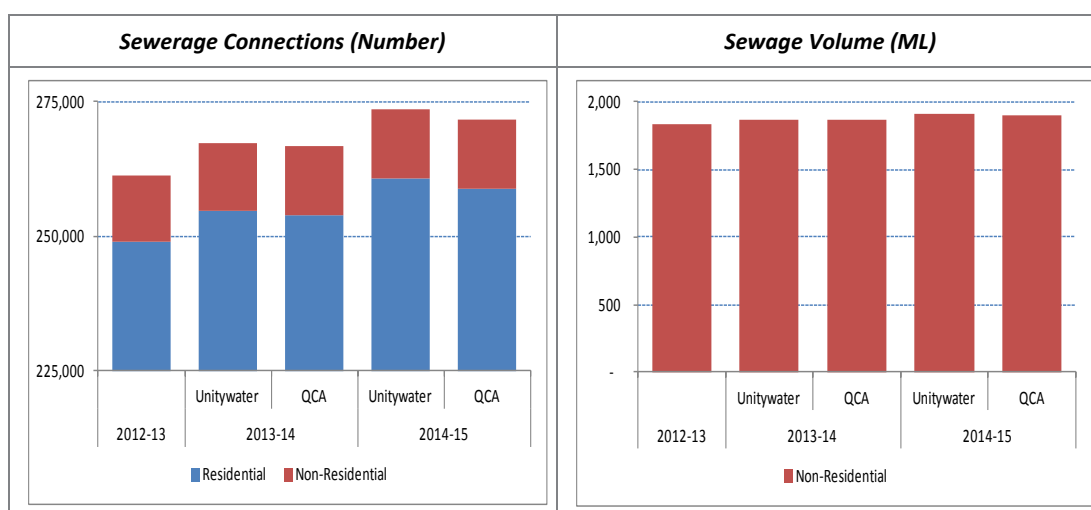
| Council | 2012-13 | 2013-14 | | 2014-15 | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| | | Unitywater | QCA | Unitywater | QCA |
| Non-residential Sewage Volume (ML) | | | | | |
| Moreton Bay* | 0 | 0 | 0 | 0 | 0 |
| Sunshine Coast | 1,831 | 1,867 | 1,862 | 1,910 | 1,897 |
| Total | 1,831 | 1,867 | 1,862 | 1,910 | 1,897 |

* Not relevant for Moreton Bay as no volumetric charge for non-residential sewage. Non-residential sewage discharge volume in the Sunshine Coast is determined by applying discharge factor as per Table 13 on non-residential water use. Source: Unitywater (2013e), QCA calculations.

3.3.3 Sewerage forecasts

Figure 6 compares Unitywater and the QCA’s forecasts for sewerage.

Figure 6: Sewerage forecasts



Source: Unitywater (2013e), QCA calculations.

3.4 Demand for capital planning

Unitywater’s submission

Unitywater's longer term demand projections are derived by multiplying future population estimates by assumed levels of average consumption. Population projections are prepared using geographic land parcel based models, which assign the population to land parcels based on land use planning information¹⁶.

Unitywater's population models disaggregate the projections into low density (detached dwellings) and high density (unit development) residential populations to allow different per capita consumptions to be applied to people living in different dwelling types. Unitywater also disaggregated non-residential demand estimates into various categories of non-residential land use, such as industry, commercial, retail, open space.

¹⁶ This information includes: zoning, development densities, developable land, anticipated timing of development, previous development applications, future occupancy ratios, etc.

For average consumption, Unitywater noted that the current Level of Service (LOS) objectives adopted by the State Government for the supply of water to SEQ include the requirement of 230 l/p/d for residential customers.¹⁷ Taking into account uncertainty over future consumption, it adopted planning assumptions of 230 l/p/d for low and medium density development, and 200 l/p/d for high density development.

Unitywater also applied an allowance for non-revenue water which it projected to decline with its implementation of leakage control measures.

For water and sewerage, Unitywater's demand factors are derived from the SEQ Water Supply and Sewerage Design and Construction Code (Design and Construction Code), which also includes modifications to suit the specific geographical and climatic conditions of SEQ.

QCA's analysis

The QCA notes that Unitywater's demand for capital planning reflects the Design and Construction Code which came into effect on 1 July 2013. Comments on capital planning policies and procedures are also included in chapter 4.

3.5 Summary

Given available information, Unitywater's methodology to forecast demand for 2013-15 is reasonable. Nevertheless, the QCA has made some adjustments to reflect its view of lower connections growth and average consumption. The QCA's estimates broadly confirm Unitywater's estimates, although the differences increase in 2014-15. For example, the QCA's bulk water estimate in 2013-14 is 2.8% lower than Unitywater's, the difference increases to 5.8% in 2014-15.

Submissions on the draft report

Unitywater welcomed the QCA's acknowledgement that demand forecasting methods in place are appropriate given the maturity level of the business. Unitywater also submitted that it accepts that an opportunity exists to develop enhanced forecasting methodologies by engaging in collaborative efforts with other SEQ water entities.

Unitywater submitted that an important demand forecasting initiative is scheduled to be developed in the next 12 months. This spatially-based demand model links to the council's land use database, and progressively captures development approvals as they occur. This tool, referred to as Demand Management and Tracking Tool (DMaTT)¹⁸, exhibits the potential to substantially enhance Unitywater's capacity to make water and sewerage load projections, and to quickly incorporate changes in the status of Council Planning Schemes, State Government Master Planned Areas, OESR population projections, etc.

Final report

The QCA welcomes Unitywater's demand forecasting initiative. Further, the QCA supports the potential benefits that can be realised through a whole-of-SEQ collaborative effort in laying the appropriate groundwork for data collection that will enable the entities to look at the various factors affecting demand, including price elasticity.

¹⁷ Refer to the System Operating Plan Revision 5, available at: <http://www.dews.qld.gov.au/policies-initiatives/water-sector-reform/queensland-water-commission>

¹⁸ Unitywater did not state which council's land use database would be linked to DMaTT.

4 CAPITAL COSTS

4.1 Introduction

The costs of providing water and wastewater activities include bulk, distribution and retail costs. Distribution and retail costs include capital costs (see below) and operating costs (chapter 5).

Capital costs are the costs of infrastructure and other assets used to deliver services. A key input is the regulatory asset base (RAB). The Ministerial Direction sets out the principles for rolling forward the RAB over time.

Capital costs comprise depreciation (return of capital) and an allowance for the cost of debt and a return for the risks involved (return on capital). Consistent with the Direction, the QCA uses straight-line depreciation and a benchmark WACC of 6.57%.

4.2 Regulatory asset base

Under the Ministerial Direction, the QCA must roll forward Unitywater's RAB based on the 1 July 2012 RAB as verified by the QCA. The Direction also states that a revaluation of the initial RAB is not to be considered.

The QCA has sought to verify the 1 July 2012 RAB on the basis of the Ministerial Directions for 2010-13 price monitoring.

4.3 Regulatory asset base as at 1 July 2008

Draft report

The Ministerial Directions for 2010-13 required the QCA to accept the initial RAB as at 1 July 2008 advised by the (then) Minister for Natural Resources, Mines and Energy and Minister for Trade.

For 2013-15, Unitywater has adopted a starting RAB as at 1 July 2010 of \$2,416.697 million. Unitywater advised that as it commenced operation in 1 July 2010, its internal models adopt a starting RAB as at 1 July 2010. Unitywater advised that the 1 July 2008 RAB and capital expenditure for 2008-09 and 2009-10 are not relevant to its internal modelling because Unitywater did not exist. However, Unitywater stated in its written submission that its 1 July 2010 RAB is based on the initial 1 July 2008 RAB.

As in previous years, Mr Koerner and Ms West submitted that the QCA is not authorised to independently review the initial RAB under the Direction. They submitted that the QCA is unable to identify monopoly pricing abuse or provide transparent information to customers.

Under the Ministerial Direction, the QCA is required to adopt the initial 1 July 2008 RAB.

The QCA signalled its intention to roll forward the RAB from 1 July 2008 to Unitywater (and QUU) in March 2013 in consultation on the Information Requirements for 2013-15. To do otherwise would be a revaluation of the initial RAB.

The QCA has therefore adopted a 1 July 2008 RAB based on the information in Unitywater's submission to the 2012-13 price monitoring review. These values reconcile to the Minister's advised values and were accepted by the QCA in its previous reviews.

Submissions on the draft report

Unitywater submitted that its 1 July 2010 RAB value was based on the Minister's determined RAB as at 1 July 2008. Unitywater provided summary level information documenting the roll-forward from 1 July 2008 to 1 July 2010.

Unitywater requested that the QCA note that the 1 July 2008 RAB is based on values determined prior to Unitywater's existence.

Mr Koerner submitted that the RAB for Unitywater may be inflated and has not been independently verified by the QCA. Further, Mr Koerner submitted that the draft report has not afforded due process as it failed to consider information provided by stakeholders in their submissions. Consequently, Mr Koerner stated that the QCA's findings in the draft report are flawed.

Ms West stated that the draft report did not independently address the matter of infrastructure valuation methodology as the QCA was not authorised to perform independent investigation of the 2012-13 and prior year RABs. Ms West submitted that despite past provision of public submissions, no effective consumer protection for pensioner households against predatory pricing has as yet been provided. Ms West requested that the QCA afford all the public submissions due process in the 2013-15 price monitoring final reports.

Ms West provided further material which was submitted to suggest failures by Unitywater and the Queensland Water Commission in respect of COAG obligations under National Water Initiative (NWI) Pricing Principles.

Final report

As stated in the draft report, under the Ministerial Direction, the QCA is required to adopt the initial 1 July 2008 RAB. In doing so, the QCA has followed due process. The QCA has considered the information provided by stakeholders in their submissions and has published these on the QCA website. The QCA's findings respond to the Ministerial Direction.

The QCA has adopted a 1 July 2008 RAB as per the draft report. When rolling this forward on the basis of its past assessments, the QCA estimate of the RAB at 1 July 2010 (see Table 41 and 42 below) differs from the estimate provided by Unitywater. The QCA can confirm that the date of the RAB value (1 July 2008) is prior to the establishment of Unitywater (1 July 2010).

Table 21 Unitywater RAB as at 1 July 2008 (\$m)*

| <i>Council</i> | <i>Water</i> | <i>Wastewater</i> | <i>RAB</i> |
|----------------|---------------|-------------------|-----------------|
| Moreton Bay | 509.75 | 599.86 | 1,109.61 |
| Sunshine Coast | 369.06 | 550.64 | 919.69 |
| Total | 878.81 | 1,150.50 | 2,029.31 |

* Excludes non-regulated assets of \$0.6 million. Source: Unitywater (2012).

4.4 Capital expenditure in 2008-10

The Ministerial Directions for 2010-13 required the QCA to accept as prudent and efficient:

- (a) actual capital expenditure for water and wastewater (excluding establishment costs) as included in councils' financial accounts from 1 July 2008 to 30 June 2010
- (b) allowable establishment costs as advised by the (then) Minister for Natural Resources, Mines and Energy and Minister for Trade and

- (c) contributed, donated and gifted assets and capital expenditure funded through cash contributions from 1 July 2008 to 30 June 2010.

As noted above, Unitywater stated that the 1 July 2008 RAB and capital expenditure for 2008-09 and 2009-10 are not relevant to its internal modelling. Capital expenditure for 2008-09 and 2009-10 were not provided in the Unitywater submission for 2013-15.

To roll forward the 1 July 2008 RAB the QCA has adopted the capital expenditure for 2008-10 as submitted by Unitywater in previous reviews, as shown in the table below.

Table 22 Capital expenditure 2008-10 (\$m)

| | 2008-09 | 2009-10 |
|----------|----------------|----------------|
| Councils | 129.60 | 303.33 |

Source: Unitywater (2013e).

4.5 Capital expenditure in 2010-13

Under the Ministerial Directions for 2010-13, capital expenditure from 1 July 2010 to 30 June 2013 was accepted if it was considered prudent and efficient by the QCA.

The QCA requires capital expenditure to be included in the RAB only when it is commissioned, and contributes to the provision of water and wastewater services.

Unitywater capital expenditure

In its original submission, Unitywater provided aggregate capital expenditure from 1 July 2010, however this was not disaggregated by service and asset class. This level of disaggregation is required to allow the QCA to adjust capital expenditure, calculate depreciation and the MAR.

Subsequent to its original submission, Unitywater advised it had inadvertently double-counted some capital expenditure in 2010-11 and 2011-12.

Unitywater provided revised capital expenditure data, which it based on audited data. This information was provided by service and asset class. Unitywater submitted that the QCA should adopt the revised capital expenditure data as the basis for its review, as this would lead to a more appropriate calculation of the MAR.

Table 23 Unitywater capital expenditure 2010-13 (\$m)

| | 2010-11 | 2011-12 | 2012-13 |
|------------|----------------|----------------|----------------|
| Unitywater | 181.44 | 281.94 | 212.05 |

Note: Capital expenditure as-commissioned. Source: Unitywater (2013e).

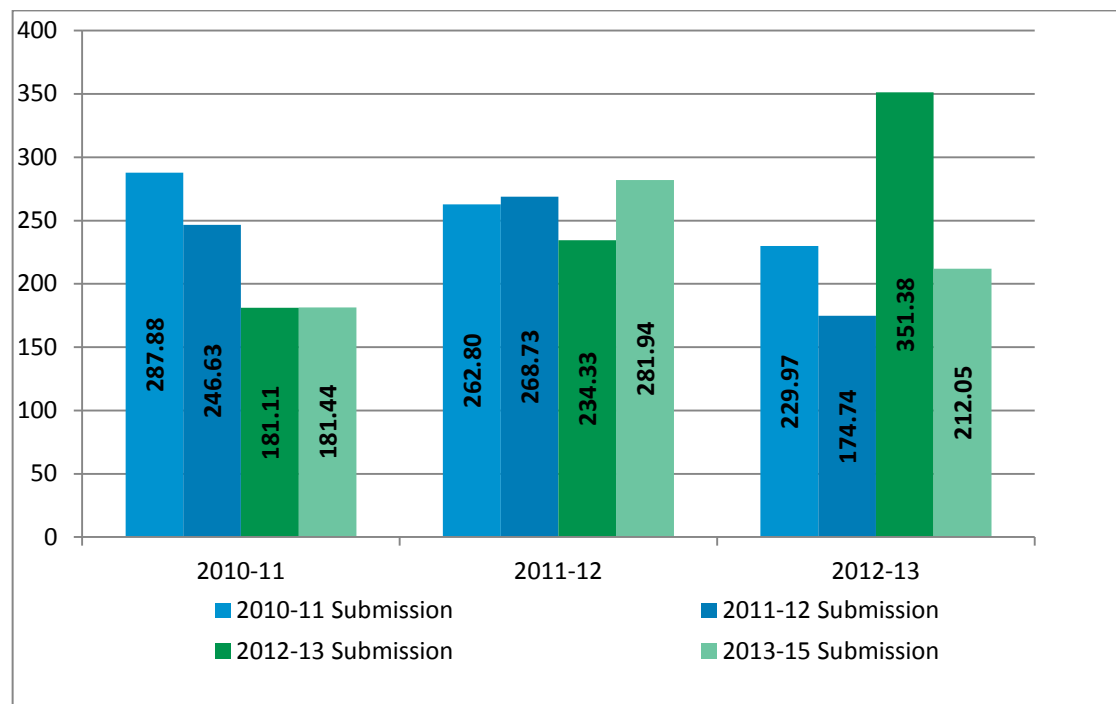
The QCA has based its review on Unitywater's revised capital expenditure data, on the basis that this will lead to a more appropriate calculation of the MAR. The QCA allocated asset values to services and asset classes in some instances, where this was not readily available from the Unitywater data.¹⁹

¹⁹ Unitywater was able to identify commissioned assets for 2010-13, and allocate these by service and asset class in most instances. Unitywater made assumptions to provide forecasts of commissioned assets for 2013-15. The QCA has based its review on this information and populated the data template to reconcile with Unitywater in aggregate.

The QCA is willing to work with Unitywater to reconcile the capital expenditure and other data underpinning the RAB and the MAR.

The QCA has reflected Unitywater's capital expenditure in 2010-13 (\$675.4 million), noting this is below that previously submitted by Unitywater (\$766.82 million in its 2012-13 submission), as set out in Figure 7 below.

Figure 7 Capital expenditure estimates in submissions (\$m)



Note: Capital expenditure as-commissioned. Source: Unitywater (2010), Unitywater (2011), Unitywater (2012), Unitywater (2013e).

4.6 Capital expenditure in 2013-15

Ministerial Direction

The Ministerial Direction for 2013-15 price monitoring requires the QCA to assess capital expenditure for 2013-15 based on:

- a view of the prudence and efficiency of capital expenditure, focussing on any areas of significant cost increase and identifying the reasons why
- the existence of robust policies and procedures having regard to good industry practice, as well as compliance, using a sample of six capital expenditure projects
- the robustness of the capital expenditure program planning and delivery processes and procedures in an overall sense and identify any areas for improvement.

The Ministerial Direction requires the QCA to review the prudence and efficiency of capital expenditure not more than once during the 2013-15 monitoring period. Only expenditure found to be prudent and efficient can be included in the RAB.

Unitywater's forecast capital expenditure for 2013-15

Forecast capital expenditure for the review period by service and driver are shown in the tables below.

Table 24 Unitywater capital expenditure 2013-2015 by service (\$m)

| <i>Capex</i> | <i>2013-14</i> | <i>2014-15</i> | <i>Total</i> |
|--------------|----------------|----------------|---------------|
| Water | 72.01 | 44.69 | 116.70 |
| Sewerage | 100.78 | 127.32 | 228.10 |
| Total | 172.79 | 172.01 | 344.80 |

Note: Excludes contributed assets and non-regulated assets. Source: Unitywater (2013f).

Table 25 Unitywater capital expenditure 2013-2015 by driver (\$m)

| <i>Capex driver</i> | <i>2013-14</i> | <i>2014-15</i> | <i>Total</i> |
|---------------------|----------------|----------------|---------------|
| Growth | 34.96 | 98.46 | 133.43 |
| Renewal | 55.35 | 7.03 | 62.38 |
| Improvement | 44.95 | 35.46 | 80.41 |
| Compliance | 37.53 | 31.05 | 68.58 |
| Total | 172.79 | 172.01 | 344.80 |

Source: Unitywater (2013f).

Unitywater attributed the significant capital expenditure for sewerage services to:

- (a) major upgrades of some sewage treatment plants (STPs) over the next few years
- (b) reconfiguration of STP design and functionality to meet environmental licence²⁰ conditions
- (c) deferral of investment in water distribution infrastructure due to falling levels of residential and business water consumption.

QCA's approach

The QCA considered the prudence and efficiency of Unitywater's forecast capital expenditure for 2013-15 in accordance with the Ministerial Direction.

The QCA's assessment focussed on:

- (a) a detailed review of the prudence and efficiency of a sample of six capital expenditure projects and their compliance with capital policies and procedures
- (b) a review of the robustness of capital policies and procedures relating to planning and delivery having regard to good industry practice.

The QCA appointed SKM to assist in its assessment.

SKM's final report provides a detailed review of the sampled projects and capital policies and procedures and is available on the QCA's website. Key issues from the SKM review that underpin the QCA's findings are summarised below.

²⁰ Environmental licences are regulated by the Department of Environment and Heritage Protection (DEHP).

Prudency and efficiency criteria

The criteria and processes for determining the prudency and efficiency of capital expenditure projects are defined in the Information Requirements for 2013-15. In summary, to establish:

- (a) prudency, an entity must demonstrate that there is a need for the expenditure, typically by reference to an analysis of its driver/s (that is, growth, renewal, improvement and compliance)
- (b) efficiency, information is required on the scope and standard of the works and the corresponding cost and timing of works. This should be linked, where relevant, to the underlying cost components such as unit rates, on-costs and contingencies and supporting materials such as consultant reports. Information is also required on expenditure approval policies and procedures.

SKM reviewed the compliance of the sampled projects against Unitywater's policies and procedures and SKM's view of good industry practice for the development of capital projects, including project prioritisation, a defined review and approvals process, and appropriate documentation.

Sample selection

The Ministerial Direction required a sample of six capital expenditure projects be selected for detailed review. The sample chosen by the QCA reflected the largest six projects (by dollar value) to be commissioned in 2013-15, excluding those that had been reviewed previously by the QCA and found to be prudent and efficient. Projects commissioned in 2013-15 were selected given their impact on the MARs for these years.

The sample of Unitywater projects reviewed in detail is shown in the table below. SKM reviewed the capital expenditure on an as-incurred basis, as this reveals the annual expenditure stream over the life of the project.

Table 26 Unitywater capital expenditure projects reviewed (\$m)

| <i>Project</i> | <i>Driver</i> | <i>Commissioned in 2013-15</i> | <i>As Incurred in 2013-15</i> |
|--|---------------|--------------------------------|-------------------------------|
| 1. SCADA Improvement and Integration Program | Compliance | 20.08 | 16.14 |
| 2. Maleny STP Upgrade | Compliance | 14.23 | 11.45 |
| 3. Fleet - Trucks | Improvement | 8.74 | 8.74 |
| 4. Suncoast Sewerage Scheme Transfer System | Growth | 7.01 | 5.76 |
| 5. Coolum STP Inlet Works | Growth | 6.60 | 5.52 |
| 6. Northern Service Centre Construction | Improvement | 4.83 | 3.97 |
| Total sampled expenditure | | 61.49 | 51.60 |

Note: Table may not add due to rounding. Commissioned values reflect the value of expenditure incurred over the life of the project and capitalised interest. Source: Unitywater (2013e).

4.7 Prudency and efficiency of sampled projects

4.7.1 SCADA improvement and integration program

Background

Soon after the formation of Unitywater, the SCADA Upgrade Program was consolidated across Unitywater's north and south regions into one program of four sub-projects, with a revised organisational structure under a single program manager. The four sub-projects are:

- (a) SCADA Improvement and Integration Program
- (b) switchboard replacement
- (c) instrumentation replacement
- (d) communications infrastructure program.

In its 2012-13 review, the QCA reviewed the communications infrastructure program and found it to be prudent and efficient (QCA 2013a).

The SCADA Improvement and Integration Program involves replacing all 11 legacy SCADA systems with two systems (North and South) within one single platform. All remote telemetry units (RTUs) are to be replaced and site enabling works to allow for a common control platform.

Through having a common and robust SCADA system, Unitywater expects a reduction in licence costs of approximately \$173,000 per year.

Unitywater submitted that the expenditure (as-incurred) on the project would be \$16.14 million in 2013-15. A further \$7.35 million was incurred in 2012-13; total capital expenditure incurred will be \$23.49 million. Unitywater submitted that \$20.08 million will be commissioned in 2013-15.²¹

Prudency

Unitywater identified compliance and improvement as the drivers of the project.

SKM was satisfied that the program will result in a consistent platform for the operation of the SCADA network across Unitywater's service area and should result in long term business efficiency.

SKM found the project to be prudent.

Efficiency

SKM considered that historically the project had not been delivered efficiently as it appeared to have been subject to a number of changes that caused issues around timing and costs. However, SKM stated that the consolidation of the two original contract agreements into an integrated contract was appropriate.

SKM estimated the value of remaining work for the project to be \$1.11 million less than Unitywater's most recent cost estimate for the project (all works are forecast to be complete in August 2014). However, as the SKM estimate was higher than the value originally submitted by Unitywater in its data template, SKM recommended that the lower Unitywater value be retained.

Therefore, SKM found the project to be efficient.

²¹ The QCA notes the as-commissioned expenditure on this project is below the as-incurred expenditure - this has not been explained by Unitywater.

In response to SKM's final report (SKM 2014a), Unitywater challenged SKM's views regarding: (i) the scope of outstanding work; (ii) the cost capture of Unitywater's project management costs; and (iii) contingency reduction. Accordingly, Unitywater rejected the \$1.11 million reduction in forecast cost as estimated by SKM.

As SKM did not recommend a reduction in the capital budget for the project (on the basis that SKM's estimate of costs was higher than the value in Unitywater's data template), the QCA has not amended the capital budget for this project.

Policies and procedures

SKM found that the documentation reviewed for this project - including a project brief, Asset Steering Committee (ASC) minutes, Capital Works Committee project decision paper and monthly reports - was generally in line with Unitywater's capital delivery processes.

SKM further stated that there may have been deficiencies in project processes inherited from councils, and that Unitywater had revisited the market where required in order to improve the efficiency of the project delivery.

Conclusion

On the basis of SKM's advice, the QCA accepts that the project is prudent and efficient, as reflected in the table below.

Table 27 SCADA Improvement and Integration Program

| | 2012-13 | 2013-14 | 2014-15 | Total |
|---------------------|----------------|----------------|----------------|--------------|
| Unitywater Proposed | 7.35 | 12.57 | 3.57 | 23.49 |
| SKM Adjustment | 0.00 | 0.00 | 0.00 | 0.00 |
| QCA | 7.35 | 12.57 | 3.57 | 23.49 |

Note: Capital expenditure as-incurred. Source: SKM (2014a).

4.7.2 Maleny STP upgrade

Background

The Maleny STP services the Maleny community in the Sunshine Coast hinterland and is located east of the town centre, beside Obi Obi Creek. The existing treatment plant has been in operation since 1982 and is at its hydraulic capacity. Under the current load, the STP fails to comply with a number of aspects of its environmental licence requirements.

The existing plant has a maximum design capacity of 2,000 EP. The planned upgrade will have a maximum design capacity of 5,000 EP, catering for growth in the area up until 2031.

The Maleny STP is being replaced with a Membrane Biological Reactor process. As part of the upgrade, Unitywater will be developing a reforestation and wetlands area. Treated water from the Maleny STP will receive additional treatment through the forest and wetland system before entering Obi Obi Creek. Unitywater expect the project will have a positive impact on the health and water quality of Obi Obi Creek.

Unitywater submitted that the expenditure (as-incurred) on the project would be \$11.45 million in 2013-15. A further \$4.67 million was incurred in 2012-13; total capital expenditure incurred

to 30 June 2015 will be \$16.12 million.²² Unitywater submitted that expenditure of \$14.23 million will be commissioned in 2013-15.

Prudency

Unitywater identified compliance as the primary cost driver for this project. Drivers of growth, renewals and improvement are also relevant.

As the Maleny STP requires upgrade to meet current and future population projections, SKM found the project to be prudent.

Efficiency

Based on the tender process selected for both the wetlands and treatment plant components of the project, and the negotiation and assessment undertaken, SKM found that the project costs for these were in line with market conditions. SKM found the project to be efficient.

Policies and procedures

SKM found that the documentation reviewed for this project - including the Project Needs Analysis, Major Business Case, Contract Recommendation and Approval Report - were in line with Unitywater's Capital Works Planning Manual (CWPM). This project demonstrated no systemic deficiencies in Unitywater's overall policies and procedures.

Conclusion

On the basis of SKM's advice, the QCA accepts that the project is prudent and efficient, as reflected in Table 28 below.

Table 28 Maleny STP Upgrade (\$m)

| | 2012-13 | 2013-14 | 2014-15 | Total |
|---------------------|----------------|----------------|----------------|--------------|
| Unitywater Proposed | 4.67 | 10.78 | 0.68 | 16.12 |
| SKM Adjustment | 0.00 | 0.00 | 0.00 | 0.00 |
| QCA | 4.67 | 10.78 | 0.68 | 16.12 |

Note: Capital expenditure as-incurred. Source: SKM (2014a).

4.7.3 Fleet - Trucks

Background

Unitywater's Plant and Fleet asset base was established from assets identified by MBRC and SCRC as being used by their respective water businesses. Unitywater's Plant and Fleet asset holdings in July 2010 (time of transfer from councils) and July 2013 are summarised in Table 29 below.

Table 29 Unitywater Plant and Fleet

| | Passenger vehicles | Utilities | Trucks | Heavy Plant |
|-----------|---------------------------|------------------|---------------|--------------------|
| July 2010 | 69 | 275 | 98 | 156 |
| June 2013 | 44 | 252 | 93 | 138 |

Source: Unitywater supporting information (July 2013).

²² Unitywater submitted the completion date for the project as May 2014 but is budgeting further expenditure of \$195,000 in 2015-16. This has not been explained by Unitywater.

Unitywater's Plant and Fleet Asset Replacement Program will replace plant and fleet assets that have passed the end of their lease agreement or have passed their optimal replacement points. Based on the current maximum life replacement triggers, SKM accepted the proposed replacement of 23 trucks in 2013-14 and 16 trucks in 2014-15. SKM also accepted the inclusion of an additional seven trucks carried over from 2012-13 in the 2013-14 replacement program.

The replacement program reduces the operational expenditure for the Plant and Fleet section through better management of the fleet, and a reduction of the lease payments for leased assets (from \$1.5 million at the time of the asset transfer from SCRC to zero over the five years of the proposed budget plan).

Unitywater submitted that the expenditure (as-incurred) on the project would be \$8.74 million in 2013-15. A further \$0.76 million was incurred in 2012-13; total capital expenditure incurred to 30 June 2015 will be \$9.50 million.²³ Unitywater submitted that expenditure of \$8.74 million will be commissioned in 2013-15.

Prudency

SKM concluded that the primary driver for this project - renewal - was demonstrated as the fleet function is vital to Unitywater's ability to achieve business objectives in meeting the needs of its customers.

Efficiency

Based on the replacement of 30 trucks in 2013-14 and 16 trucks in 2014-15, SKM recommended that the QCA adopt \$5.32 million and \$2.88 million for 2013-14 and 2014-15 respectively. SKM recommended a (net) reduction of \$0.52 million (an increase of \$0.48 million in 2013-14 and a reduction of \$1.00 million in 2014-15) as the costs do not align to the number of trucks and the unit rate for these vehicles. Overall, the project was found to be partially efficient.

In its submission on the draft report, Unitywater noted that:

- (a) during finalisation of its 2013-18 five year forecast, budget expenditure on trucks was reduced as part of the management review process to drive the prudency and efficiency of expenditure
- (b) supporting information was not adjusted to derive this lower target and new information was not provided to SKM
- (c) it accepted the adjustments made by the QCA.

Policies and procedures

SKM found that the documentation reviewed for this project - including the Major Business Case, Plant and Fleet Asset Procurement Form - were in line with Unitywater's capital delivery processes. No Contract Recommendation and Approval Report was provided; SKM stated that if completed correctly, this document may have assisted to further demonstrate the efficiency of the project.

Conclusion

On the basis of SKM's advice, the QCA accepts that the project is prudent and partially efficient, as reflected in Table 30 below. SKM advised that the savings from this project should not be extrapolated to other (non-sampled) projects, as the issue was not systemic.

²³ Unitywater is budgeting further expenditure of \$4.86m from 2015-16 to 2017-18.

Table 30 Fleet - Trucks (\$m)

| | 2012-13 | 2013-14 | 2014-15 | Total |
|---------------------|----------------|----------------|----------------|--------------|
| Unitywater Proposed | 0.76 | 4.86 | 3.88 | 9.50 |
| SKM Adjustment | 0.00 | 0.48 | -1.00 | -0.52 |
| QCA | 0.76 | 5.32 | 2.88 | 8.98 |

Note: Capital expenditure as-incurred. Source: SKM (2014a).

4.7.4 Suncoast sewerage scheme transfer system

Background

The Suncoast STP is located on Finland Road, Pacific Paradise, on the western side of the Sunshine Motorway. The STP catchment includes central Marcoola through Twin Waters, also including Pacific Paradise, Mudjimba, and the airport and industrial estate. Treated effluent from the plant is discharged to the Maroochy River.²⁴

The Suncoast STP has a nominal hydraulic and biological capacity to serve 12,000 EP. Current population figures estimate that the Suncoast catchment contributes 15,000 EP to the STP. Further, the Suncoast STP has failed to comply with aspects of its environmental licence conditions and Unitywater is required to undertake corrective action:

- (a) In December 2010, the environmental regulator (the then Department of Environment and Resource Management (DERM)) wrote to Unitywater regarding its concerns over the operations of Unitywater's Sunshine Coast STPs.
- (b) Unitywater responded to this letter in January 2011, outlining its plan to address these issues.²⁵

Unitywater is planning the closure of the Suncoast STP and the transfer of flows to the Maroochy STP. The Suncoast STP Sewerage Transfer System will transfer the sewerage collected in the Suncoast catchment to the Maroochy STP for treatment. The project involves transfer of all Suncoast STP flows via a new transfer pumping station to Maroochy STP via a 6.1km pipeline under the Maroochy River.²⁶

Unitywater expects the project will (among other things):

- (a) mitigate potential for fines and/or litigation from DEHP
- (b) reduce the number, and operating costs, of treatment plants
- (c) increase treatment capacity, which can support a larger customer base that will provide increased annual sewerage charges revenue
- (d) reduce the total nutrient load on the Maroochy River.

Unitywater submitted that the expenditure (as-incurred) on the project would be \$5.76 million in 2013-15. A further \$3.74 million was incurred in 2012-13; total capital expenditure incurred

²⁴ The Suncoast STP is one of four Unitywater STPs discharging into the Maroochy River: the others are Coolool STP, Nambour STP and Maroochy STP (Unitywater supporting information (2013)).

²⁵ Unitywater supporting information (2013).

²⁶ In its 2012-13 review submission, Unitywater referred to its plan to save \$13.0m by diverting sewage from the Suncoast STP by building a pipeline to the Maroochy STP that would permit temporary decommissioning of the Suncoast STP, rather than upgrading the plant to a more stringent environmental licence (Unitywater 2012).

to 30 June 2015 will be \$9.50 million. Unitywater submitted that expenditure of \$7.01 million will be commissioned in 2013-15.

Prudency

The primary cost drivers identified for this project are compliance and growth. SKM was satisfied the drivers were demonstrated and found the project to be prudent.

Efficiency

SKM considered that the standards used for this project are appropriate.

However, SKM identified a concern that the rising main had been built prior to the finalisation of the design of the pump station and considered that there may have been efficiencies in packaging the pipework north of the river with the pump station.

SKM noted that while design and project management costs for this project are particularly high, the project has a number of particular technical challenges, including a long directional drill under the Maroochy River. SKM's estimated value of the remaining work was higher than the value originally submitted by Unitywater. Accordingly, SKM suggested that the lower number be adopted until the variation can be resolved [by Unitywater].

In response to SKM's final report (SKM 2014a), Unitywater stated that it did not agree with SKM's view that there may have been efficiencies by packaging pipe work north of the Maroochy River with the pump station.²⁷ Specifically, Unitywater advised that it chose to separate the contracts on the basis of complexity and the proposed timing of works. Accordingly, Unitywater rejected SKM's amendments to the capital budget for the project.²⁸

As SKM did not recommend a reduction in the capital budget for the project (on the basis that SKM's estimate of costs was higher than Unitywater's data template), the QCA has not amended the capital budget for this project.

In its submission on the draft report, Unitywater stated:

Unitywater considers that comments made by SKM in relation to the design of the rising main are incorrect. As previously indicated, the hydraulic capacity required of the main was determined. The pump station was fundamentally designed and all considerations had been made that would have affect on the pipe design. The pump station design had not been finalized as Unitywater was determining the most cost efficient method of achieving the transfer outcomes. It should be noted that existing asset reconfiguration was being considered as an alternative to a new asset. Unitywater discussed at length with SKM the rationale behind decisions not to bundle the work packages. The complexity of the pump station build was significantly greater than the relatively simple trench, lay and fill methodology that was utilised for the pipework laying.

The QCA has not sought to re-engage SKM to resolve this matter given the costs of doing so and as Unitywater's concerns do not impact on the QCA's conclusion.

Policies and procedures

SKM found that the documentation reviewed for this project - including the Project Needs Analysis, Major Business Case, Contract Recommendation and Approval Report - were in line with Unitywater's capital delivery processes. This project demonstrated no systemic deficiencies in Unitywater's overall policies and procedures.

²⁷ Refer to SKM (2014) section B.5.

²⁸ Response to SKM Final Report – Suncoast Sewage Scheme Transfer System – Unitywater Final Response (Unitywater 2013).

Conclusion

On the basis of SKM's advice, the QCA accepts that the project is prudent and efficient, as reflected in Table 31 below.

Table 31 Suncoast Sewerage Scheme Transfer System (\$m)

| | 2012-13 | 2013-14 | 2014-15 | Total |
|---------------------|----------------|----------------|----------------|--------------|
| Unitywater Proposed | 3.74 | 5.76 | 0.00 | 9.50 |
| SKM Adjustment | 0.00 | 0.00 | 0.00 | 0.00 |
| QCA | 3.74 | 5.76 | 0.00 | 9.50 |

Note: Capital expenditure as-incurred. Source: SKM (2014a).

4.7.5 Coolum STP inlet works

Background

The Coolum STP is located on Marsh Road, just west of Mt Coolum and the Sunshine Motorway. It services North Marcoola, South Peregian, Coolum Beach, Mt Coolum, Yaroomba Coolum Ridges and Peregian Springs. The Coolum STP was constructed in 1978 - including the current inlet works screening and grit removal facilities - and was last upgraded in 1997.

The existing STP regularly receives flows above the design capacity, resulting in regular non-conformances of the flow limits imposed by the existing environmental licence. Projected growth in the catchment is expected to increase the flow to the STP, increasing the frequency of these non-conformance events.

In February 2012, Unitywater completed the Major Business Case for the Coolum STP upgrade. The modified business case of April 2012 recommended delivery of the project in three stages:

- (a) Stage 1 - a demonstration wetland, which is under construction and is a separate project
- (b) Stage 2 - new inlet works and bypass facility
- (c) Stage 3 - major upgrade and full-scale wetland to be constructed in the future as required.²⁹

Stage 2 is the element of the overall project which was selected for review by the QCA. The project also forms part of the program of works outlined to DERM in January 2011 to address operational issues at Unitywater's Sunshine Coast STPs (refer to section 4.7.4 above).³⁰

Unitywater submitted that the expenditure (as-incurred) on the project would be \$5.52 million in 2013-15. A further \$1.20 million was incurred in 2012-13; total capital expenditure incurred to 30 June 2015 will be \$6.72 million. Unitywater submitted that expenditure of \$6.60 million will be commissioned in 2013-15.

Prudency

SKM considered that the drivers of compliance and growth were evidenced by the plant being beyond its design capacity and as a result failing to comply with aspects of its license conditions.

SKM found the project to be prudent.

²⁹ Unitywater supporting information (2013).

³⁰ Unitywater supporting information (2013).

Efficiency

SKM was satisfied that a range of options were adequately selected and reviewed and that the scope of works is appropriate to meet the project need. Further, SKM considered that the standards used for this project are appropriate.

SKM found the project to be efficient.

Policies and procedures

SKM found that the documentation reviewed for this project - including the Project Needs Analysis, Major Business Case, Variation Request and Approval Form, Contract Recommendation and Approval, and Significant Procurement Plan - were in line with Unitywater's capital delivery processes. This project demonstrated no systemic deficiencies in Unitywater's overall policies and procedures.

Conclusion

On the basis of SKM's advice, the QCA accepts that the project is prudent and efficient, as reflected in Table 32 below.

Table 32 Coolum STP Inlet Works (\$m)

| | 2012-13 | 2013-14 | 2014-15 | Total |
|---------------------|----------------|----------------|----------------|--------------|
| Unitywater Proposed | 1.20 | 5.52 | 0.00 | 6.72 |
| SKM Adjustment | 0.00 | 0.00 | 0.00 | 0.00 |
| QCA | 1.20 | 5.52 | 0.00 | 6.72 |

Note: Capital expenditure as-incurred. Source: SKM (2014a).

4.7.6 Northern service centre construction

Background

Prior to the formation of Unitywater, Sunshine Coast Water recognised a need for the consolidation of the water/sewerage field services inherited through the amalgamation of the Noosa, Maroochy and Caloundra councils in 2008.³¹

Unitywater subsequently undertook an independent review of its property portfolio to integrate the business across its operating area, find operating efficiencies and improve customer service. This review informed Unitywater's Accommodation Strategy, part of which involves the development of a Northern Service Centre (NSC) on land owned by Unitywater adjacent to the Maroochy STP.³² The development of the NSC will consolidate a number of sites across the northern region of Unitywater's operating area.

³¹ Unitywater supporting information (2012).

³² The Accommodation Strategy was approved in concept by Unitywater's board in August 2011 but was not provided to SKM for review (SKM 2014a). In its submission on the draft report, Unitywater stated that Unitywater did provide the Accommodation Strategy to SKM and noted that it was referred to in: (a) section D.3 of SKM's report; and (b) the policies and procedures section (below) of the QCA's draft report. The document referred to by SKM and the QCA (in the draft report) was the Strategic Property Review Report of June 2011 prepared by the Ranbury Management Group for Unitywater. In preparing the draft report, the QCA understood Unitywater's Accommodation Strategy was separate from the Ranbury review. This was based on the NSC RFI response stating the Ranbury review "informed" the Accommodation Strategy. On the basis of Unitywater's clarification, the QCA accepts that the Ranbury review was its Accommodation Strategy.

Staff to service the northern region operate out of a number of sites, of which many are leased from SCRC. This situation is unsustainable as SCRC is not willing to provide the current sites as long term accommodation to Unitywater.³³

There are two main components to the NSC project - the construction (bulk earthworks, design and construction and building fit-out) and the subsequent subdivision of the land. The construction component was selected for review by the QCA.

Unitywater submitted that the expenditure (as-incurred) on the project would be \$3.97 million in 2013-15. Unitywater submitted that expenditure of \$4.83 million will be commissioned in 2013-15.

Prudency

The identified driver for this project is business efficiency. This is not a driver specifically endorsed by the QCA. The QCA has identified improvement as the relevant driver.

In its submission on the draft report, Unitywater stated that it:

provided a clearly articulated statement of prudency against the QCA endorsed drivers of Growth, Renewal, Improvement and Compliance in the Requests for Information Unitywater Response Northern Service Centre submission [NSC RFI response]. While business efficiency is a key driver, Unitywater did provide commentary specific to the QCA endorsed drivers to demonstrate prudency.

The QCA acknowledges Unitywater's provision of general commentary on the project's need against the QCA's capital expenditure drivers in its NSC RFI response. The QCA identified the business efficiency driver from Unitywater's information template (Unitywater 2013e) and considers that improvement remains the most relevant driver for this project. The QCA further notes that the NSC RFI response did not identify a specific driver for the project.

SKM agreed that the consolidation of sites in the northern region is likely to result in improved collocation and integration of work practices and lower operating costs. SKM found the NSC construction project to be prudent.

Efficiency

In terms of operating efficiencies, SKM noted that the benefit of the planned rationalisation of functional support such as logistics, fleet and administration had not been costed by Unitywater or demonstrated to SKM.

In its submission on the draft report, Unitywater stated:

Unitywater disagrees with the Authority's commentary, noting that budget analysis, options analysis for multiple option considerations were included in the scope of the documentation provided to the Technical Reviewer. The options clearly demonstrated that the approach selected was the most cost efficient and prudent. This was also discussed with the Technical Reviewer during the formal interview process.

The QCA has not sought to re-engage SKM to resolve this matter given the costs of doing so and as Unitywater's concerns do not impact on the QCA's conclusion.

SKM found that the tender process used for the evaluation and subsequent award of the bulk earthworks contract, and the design and construction contract, was robust and that the costs

³³ An email from the CEO of SCRC of 11 October 2011 is referenced in the project's business case. SKM assumed that this email supports Unitywater's point regarding no security of tenure for the council sites; however, this email has not been sighted by SKM or the QCA.

are in line with market conditions. Accordingly, SKM concluded the capital costs for the construction project were efficient.

Policies and procedures

SKM found that the documentation reviewed for this project - including the Business Case, Contract Recommendation and Approval Report - were in line with Unitywater's capital delivery processes. However, SKM noted that no Project Needs Analysis Report was undertaken but that the Strategic Property Review Report was produced.

In its submission on the draft report, Unitywater:

note[d] that this statement had been rebutted on several occasions. The Northern Service Centre was a legacy project inherited from former Council business. It was established, justified and planned initially by the former organisation and as such no Project Needs Analysis Report was produced.

The QCA notes that Unitywater's submission acknowledges, rather than rebuts, SKM's observation that no Project Needs Analysis Report was undertaken. The QCA does accept that the project was initiated by Sunshine Coast Water and that Unitywater does not possess any Project Needs Analysis Report.

Whilst Unitywater's standardised cost estimation process has not been undertaken for this project, SKM noted that this spreadsheet is designed to cover Unitywater's typical works (that is, pumps and pipework) rather than buildings. As such, SKM considered the independent estimates produced to be acceptable.

This project demonstrated no deficiencies in Unitywater's overall policies and procedures

Conclusion

On the basis of SKM's advice, the QCA accepts that the project is prudent and efficient, as reflected in Table 33 below.

Table 33 Northern Service Centre Construction (\$m)

| | 2012-13 | 2013-14 | 2014-15 | Total |
|---------------------|----------------|----------------|----------------|--------------|
| Unitywater Proposed | 0.00 | 3.97 | 0.00 | 3.97 |
| SKM Adjustment | 0.00 | 0.00 | 0.00 | 0.00 |
| QCA | 0.00 | 3.97 | 0.00 | 3.97 |

Note: Capital expenditure as-incurred. Source: SKM (2014a).

4.8 Adjustments to sampled projects

On the basis of SKM's detailed review of six sampled projects, the QCA has reduced 2013-15 expenditure in respect of one project, as per Table 34 below. The overall reduction is \$0.52 million or 0.75% of the sampled expenditure.³⁴

³⁴ Unitywater's commissioning model did not allocate overhead costs to the Fleet - Trucks project for 2013-15. Accordingly, the QCA applied the as-incurred reduction to Unitywater's MAR.

Table 34 Review of Capital Expenditure for 2013-15 (\$m)

| <i>Project</i> | <i>SKM Assessment</i> | | | <i>Expenditure*</i> | | |
|--|-----------------------|------------------|--|---------------------|--------------|--------------|
| | <i>Prudent</i> | <i>Efficient</i> | <i>Comment</i> | <i>Uw</i> | <i>SKM</i> | <i>QCA</i> |
| 1. SCADA Improvement and Integration Program | Yes | Yes | SKM estimate of remaining work is higher than submitted by Unitywater; lower number adopted. | 23.49 | 0.00 | 23.49 |
| 2. Maleny STP Upgrade | Yes | Yes | Prudent and efficient. | 16.12 | 0.00 | 16.12 |
| 3. Fleet - Trucks | Yes | No | Reduction in the unit cost for the seven trucks carried over from 2012-13 to 2013-14. | 9.50 | -0.52 | 8.98 |
| 4. Suncoast Sewerage Scheme Transfer System | Yes | Yes | SKM estimate of remaining work is higher than submitted by Unitywater; lower number adopted. | 9.50 | 0.00 | 9.50 |
| 5. Coolum STP Inlet Works | Yes | Yes | Prudent and efficient. | 6.72 | 0.00 | 6.72 |
| 6. Northern Service Centre Construction | Yes | Yes | Prudent and efficient. | 3.97 | 0.00 | 3.97 |
| Total | | | | 69.31 | -0.52 | 68.79 |

*Note: Uw = Unitywater. * Includes expenditure on projects incurred in 2012-13. Source: SKM (2014a). Table may not add due to rounding. Findings adjusted for consistency following a submission from Unitywater.*

Also in its submission on the draft report, Unitywater stated:

that the Authority refers to capital expenditure in deriving the RAB when it appears that commissioned capital expenditure is actually what is meant. The report also refers to capital expenditure in terms of expenditure on capital projects during the financial year. The use of the same term with different technical meanings is confusing. Unitywater proposes that the Authority use distinct references for commissioned capital expenditure during a financial year and capital expenditure on projects during a financial year.

Unitywater proposes that the QCA clarifies references to capital expenditure incurred and commissioned capital expenditure.

The QCA confirms that commissioned capital expenditure is used to derive the RAB. When a capital project is completed and is ready to provide services to users, it is commissioned and its prudent and efficient value added to the RAB. As stated in all reviews to date and in the 2013-15 draft report section 4.5

The QCA requires capital expenditure to be included in the RAB only when it is commissioned, and contributes to the provision of water and wastewater services.

This approach ensures that users only pay for assets that provide relevant services to them.

Further, the QCA refers to capital expenditure as-incurred during financial years for the purpose of reviewing the prudence and efficiency of sampled capital expenditure. As stated in the draft report for 2013-15 (and noted in all relevant tables):

SKM reviewed the capital expenditure on an as-incurred basis, as this reveals the annual expenditure stream over the life of the project.

The QCA report only includes capital expenditure as-incurred in its review of sampled projects and all relevant tables were annotated to this effect. All other references in the QCA price monitoring reports relate to commissioned capital expenditure.

4.9 Capitalised interest

Unitywater submitted that it capitalised interest on projects that extend beyond 12 months using a cost of debt of 6.37%, consistent with statutory accounting requirements.

The QCA notes that for regulatory purposes, capital expenditure is assumed to be funded by both debt and equity under the benchmark assumptions in the WACC. Therefore, work in progress should be capitalised at the WACC. The QCA benchmark WACC is 6.57%, whereas Unitywater proposed a WACC of 7.62%.

As the calculation of interest during construction was hard coded, the QCA is unable to adjust for the difference between the debt rate and the WACC. However, the difference is not expected to be material. Unitywater's proposals regarding the WACC are noted further below.

4.10 Policies and procedures

Capital expenditure planning from 2010 to 2013

In previous reviews, the QCA reported on Unitywater's approach to capital planning. Table 35 below summarises the QCA's key findings from its previous reports.

Table 35 Unitywater's capital planning - 2010 to 2013

| Year | QCA's capital planning findings |
|---------|--|
| 2010-11 | <p>Unitywater developed a capital prioritisation model to assess and rank proposed capital projects against seven weighted criteria. Unitywater also automatically included projects meeting specific 'triggers' (that is, previously commenced projects, statutory/legislative provisions, and extreme public, workplace health and safety or environmental risks) in the capital expenditure program. Further, Unitywater improved governance arrangements for reviewing and delivering its capital program.</p> <p>Unitywater's expenditure approval processes, and efforts to identify least cost and innovative solutions, reduced capital expenditure programs compared to forecasts based on council budgets for 2010-11 (prepared prior to Unitywater's formation). Following its initial price monitoring submission in August 2010, Unitywater advised the QCA that it expected to defer approximately \$50 million of capital expenditure in 2010-11, the majority of which on the basis that Unitywater had more detailed information or understanding of project circumstances from its own investigations.</p> |
| 2011-12 | <p>In 2011-12, Unitywater expanded its capital prioritisation process through the introduction of the ASC and the Capital Works Justification Process. Also in 2011-12, Unitywater used a prioritisation model to assess projects across its region; this risk based model evaluated and scored projects against six weighted criteria which aligned with Unitywater's corporate risk assessment methodology.</p> |
| 2012-13 | <p>The QCA again highlighted Unitywater's progress on capital planning issues. The QCA also noted Unitywater's participation in the IWA/WSAA 2012 Asset Management Performance Improvement Project (WSAA asset management project). Through this project, Unitywater was found to have relatively strong asset management practices in a number of areas, with asset financial management, quality management, equipment/product design standards and procurement being assessed as well developed.³⁵</p> <p>Areas the project identified as being least well developed included:</p> <ul style="list-style-type: none"> (a) communication of the responsibility for asset management and delivery between various groups, beyond that of process and organisation charts (b) relating asset management and performance to the level of service, the costs associated with that performance and the price to customers (c) identifying risks from assets and placing a dollar value upon the consequences (d) end of economic life and decommissioning. |

Source: QCA (2011), QCA (2012), QCA (2013a).

Capital expenditure planning from 2013 to 2015

The assessment of capital expenditure during the price monitoring period also takes into account the robustness of the capital expenditure program planning and delivery processes and procedures in an overall sense, and identifying any areas for improvement. This review is conducted with respect to good industry practice.

Unitywater's capital expenditure program and delivery processes are outlined in its CWPM. The CWPM documents the process and decision points. The process covers the identification, development, prioritisation and approval phases of a typical capital works project/program.

Unitywater uses risk based prioritisation model allows to assess, score and rank capital projects. Projects are evaluated and scored against weighted criteria which align with Unitywater's corporate risk assessment methodology. These documents are used to form the five year list of capital expenditure works.

³⁵ GHD, Marchment Hill Consulting and CH2MHill (2012).

SKM reviewed whether Unitywater's policies and procedures reflect good industry practice, drawing on the initiatives outlined in previous reviews and some new items:

- (a) a standardised approach to cost estimating including whether a summary document had been prepared to facilitate review and reporting
- (b) a gateway review process
- (c) detailed analysis of options for major projects
- (d) only commissioned capital expenditure is included in the RAB
- (e) compliance with legislation and corporate plans
- (f) consideration of efficiency from a regional perspectives
- (g) whether the asset management system is consistent with Publicly Available Specification 55 - Asset Management (PAS-55)³⁶ or similar
- (h) procurement and other delivery processes.

In regard to the reference (in (b) above) to a “gateway review” process, Unitywater stated in its submission on the draft report that:

[i]t should be noted that Unitywater uses a gated process, not a gateway process. “Gateway” is a trademarked term and as such Unitywater does not have rights to the term and therefore does not use it. Please refer to gated process in future.

The QCA notes that SKM recognised the trademarked Gateway Process in its report.³⁷ The QCA’s inclusion of a gateway review process in its criteria for reviewing policies and procedures does not explicitly refer to the trademarked Gateway Process.

Standardised approach to cost estimating

A Capital Works Estimating Tool is included in the CWPM. Its methodology and guidelines for use are also described in the CWPM's appendices. SKM found this to be in accordance with good industry practice; however, as it was not clearly stated that this was mandatory, the approach was not considered robust.

SKM further observed that it had not seen evidence of this tool being used in any of the capital expenditure projects it reviewed.

In its submission on the draft report, Unitywater stated:

The Capital Works Planning Manual and gated delivery processes supplied to the Technical Reviewer both clearly demonstrate the governance, delivery and project expenditure review in each of the projects reviewed. This statement does not reflect a fair appraisal of the evidence provided.

The QCA notes Unitywater’s submission that it provided the CWPM and gated delivery processes to SKM. SKM’s observation related to the application of the capital works estimating tool in the sampled capital expenditure projects.

Moreover, SKM noted that as the Capital Works Estimating Tool has been devolved to assist Unitywater to price core business elements (pumps, pipework, fittings etc), SKM was satisfied that its use may not be appropriate for non-core business areas (such as buildings and vehicles).

³⁶ PAS-55 is published by the British Standards Institution.

³⁷ SKM (2014a), section 3.2.1.

Gateway review

All proposed capital works infrastructure projects are required to adhere to a robust development and approval process to ensure they meet Unitywater's corporate goals and objectives, and ultimately result in prudent and efficient expenditure. To this end, processes and procedures have been developed to manage the following phases of the capital process:

- (a) project identification
- (b) project justification
- (c) prioritisation, optimisation and budget development
- (d) budget approval
- (e) project delivery.

The purpose of the CWPM³⁸ is to document the processes associated with items (a) to (d) above and to list and provide details of the numerous sub processes, documents and decision points that form the master process. Processes associated with item (e) above are documented separately in gates 2 to 5 of the network projects process. The manual also includes the various tools, templates and guidelines that are used in Unitywater's capital works development processes.³⁹

SKM noted:

- (a) the CWPM described a series of decision gates, including the Need Definition and the Business Case, as well as successive approvals up to board level
- (b) the major projects gateway process spreadsheet describes that process at Gate 1 (Needs Analysis), Gate 2 (Business Case), Gate 3 (Design and Tendering) Gate 4 (Construction, Commissioning and Handover) and Gate 5 (Close Out).

However, Gate 5 only applies to major projects completed within treatment plants. Therefore, SKM considered that the Unitywater process does not yet fully meet the requirement of a gated review process that is in keeping with good industry practice, as it should apply to all major projects.

In its response to the draft report, Unitywater advised it considered the statement that Gate 5 only applies to major projects completed within treatment plants was incorrect. Further, Unitywater stated it had:

provided comment on this statement previously on multiple occasions and evidence of the application of gate 5 across all projects. The statement is based on one sentence in one document associated with a treatment plant project. The one sentence was incorrectly applied. From this the Technical Reviewer has made a very broad assumption and subsequently applied it across the whole process.

The QCA notes Unitywater's submission on this matter.

Detailed analysis of options for major projects

The CWPM summarises Unitywater's investment appraisal of options process. This describes a financial evaluation based on comparing the net present value of future incremental cash flows,

³⁸ The CWPM applies to water supply and sewerage infrastructure projects and equipment requests specific to Unitywater's Infrastructure Services and Infrastructure Planning and Capital Delivery Divisions.

³⁹ Unitywater supporting information (2013).

including income and tax effects. Sensitivities are also analysed in order to determine least-cost solutions, optimal investments and value-for-money.

SKM noted that the summary in the CWPM describes only a financial comparison of options and does not include a risk (for example, environmental, implementation) comparison of options.

However the business case template requires assessment of a range of project options across relevant areas such as quality, risk, operations, environmental, regulatory and compliance, as well as the financial evaluation. SKM concluded that this is in accordance with good industry practice and is robust.

Unitywater advised that it considered the statement by SKM that the summary in the CWPM did not include a risk comparison of options to be incorrect. Further, Unitywater advised that:

As stated subsequently to this statement in the Authority's Report the documentation developed to instigate a project specifically addresses multiple issues including risk. The CWPM specifies the required documents and processes to be completed to develop a project and as a consequence of this specification risk and other factors are addressed. If the CWPM maintained the context for every decision for every process in the Unitywater project development the document would become unwieldy and prone to update error as elements would be required to be changed in multiple places and locations.

The QCA notes that Unitywater's further statement has acknowledged that its CWPM does not include a risk assessment - which corresponds to the finding made by SKM. Further, SKM concluded that Unitywater's analysis of options for major projects to be in accordance with good industry practice and robust.

Commissioned capital expenditure from 1 July 2010 in the RAB

Unitywater's capital expenditure model translates capital expenditure as-incurred to as-commissioned using the WACC. The commissioned value is reflected in the Unitywater data templates which are used by the QCA to roll forward the RAB from 1 July 2010. (As noted above, councils' capital expenditure is used to roll forward the RAB from 1 July 2008 to 1 July 2010. The QCA has used data from previous Unitywater submissions to do so.)

Compliance

SKM's review of key Unitywater documents governing major capital expenditure documents is shown below.

Table 36 Unitywater compliance with legislation

| <i>Documents</i> | <i>SKM Assessment</i> |
|--|--|
| Unitywater Code of Conduct Policy Unitywater Corporate Strategic Plan 2013-14 to 2017-18 | DR Act and other legislation specifically referenced. |
| Unitywater Netserv Plan Part A ⁴⁰ Guide to the Netserv Plan, Rev 2 (June 2012) | Environmental and licence compliance (p 35). Meeting legislative obligations generally (pp 44, 46). DR Act and <i>Sustainable Planning Act 2009</i> (Qld) specifically referenced. |
| Netserv Plan Part B Corporate Services Plan Governance Arrangements, Revision 2 (June 2012) | Legislation referenced included the <i>Sustainable Planning Act 2009</i> (Qld), DR Act, <i>Water Act 2000</i> (Qld), <i>Fairer Water Prices for SEQ Amendment Act 2011</i> (Qld), <i>Queensland Competition Act 1997</i> (Qld), <i>Environmental Protection Act 1994</i> (Qld), <i>Water Supply (Safety and Reliability) Act 2008</i> (Qld), and the SEQ Water Market Rules. ⁴¹ |
| Netserv Plan framework diagram (part of Netserv Plan Part B, May 2012) | State legislation and regulation is shown as driving a Compliance Plan. |
| Compliance Plan, Revision 2 (4 April 2012) | Describes the global compliance system across legislative requirements and also contractual and internal requirements. It references a "Central Compliance Obligations Register". |
| Compliance obligations register | Comprehensive register of legislation. |
| Compliance Checklist Annual Report 2011-12 | Requirements are cross-referenced against Annual Report. |
| Audited financial statements for 2011-12 ⁴² | The audit opinion given on 30 August 2012 and was unqualified. This indicated that the Queensland Audit Office did not discover any significant instances of non-compliance with the <i>Financial Accountability Act 2009</i> (Qld), the Financial and Performance Management Standard 2009 (Qld) or the State Procurement Policy ⁴³ . |
| Capital Works Planning Manual, Revision 6 (5 May 2013) | Legislation referenced included the <i>Sustainable Planning Act 2009</i> (Qld), DR Act, <i>Water Act 2000</i> (Qld), <i>Environmental Protection Act 1994</i> (Qld), and the <i>Water Supply (Safety and Reliability) Act 2008</i> (Qld). |

Source: SKM (2014a).

SKM considered that Unitywater's capital expenditure policies and procedures met the compliance requirement and were robust.

SKM reported that Unitywater publishes customer service standards covering water supply interruptions, quality, pressure and volume, and customer response. SKM further noted that these are largely set by Unitywater, and that these vary between SEQ service providers. They are listed as inputs to Unitywater's CWPM and Netserv Plan Part B.

⁴⁰ The document was a consultation draft and did not have an applicable date or version.

⁴¹ The QCA notes that, on 1 January 2013, the SEQ Water Market Rules ceased to have effect when the Bulk Water Supply Code took effect: *Water Act 2000* (Qld), ss 360P and 1223; *Water (Bulk Water Supply Code) Notice 2012* (Qld), s 3.

⁴² The 2011-12 financial statements were the most recently available at the time of SKM's assessment.

⁴³ The Queensland Government introduced a new procurement policy on 1 July 2013 (refer to the Department of Housing and Public Works for more information).

The QCA notes that Unitywater does not publicly report on all of these standards⁴⁴.

In its submission on the draft report, Unitywater stated:

that this recommendation is suggesting that the NetServ Part B be published publicly. NetServ Part B is legislated to contain the confidential and commercial information of the Distributor Retailer. NetServ Part B is not for public consumption. As the Technical Reviewer has stated, Unitywater does publish customer service standards and that these are inputs to the NetServ and CWPM. The service standards are published in the annual reporting of Unitywater. The recommendation to publish the customer standards would seem redundant.

The QCA notes that the draft report did not include a suggestion to publish Netserv Part B. The QCA agrees that Unitywater publishes its service standard targets. However, the QCA confirmed with Unitywater prior to the draft report that it does not publish its performance against all of its service standards. That is, it does not publicly report on whether all the service standard targets were met.

Considers regional perspective

SKM noted that the DR Act requires SEQ service providers to prepare Water Netserv Plans by 1 March 2014.⁴⁵ An entity's Water Netserv Plan must indicate how the entity plans to achieve effective outcomes for the provision of water and wastewater services in the entity's area and the SEQ region.

Further, the Bulk Water Supply Code (DEWS 2013b) also includes provisions for co-ordinated water system planning between the bulk and distribution sectors in SEQ to achieve infrastructure planning (including water quality improvements) on a best value for money basis.

SKM found that:

- (a) the Netserv Plan Part B does not have provisions to address the regional requirements of the DR Act and therefore does not comply with this requirement
- (b) the CWPM does not have explicit provisions to address these regional requirements at key decision points and, therefore, did not comply with this requirement
- (c) Unitywater's Treatment Services Strategy, which considers provision of treatment plant services over Unitywater's entire service area, both in the short term and long term, clearly demonstrated consideration of the prudence and the efficiency of expenditure from a regional basis.

Unitywater also participates in various SEQ regional initiatives such as the:

- (a) SEQ Water Service Provider Partnership
- (b) SEQ Operations Committee
- (c) SEQ Strategy and Planning Committee

Seqwater and the five SEQ service providers are all members of these regional groups. In general terms, these initiatives support achievement of legislative requirements and obligations under the Bulk Water Supply Code for SEQ's water service providers to work collaboratively for the greater benefit of the SEQ community.⁴⁶

⁴⁴ Unitywater supporting information (2013).

⁴⁵ Section 99BJ.

⁴⁶ Logan City Council supporting information (2013).

The QCA notes that, in its submission, Unitywater stated that its Water Netserv plan been endorsed by the Minister for State Development, Infrastructure and Planning, and endorsed by Unitywater's participating councils (MBRC and SCRC) (Unitywater 2013a).

Also in its submission, Unitywater stated its Capital Works Program takes into consideration:

- (a) planning assumptions in the SEQ Regional Plan;
- (b) MBRC's and SCRC's planning schemes (under review); and
- (c) fulfilling legislative, regulatory, policy and other strategic planning requirements.

Unitywater submitted that it takes a whole of region approach to invest in capital projects to deliver services to customers in Moreton Bay and the Sunshine Coast. In addition to addressing the historical under-expenditure on capital (referred to above), Unitywater considers its combined capital works program provides for a smoother combined capital expenditure that permits greater efficiencies in planning, procurement and delivery than would be available to a smaller disaggregated water business.

Continuous improvement is another feature of capital planning emphasised by Unitywater in its submission. Unitywater supports investment in alternative nutrient or pollutant reduction initiatives to achieve lower cost environmental benefits in preference to continual focus on STP licences. Unitywater submitted that the law of diminishing returns applies to STP augmentations particularly when complying with stricter environmental licences; that is, the incremental cost of each additional kilogram of nitrogen removed increases as new technology, processes or additional chemicals and energy are used to remove more nitrogen. Unitywater's STPs contribute approximately 10% of the nitrogen in local river systems - according to Unitywater, a focus and investment in the remaining 90% would achieve greater reductions in nutrients at a lower cost than STP augmentations.⁴⁷

Unitywater has assisted its participating councils to prepare their total water cycle management (TWCM) plans and has carried out agreed activities included in the plans.⁴⁸ Unitywater is also investigating innovative ways of managing effluent discharged from its STPs, such as recycling bio-solids for agricultural or industrial use, using more effective techniques for nutrient removal, and creating wetlands to filter treated effluent before it reaches waterways (for example, refer to the Maleny STP Upgrade project in section 4.7.2 above).

Asset management system

SKM considered good industry practice for asset management is specified by PAS-55.

Unitywater submitted that its asset management systems have been developed in accordance with the framework set out under PAS 55-1:2008.

Although SKM noted Unitywater has asset management projects underway, SKM identified a range of non-compliances of Unitywater's asset management system against the requirements of PAS-55 and found Unitywater's asset management system was not consistent with good industry practice and was not robust.⁴⁹

⁴⁷ Unitywater (2013a).

⁴⁸ The Environmental Protection (Water) Policy 2009 (Qld) previously required Unitywater's participating councils to prepare TWCM plans by 1 July 2015. MBRC published its TWCM plan in October 2012 (MBRC 2012). SCRC's Sunshine Coast Waterways and Coastal Management Strategy proposed the development of a TWCM plan (SCRC 2011).

⁴⁹ Refer to SKM (2014) section 3.3.4.

SKM highlighted that Unitywater has not yet fully implemented its Consolidated Asset Management System (CAMS) which will allow it, amongst other things, to:

- (a) more efficiently assess the condition of its properties
- (b) prioritise maintenance and
- (c) better manage its fleet of heavy and light vehicles and plant and equipment.

In respect of the WSAA asset management project, SKM noted that this benchmarking program uses self-assessment, with subsequent review and validation by external consultants. The results are compared against those of other participating water authorities, not against a published standard of requirements for good industry practice. The relative results will therefore vary dependent on the other authorities participating (SKM 2014b).

In its submission on the draft report, Unitywater stated:

This statement is true. However it does not recognise the independent verification of the scores completed by WSAA assessment teams. The benchmarks are developed through the participation of both national and international participants over a number of years. The WSAA benchmarks are published and made available to members of the Association. The significant investment made in the WSAA process by the members requires that this information is not made publically available. This statement significantly misrepresents the WSAA process.

The QCA notes Unitywater's explanation of WSAA process and also that Unitywater accepted SKM's statement was true.

Procurement

SKM concluded that Unitywater's Procurement and Disposals Policy incorporated good industry practices for the procurement of goods and services and was robust.

Summary of findings on policies and procedures

The QCA notes that SKM found that Unitywater's capital planning policies and procedures were not always consistent with good industry practice.

In its submission on the draft report, Unitywater stated:

Unitywater does not accept this. While Unitywater acknowledges that there are areas for improvement, when benchmarked against others in processes such as WSAA it is apparent that Unitywater is above average against its peers.

The QCA notes that the statement in the draft report – that SKM found that Unitywater's capital planning policies and procedures were not always consistent with good industry practice – is consistent with Unitywater's acknowledgement that there are areas for improvement. The QCA also notes that SKM⁵⁰ referred to Unitywater's results in the WSAA benchmarking project.

Further, SKM reviewed Unitywater's asset management system against PAS-55 and found areas for improvement, including that Unitywater has not yet fully implemented its CAMS which will allow it, amongst other things, to:

- (a) more efficiently assess the condition of its properties
- (b) prioritise maintenance and
- (c) better manage its fleet of heavy and light vehicles and plant and equipment.

In its submission on the draft report, Unitywater stated:

⁵⁰ SKM 2014a, sections 3.3.4 and 4.10.

At the time of the review PAS55 or ISO55000 Series was not accepted as a standard. PAS55 is a guideline for Asset Management Practice. It is hard to understand how an Asset Management System such as CAMS can be reviewed against this and the conclusion that there are areas for improvement. As stated CAMS is not yet fully implemented and therefore it is quite reasonable to assume that there are many areas for improvement.

The QCA notes that, at the time of SKM's review, PAS-55 was in place as an asset management standard and that Unitywater stated its asset management systems have been developed in accordance with the framework set out under PAS 55-1:2008. Specifically, SKM stated:

Unitywater has modelled their asset management planning using an Institute of Asset Management model that has been based on PAS55 Optimal management of physical assets. SKM has been informed that Unitywater has sought to align this model with ISO55000 the international standard for asset management.

Further, the QCA notes that SKM acknowledged that CAMS was not fully implemented.

SKM did not quantify any savings arising from its review of policies and procedures. The QCA notes that this is typical of such reviews which do not readily lend themselves to quantification.

4.11 Summary of adjustments for 2013-15

The QCA's adjustments to Unitywater's capital expenditure for 2013-15 are shown below.

Table 37 Comparison of Unitywater's and QCA's capital expenditure as-commissioned (\$m)

| | 2013-14 | 2014-15 |
|---|----------------|----------------|
| Unitywater's proposed capital expenditure (excluding non-regulated) | 172.79 | 172.01 |
| QCA adjustments to sampled capex | 0.48 | -1.00 |
| Total capital expenditure | 173.26 | 171.01 |

Source: QCA adjustments using Unitywater information template.

4.12 Contributed, donated and gifted assets

Under the Ministerial Direction, the QCA must accept that, in setting prices entities may have applied a revenue offset approach to account for capital contributions received. This approach is to remain in effect until such time as the entity nominates, through their price monitoring returns, to adopt the asset offset method. Where a change in methodology is adopted, the RAB is not to be adjusted retrospectively.

Under legislation, a maximum charge applies for capital contributions (for water, wastewater, transport and public parks). For example, the cap for a three-bedroom dwelling is \$28,000 (DSDIP 2013). The maximum charge remains in place while a review of infrastructure planning and charging is underway by the Department of State Development, Infrastructure and Planning (DSDIP 2013). Unitywater (and QUU) receive a proportion of the maximum charge levied by their participating councils. This will be replaced with a utility model, similar to that for electricity or telecommunications suppliers, from 2014.

Under the price monitoring framework, the QCA assesses whether the methodology adopted by the entities to forecast contributed assets and capital contributions is reasonable in the circumstances.

Unitywater's submission

Unitywater stated that capped infrastructure charges, combined with the removal by the State Government of 40% capital subsidies for STP upgrades, had increased the pressure on utility charges to fund infrastructure to deliver water supply and sewerage charges. Further, the Local Government Tax Equivalents Regime⁵¹ requires that a share of the capital revenue it receives is returned to its participating councils via tax equivalents, reducing the funds available to Unitywater to build infrastructure.

Unitywater has moved from the revenue offset to asset offset approach for capital contributions. Unitywater cited the change in the QCA's regulatory WACC (from 9.35% to 6.57%) as a reason for its decision, noting that it would otherwise be over-recovering and there is no QCA approved mechanism for under and over recoveries.

Unitywater's contributed assets and capital contributions are shown in Table 38 below.

Table 38 Unitywater contributed assets and capital contributions (\$m)

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|
| Contributed assets | 55.1 | 39.7 | 49.9 | 38.8 | 40.7 |
| Capital contributions | 39.3 | 32.0 | 31.7 | 29.4 | 30.9 |
| Total | 94.4 | 71.7 | 81.6 | 68.2 | 71.6 |

Source: Unitywater (2013c).

QCA analysis

The QCA accepts Unitywater's change to the asset offset approach to the treatment of capital contributions, as provided for under the Ministerial Direction. The QCA notes its previously stated preference for the asset base offset approach for a range of reasons including that the resulting revenue benchmark is more stable.⁵²

The QCA has previously reviewed Unitywater's methodology to forecast contributed assets and capital contributions and found it reasonable in the circumstances. As in previous reviews, the QCA notes that Unitywater should seek to improve its data collection and forecasting.

The QCA accepts Unitywater's forecasts of contributed assets and capital contributions. The higher the estimated contributions the lower the portion of costs that needs to be recovered from charges.

4.13 Return on Assets

Draft report

The Ministerial Direction required the QCA to advise a benchmark WACC by 31 January 2013. The QCA is also required to monitor the WACCs applied by the entities against the benchmark WACC.

By 31 January 2013, the QCA advised a WACC benchmark of 6.57% (post-tax nominal) for 2013-15. The benchmark WACC and supporting information were also published on the QCA website. In doing so, the QCA noted that it had applied its (then) current methodology to calculate the

⁵¹ Refer to the Local Government Tax Equivalents Manual, Queensland Treasury (2010).

⁵² Refer to page 63 of SEQ Interim Price Monitoring Framework Final Report, QCA (2010).

benchmark WACC. Further, that the benchmark WACC is used to calculate the MAR in the QCA's price monitoring reports. However, the entities retain control over their actual WACC assumptions and prices during the monitoring period.

Unitywater applied a WACC of 7.62% to calculate the return on capital for 2013-15. Unitywater submitted that its departure from the QCA's benchmark WACC of 6.57% had regard to a range of literature supporting the use of long term estimates of inputs to minimise the variability of WACCs derived for regulatory purposes.

Unitywater has made a submission to the QCA's WACC review; the issues raised including the volatility of WACC over time will be addressed as part of that review.⁵³

To ensure that the total return on capital is equivalent to WACC, there needs to be an adjustment to avoid double-counting of inflationary gain. This is a standard adjustment made by the QCA under its nominal framework.⁵⁴ To estimate inflation, the Ministerial Direction requires the QCA to use the annual March to March ABS CPI (all groups, Brisbane).

Unitywater adopted the same estimates to index the RAB from 1 July 2008 as the QCA, except for 2010-11 (Unitywater adopted 3.88%, instead of 3.6% as per the QCA Information Requirements for 2013-15) and 2011-12 (Unitywater adopted 0.9%, instead of 1.3%).⁵⁵

Unitywater's estimate of the return on capital from its 7.62% WACC and its estimate of the RAB is higher than the QCA's estimate based on its benchmark WACC of 6.57% below.

Table 39 Return on capital (\$m)

| | 2013-14 | | | | 2014-15 | | | |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|
| | Water | | Sewerage | | Water | | Sewerage | |
| | Uw | QCA | Uw | QCA | Uw | QCA | Uw | QCA |
| Gross return on capital | 89.8 | 76.3 | 146.4 | 126.4 | 92.3 | 78.2 | 154.4 | 132.3 |
| - Indexation | -29.1 | -24.4 | -48.1 | -40.4 | -29.9 | -25.0 | -50.7 | -42.3 |
| Return on capital | 60.7 | 52.0 | 98.3 | 86.0 | 62.4 | 53.2 | 103.7 | 90.0 |

Note: Uw = Unitywater. Source: Unitywater (2013), QCA calculations.

Submission on the draft report

Unitywater submitted that it is unclear that the QCA has met the requirement of the Ministerial Direction that it monitor the WACCs applied by the entities against the benchmark WACC and it is not clear how the QCA concluded that the QCA must adopt the benchmark WACC. Unitywater does not accept the use of the benchmark WACC.

Final report

Under the Ministerial Direction, the QCA is required to monitor the WACCs applied by the entities against the benchmark WACC. In its draft report the QCA compared the WACC applied

⁵³ More information on the QCA WACC review is available at <http://www.qca.org.au/Other-Sectors/Research>.

⁵⁴ This issue arises as the nominal WACC is applied to a nominal RAB and is explained on page 197 of the Dalrymple Bay Coast Terminal Draft Access Undertaking (QCA 2004).

⁵⁵ As per the Information Requirements for 2013-15, the indexation is 2.0% for 2008-09, 3.2% for 2009-10, 3.6% for 2010-11, 1.3% for 2011-12, 2.1% for 2012-13, and 2.5% for 2013-15.

by Unitywater (7.62%) to the benchmark WACC of 6.57% and noted that Unitywater's WACC was higher was due to its use of long term estimates of inputs.

In advising the benchmark WACC in early 2013, the QCA noted that the benchmark WACC is used to calculate the MAR in the QCA's price monitoring reports. However, the entities retain control over their actual WACC assumptions and prices during the monitoring period.

The basis for the QCA adopting its benchmark WACC is section (k) of the Ministerial Direction requires that the QCA to monitor according to the QCA's final report on the SEQ Interim Price Monitoring Framework (April 2010) and Information Requirements, except as amended by the referral.

Recommendation 15 of the final report on the SEQ Interim Price Monitoring Framework (QCA 2010) states that that the efficient return on capital for inclusion in the MAR be determined by the QCA after a bottom-up assessment of the risks of the underlying business activities, the latest regulatory developments on WACC and with reference to benchmarks from other relevant jurisdictions.

4.14 RAB roll forward

In accordance with the Ministerial Direction and normal regulatory practice, the initial RAB is rolled forward to account for capital expenditure, inflationary gain, depreciation (return of capital) and disposals. In calculating regulatory depreciation, the QCA is required to take into account the existing useful lives attaching to the individual assets or relevant asset classes.

Unitywater's submission

Unitywater provided a RAB roll-forward from 1 July 2010. Under the asset offset approach adopted by Unitywater from 1 July 2013, contributed assets and capital contributions are excluded from the RAB from that date.

Unitywater provided a RAB roll-forward that included non-regulated assets and disaggregated by water, sewerage and establishment costs. The Unitywater total roll forward is set out below.

Unitywater submitted that the QCA should adopt its estimate of depreciation, as Unitywater's value is based on audited data, whereas the QCA estimate is based on asset classes and average asset lives.

Table 40 Unitywater asset base roll forward (\$m)

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-----------------------|------------------|------------------|------------------|------------------|------------------|
| Opening RAB | 2,416.697 | 2,609.557 | 2,836.205 | 3,025.747 | 3,165.929 |
| Capex | 181.441 | 281.879 | 211.963 | 175.890 | 174.216 |
| Depreciation | (83.353) | (79.451) | (82.157) | (83.513) | (84.743) |
| Disposals | (1.729) | (1.136) | (2.582) | - | - |
| Capital contributions | | | | (29.413) | (30.856) |
| Closing RAB | 2,609.557 | 2,836.205 | 3,025.747 | 3,165.929 | 3,305.159 |

Source: Unitywater (2013f).

Draft report

As noted above, the QCA adopted the 1 July 2008 RAB and 2008-10 data from Unitywater's previous submission.

The QCA investigated whether asset lives could be backsolved from Unitywater data. However, the backsolved asset lives varied from year to year and could not be explained by the (relatively small) value of additions to opening asset values.

The QCA adopted asset lives based on the values in previous Unitywater submissions. The QCA applied straight-line depreciation and recognised the asset offset approach from 1 July 2013 in its RAB roll-forward. The QCA stated its intention to work with Unitywater to reconcile differences in the RAB for the final report.

The QCA adopted slightly different indexation to Unitywater in 2010-11 and 2011-12 as noted above.

Submissions on the draft report

Unitywater submitted that it does not agree with the RAB determined by the QCA, specifically to 30 June 2013, and submitted that the RAB value could be based on the audited statutory accounting value.

Unitywater submitted that the QCA's approach is flawed as it relies on spreadsheets and uses aggregated asset data and averages of asset lives, rather than the details of hundreds of thousands of assets contained in Unitywater's asset register. Unitywater submitted that the QCA's information templates were unreasonably complex, requiring input for project costs in multiple asset classes.

Unitywater noted that the QCA has not provided a copy of the populated RAB model or confirmation that the model had been independently reviewed. Unitywater proposed that the QCA consider reliance on independently audited asset registers rather than spreadsheet models. Unitywater requested that the QCA adopt a pragmatic approach rather than data intensive approach to estimating the RAB.

Unitywater noted it appreciates the opportunity to work collaboratively with the QCA to establish an independently verified RAB.

Final report

Unitywater's suggested use of audited statutory accounts cannot be accepted unless Unitywater can demonstrate, in detail, its reconciliation to the 1 July 2008 RAB. Unitywater has provided a high level summary table. The QCA requires a data template that reconciles to the summary table.

In all four price monitoring reviews to date, the QCA has rolled forward the retailers' RABs using the QCA revenue model and data template, in order to independently calculate the relevant capital costs in the QCA MAR. Unitywater has been requested to provide the data template for this purpose (similar to the requirements imposed on all other regulated entities).

The QCA has worked with Unitywater to assist it with formulation of RAB data. However, the QCA remains unable to reconcile the RAB provided by Unitywater to the RAB value as at 1 July 2008, which it was required to accept under the Ministerial Directions for 2010-13 and 2013-15 (as no revaluation of the initial RAB was to be considered).

In this situation, the QCA must adopt the most detailed and appropriate information available. Unitywater has been kept informed of every detail of the RAB roll-forward including the 1 July 2008 RAB, the assumptions that QCA was forced to make regarding asset lives and the allocation of capital expenditure that the QCA was forced to undertake.

With respect to models, the QCA has not in the past provided populated models mainly due to the risk of unauthorised subsequent adjustments which could then be ascribed to the QCA. Instead, the QCA has provided a copy of the independently audited model used to roll-forward the RAB and the RAB roll forward data outputs, and its understanding of the relevant inputs, which should provided sufficient basis to replicate the basis for the QCA estimates.

The QCA notes that the model, asset classes and information requirements were developed with (and or reviewed by) the entities.

The QCA's asset classes were identified (in consultation with the retailers) to group together assets with similar asset lives. However, it is recognised that individual assets (within a class) will have different lives. A weighted average asset life should be adopted to ensure that the estimate of depreciation is accurate. Other entities have been able to provide sufficient information to allow the QCA to roll forward the RAB using the QCA's 15 asset classes.

The QCA proposes to work with Unitywater to further seek to resolve differences with respect to the RAB.

The QCA roll forward, reflecting prudent and efficient capital expenditure, indexation and depreciation is unchanged from the draft report (Table 41 and Table 42). The QCA's closing RAB for 2013-15 is lower than Unitywater's.

Table 41 QCA asset base roll forward - water (\$m)

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-----------------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Opening RAB | 878.81 | 935.14 | 998.65 | 1,060.45 | 1,090.99 | 1,133.74 | 1,175.38 |
| Capex | 71.73 | 78.09 | 62.61 | 56.78 | 63.38 | 72.49 | 43.69 |
| Indexation | 18.25 | 31.02 | 37.08 | 14.15 | 23.57 | 24.39 | 24.97 |
| Depreciation | -29.69 | -33.31 | -37.33 | -39.90 | -43.15 | -38.47 | -32.44 |
| Disposals | -3.96 | -12.30 | -0.55 | -0.49 | -1.05 | -1.37 | 0.00 |
| Capital Contributions | - | - | - | - | - | -15.40 | -16.16 |
| Closing RAB | 935.14 | 998.65 | 1,060.45 | 1,090.99 | 1,133.74 | 1,175.38 | 1,195.44 |

Source: QCA calculations.

Table 42 QCA asset base roll forward - sewerage (\$m)

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Opening RAB | 1,150.50 | 1,193.60 | 1,422.45 | 1,549.89 | 1,748.22 | 1,879.88 | 1,955.91 |
| Capex | 57.70 | 225.13 | 118.85 | 225.15 | 148.67 | 100.78 | 127.32 |
| Indexation | 23.52 | 41.67 | 53.33 | 21.61 | 38.26 | 40.39 | 42.26 |
| Depreciation | -31.39 | -36.71 | -43.56 | -47.79 | -53.74 | -51.12 | -47.33 |
| Disposals | -6.73 | -1.23 | -1.18 | -0.64 | -1.53 | 0.00 | 0.00 |
| Capital Contributions | - | - | - | - | - | -14.01 | -14.70 |
| Closing RAB | 1,193.60 | 1,422.45 | 1,549.89 | 1,748.22 | 1,879.88 | 1,955.91 | 2,063.47 |

Source: QCA calculations.

4.15 Capital costs

A comparison of Unitywater and QCA capital costs is provided in Table 43 below.

Table 43 Comparison of Unitywater and QCA Capital Costs (\$m)

| | 2013-14 | | | | 2014-15 | | | |
|----------------------|----------------|-------------|-----------------|--------------|----------------|-------------|-----------------|--------------|
| | Water | | Sewerage | | Water | | Sewerage | |
| | Uw | QCA | Uw | QCA | Uw | QCA | Uw | QCA |
| Return on capital | 60.7 | 52.0 | 98.3 | 86.0 | 62.4 | 53.2 | 103.7 | 90.0 |
| Return of capital | 31.9 | 38.5 | 51.6 | 51.1 | 31.7 | 32.4 | 53.1 | 47.3 |
| Capital costs | 92.6 | 90.4 | 149.9 | 137.1 | 94.0 | 85.6 | 156.8 | 137.3 |

Note: Uw = Unitywater.

5 OPERATING COSTS

Under the Ministerial Direction, the QCA is required to inform customers of the costs and other factors underlying water and sewerage services, including distinguishing between bulk and distribution/retail costs. Bulk water costs are treated as a pass-through item.

Further, the QCA is required to review the prudence and efficiency of Unitywater's operating costs and its policies and procedures. The Ministerial Direction requires a focus on areas of significant cost increase, and specifically refers to the operating cost categories of materials and services, employees, corporate costs and electricity.

5.1 QCA's approach

The QCA considered the prudence and efficiency of Unitywater's forecast operating costs for 2013-15 in accordance with the Ministerial Direction.

The QCA's assessment focussed on:

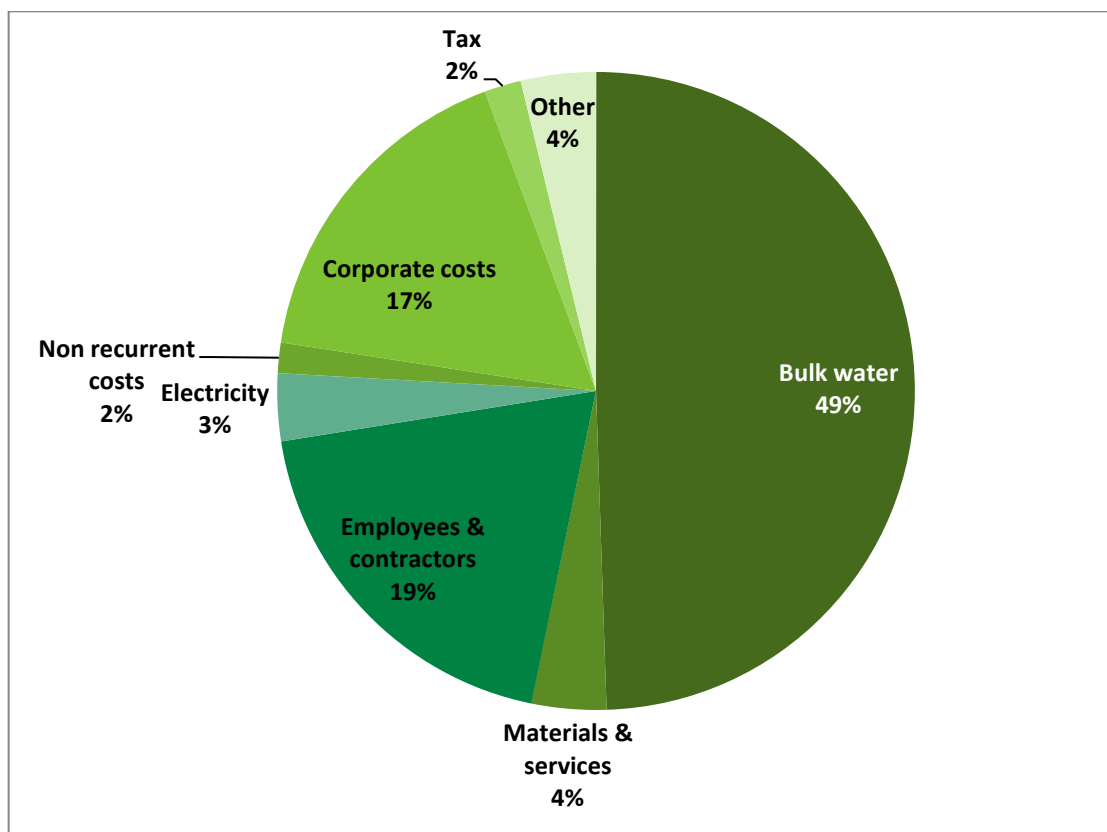
- (a) identifying the bulk and distribution/retail components of operating costs and the reasons for cost increases
- (b) high-level benchmarking of operating costs
- (c) a review of Unitywater's policies and procedures against good industry practice
- (d) the treatment of bulk water costs as a pass-through item
- (e) the prudence and efficiency of materials and services, employees (and contractors), corporate costs and electricity.

The QCA appointed SKM to assist in its assessment of operating and capital expenditure.

SKM's final report reviews Unitywater's operating costs and policies and procedures and is available on the QCA's website. Key issues from the SKM review that underpin the QCA's findings are summarised below.

5.2 Total operating costs

Unitywater has submitted operating costs of \$285 million in 2013-14 and \$309 million in 2014-15. Almost half of Unitywater's forecast operating costs over the 2013-15 period is the cost of purchasing bulk water from Seqwater (Figure 8).

Figure 8 Unitywater's forecast operating costs 2013-15 (\$m)

Source: Unitywater (2013e).

Unitywater (2013a) submitted that its operating cost budget considers factors such as growth in demand and connections, asset maintenance requirements and compliance obligations. Table 44 shows Unitywater's detailed operating cost forecast.

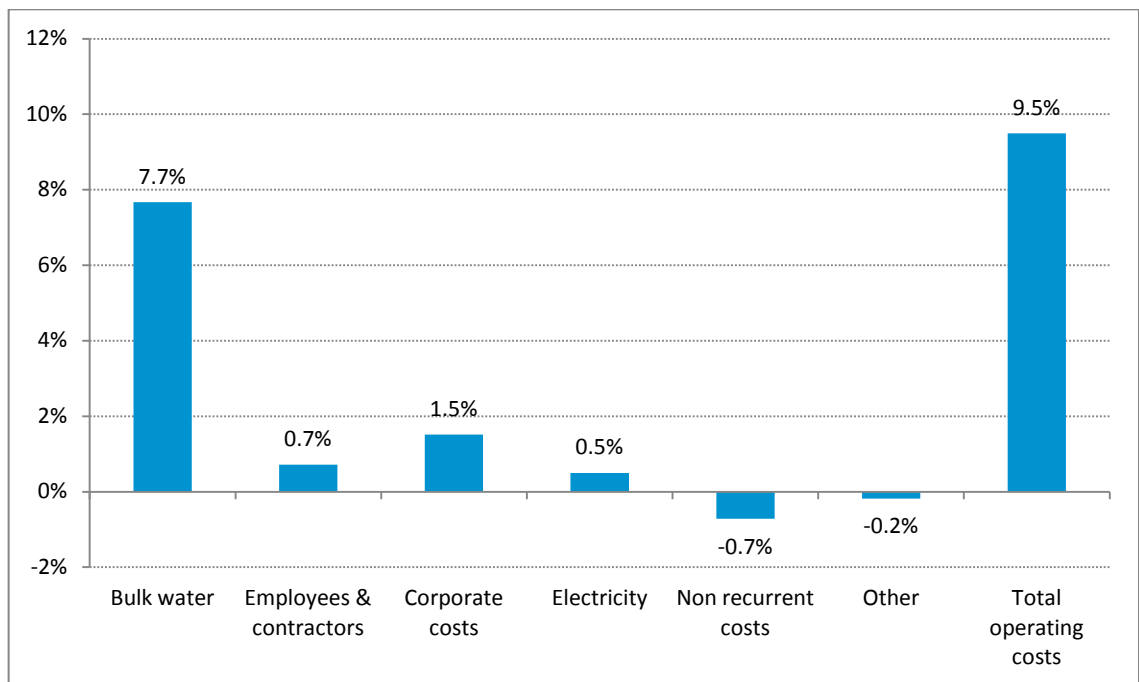
Table 44 Unitywater's forecast operating costs (\$m)

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|------------------------------|---------------|---------------|---------------|---------------|
| Bulk water | 91.03 | 114.94 | 134.91 | 158.94 |
| Materials & services | 9.54 | 11.13 | 11.07 | 11.44 |
| Employees & contractors | 55.74 | 54.24 | 56.11 | 57.91 |
| Corporate costs | 58.23 | 48.34 | 52.28 | 48.13 |
| Electricity | 7.16 | 8.57 | 9.87 | 10.49 |
| Non recurrent costs | 4.96 | 6.34 | 4.46 | 4.62 |
| Tax | 10.79 | 6.27 | 5.46 | 5.71 |
| Other | 10.45 | 10.60 | 11.00 | 11.51 |
| Total operating costs | 247.90 | 260.43 | 285.16 | 308.76 |

Note: Excludes unregulated services. Source: Unitywater (2013e).

Unitywater's submitted 2013-14 total operating costs are 9.3% or \$24 million higher than 2012-13 estimated actual costs, although this includes a \$20 million increase in bulk water costs, which Unitywater has little control over. The remaining \$4 million relates to higher retail-distribution operating costs, led by increases in corporate costs (Figure 9).

Figure 9 Contributions to change in operating costs 2013-14

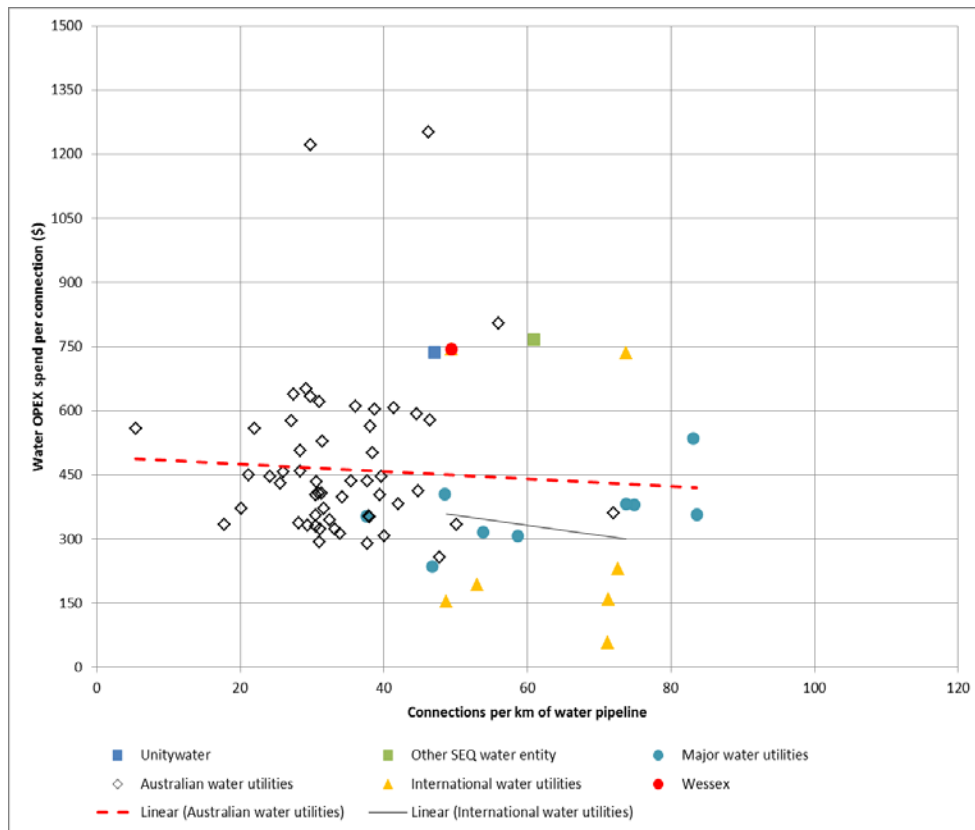


Source: Unitywater (2013e).

5.3 Benchmarking

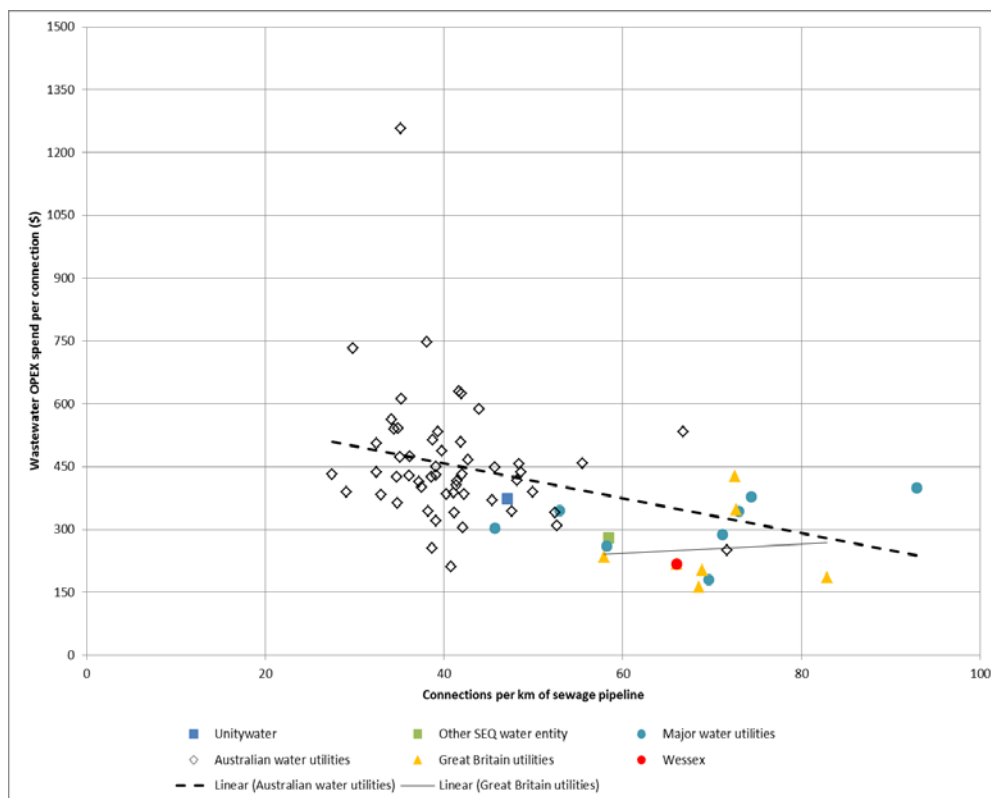
SKM (2014a) conducted high-level benchmarking analysis drawing on international and domestic comparators. SKM concluded that Unitywater's water operating costs were higher than comparable entities, but its sewerage operating costs compared more favourably.

Figure 10 Water operating cost benchmarking



Source: SKM (2014a).

Figure 11 Sewerage operating cost benchmarking



Source: SKM (2014a).

5.4 Policies and planning

SKM (2014a) has found Unitywater's policies and procedures for operating costs to be generally consistent with good industry practice. However, SKM found that Unitywater's asset management practices could be improved and Unitywater does not take a regional perspective in its operating cost decisions (Table 45). The QCA has noted areas of improvement for budget formation below.

Table 45 Assessment of Unitywater's operating cost policies

| <i>Policy</i> | <i>SKM assessment</i> | <i>Possible areas for improvement</i> |
|------------------------|--|---|
| Legislative compliance | Consistent with good industry practice and robust. | |
| Regional perspective | Not consistent. SKM found that Unitywater's Netserv Plan does not meet the regional requirements of the DR Act. | Unitywater has recently undertaken a Treatment Services Strategy to consider a high level strategic review of how it provides treatment services over its entire region. Implementation of this strategy would be a step forward in achieving the requirement of a regional perspective for operating cost decisions. |
| Asset management | Not consistent. SKM found that Unitywater has not yet fully implemented a CAMS that meets the ISO 55000 series. | Unitywater has targeted a number of projects for improvement in asset management including: (a) strategy review by 1 July 2014 (b) documentation of all maintenance activities by December 2013 |
| Procurement | Consistent with good industry practice and robust. | |
| Budget formation | Consistent with good industry practice and robust. | QCA considers that Unitywater should seek to reconcile forecast tariffs and revenues in its budget process and consider use of external benchmarks to demonstrate prudence and efficiency of key operating cost categories. |

Source: SKM (2014a).

The QCA notes SKM's findings and notes that Unitywater has committed to a range of improvements to its asset management practices and is implementing a strategy to bring a regional perspective to its operating cost decisions.

In its submission on the draft report, Unitywater stated, in relation to SKM's assessment of regional perspective in the table above, that:

Regional perspectives also include outside of the boundaries of Unitywater. Regional opportunities were communicated to SKM during the review such as the transfer of sewerage catchments to QUU, the Petrie Water solution with Seqwater. These have been ignored in this report and review.

The QCA acknowledges the examples of Unitywater's participation in regional activities in its submission. In previous reviews, the QCA has reported regional initiatives undertaken by Unitywater, including for example its Brendale STP Upgrade (Stage 3) project which included diversion of sewage flows from the Brendale catchment to QUU (QCA 2013a).

Also in its submission on the draft report, Unitywater stated, in relation to SKM's assessment of asset management in the table above, that:

As previously stated ISO 55000 is was [sic] not a standard at the time of the review and therefore this statement is not correct.

The QCA states, as in section 4.10 above, that SKM understood that Unitywater had sought to align its asset management model with ISO55000. The QCA notes that the ISO published the ISO 55000 suite of asset management standards on 15 January 2014.⁵⁶

5.5 Bulk water

The Ministerial Direction requires the QCA to allow Unitywater to treat bulk water costs as a 'cost-pass-through' item. To this end, the QCA has reviewed Unitywater's tariffs (**Appendix B**) against those charged by Seqwater. Unitywater correctly passes through the bulk water price to customers, as announced by the Queensland Government in May 2013.

However, the QCA understands that Unitywater's 2013-15 bulk water cost estimates were prepared at an earlier date and were based on the previous price path announced in 2010. The QCA has applied the more recent bulk water prices, which are \$25/ML lower for Moreton Bay and Sunshine Coast. The QCA has also reviewed Unitywater's demand (see Chapter 3) and adopted a lower a bulk water demand forecast. In total, the QCA has adopted a 4.2% and 8.1% reduction to 2013-14 and 2014-15 bulk water costs respectively (Table 46).

Table 46 Bulk water cost forecasts

| | 2013-14 | 2014-15 |
|---|----------------|----------------|
| Unitywater submitted bulk water cost (\$m) | 134.91 | 158.94 |
| Unitywater submitted bulk water demand (ML) | 62,239 | 65,184 |
| QCA revised bulk water demand (ML) | 60,521 | 61,451 |
| Weighted average bulk water price (\$/kl) | \$2.14 | \$2.38 |
| QCA revised bulk water cost (\$m) | \$129.26 | \$146.07 |
| Variance (\$m) | -\$5.65 | -\$12.87 |
| Variance (%) | -4.19% | -8.10% |

Source: *Unitywater (2013e), DEWS (2013a)*.

5.6 Prudence and efficiency of non-bulk operating costs

Consistent with the Ministerial Direction, the QCA has reviewed the prudence and efficiency of materials and services, employees (and contractors), corporate costs and electricity. These represent over 85% of Unitywater's non-bulk operating costs in 2013-15 (Table 47).

⁵⁶ ISO 55000 is formatted in three parts: ISO 55000 (overview and definitions), ISO 55001 (requirements) and ISO 55002 (implementation and guidance). Refer to the Institute of Asset Management for more information (<http://theiam.org/>).

Table 47 Unitywater operating costs sampled for review (\$m)

| <i>Cost</i> | <i>2012-13</i> | <i>2013-14</i> | <i>2014-15</i> |
|--------------------------------|----------------|----------------|----------------|
| Materials & services | 11.13 | 11.07 | 11.44 |
| Employees & contractors | 54.24 | 56.11 | 57.91 |
| Corporate costs | 48.34 | 52.28 | 48.13 |
| Electricity | 8.57 | 9.87 | 10.49 |
| Total sample | 122.29 | 129.33 | 127.97 |
| Total non-bulk operating costs | 145.49 | 150.25 | 149.82 |

Source: Unitywater (2013e).

The QCA's review considers whether each sampled expenditure item is:

- (a) prudent - required to meet Unitywater's legal and regulatory obligations or its contracts with customers
- (b) efficient - undertaken in a least-cost manner over the life of the relevant assets and is consistent with relevant benchmarks.

5.6.1 Materials and services

Unitywater's materials and services costs include consumables, pipes, fitting and repairs and maintenance. Excluding unregulated costs, Unitywater forecasts \$11.1 million of materials and services costs in 2013-14, followed by \$11.4 million in 2014-15.

SKM noted that Unitywater had implemented changes to its procurement practices, with an objective to deliver a 5% saving on procured items. Unitywater maintains a procurement savings register, which includes realised savings for materials and services items such as facilities management and pipes and fittings.

Although there was a re-categorisation of Unitywater's materials and services costs in the 2013-15 submission, SKM reviewed Unitywater's progress against the \$2.2 million saving recommended by Halcrow (2013) during the QCA's 2012-13 review. Applying growth and escalation factors to 2011-12 actuals, SKM estimated that Unitywater's 2013-14 materials and services costs were \$2.45 million below this 'baseline'. As a result, SKM concluded that Unitywater had achieved Halcrow's recommended savings.

While SKM was unable to precisely reconcile Unitywater's 2013-15 materials and services budget, it used cost escalation factors and demand growth to conclude that Unitywater under estimated expenditure. As a result, SKM concluded that Unitywater's materials and services expenditure was efficient.

The QCA accepts SKM's assessment (Table 48).

Table 48 Revised Unitywater materials and services costs (\$m)

| | 2012-13 | 2013-14 | 2014-15 |
|---------------------------|----------------|----------------|----------------|
| Water | 3.34 | 3.01 | 3.11 |
| Wastewater | 7.79 | 8.07 | 8.33 |
| QCA Total | 11.13 | 11.07 | 11.44 |
| Unitywater Proposed Total | 11.13 | 11.07 | 11.44 |
| Variance | - | - | - |

Source: SKM (2014a), Unitywater (2013e).

5.6.2 Employee and contractor costs

Unitywater (2013a) has adopted a zero-based forecast methodology for employee and contractor expenses. Unitywater has forecast employee and contractor expenses of \$56.1 million in 2013-14, rising to \$57.9 million in 2014-15.

Full-time equivalent positions

Unitywater has budgeted for 918.2 FTEs in 2013-14, a 1.7% reduction from 2012-13.

Due to an internal restructure, SKM was unable to undertake a complete reconciliation of the budgeted decline in FTEs. However, SKM noted Unitywater's advice that no additional FTEs are being approved.

In light of the reduction in budgeted FTEs and SKM's assessment, the QCA does not propose to adopt any further reduction.

Employee cost escalation

Unitywater (2013a) has submitted a cost escalation factor of 4.05% per annum for labour costs in 2013-15, based on its current Certified Agreement, which stipulates a 3.8% wage increase plus 0.25% for the federal government's superannuation guarantee increase. The QCA notes that this increase is comparable to long term averages of the wage price index (see Table 49).

Table 49 Wage price index

| Wage price index | Compound Average Annual Growth Rate (March 2003-March 2013) |
|---|--|
| All Industries (Queensland) | 3.9% |
| Electricity, gas, water and wastewater services (Australia) | 4.2% |
| Construction (Australia) | 4.2% |

Source: ABS (2013).

SKM noted that Unitywater's wage increase was high, but consistent with other Enterprise Bargaining Agreements where entities have had difficulty in attracting skilled tradespeople and engineers.

The QCA accepts SKM's assessment.

Overtime

SKM noted that the proportion of overtime expenses in Unitywater's Treatment Plants (9.4%) and Field Services (7.2%) operational areas appeared high. However, at a higher level of aggregation, Unitywater's Infrastructure Services overtime was in line with SKM's recommended 5% best practice benchmark. For this reason, SKM did not recommend any overtime-related savings, but that overtime levels in Treatment Plants and Fields Service are monitored.

The QCA accepts SKM's assessment.

Productivity

Draft report

SKM referred to work undertaken by Halcrow (2013) during the QCA's 2012-13 review, which identified productivity savings expected to be achieved as part of Unitywater's investment in CAMS. Unitywater's Field Services operations were expected to move from 'Basic' to 'Improved' as staff spent more time performing field work as opposed to travelling and preparation.

SKM noted that labour cost improvement has not yet been achieved. SKM therefore recommended a 5% reduction to Unitywater's \$26.4 million of Field Service employee expenses, a saving of \$1.32 million. Using Unitywater's employee cost growth rate of 3.1%, SKM estimated a corresponding 2014-15 saving of \$1.36 million.

In response, Unitywater submitted that the CAMS project was not completed until June 2013, and that savings could therefore not be achieved in 2012-13 and will not be fully realised in 2013-15. Unitywater considers that the CAMS project provides a platform to enable cost savings, but that savings will be realised as part of Unitywater's current Productivity Support Project.

The QCA noted that the work undertaken by Halcrow (2013) recommended a saving of 15% as Field Services moved from 'Basic' to 'Improved'. Halcrow also estimated that a further saving of 12% was possible, as Field Services moved to 'Best in Class'. The 5% saving applied by Halcrow in 2012-13 was made in recognition that improvements in operations would occur over time. Halcrow recommended further savings of 5% per annum over the following two to three years. This implies an efficient level of Field Services employee expenses of \$24.0 million in 2013-14.

However, SKM noted that Unitywater did not achieve the recommended cost savings in 2012-13, and instead applied the 5% savings in 2013-14. This provides an estimate of efficient 2013-14 costs of \$25.1 million, still 4.4% above that considered efficient by Halcrow. This effectively allows Unitywater to delay the achievement of Halcrow's recommended efficiency gains.

The QCA considered that this is consistent with Unitywater's submission that the opportunity to make cost savings in 2012-13 was limited. Despite this, the QCA noted that project delivery is within Unitywater's control. Delays or revisions to projects do not necessarily change the efficient level of costs.

Unitywater also submitted that the 2013-14 budgeted Field Services employee costs already include a 2.4% efficiency gain relative to the escalated level of actual costs in 2012-13 (Table 50).

Table 50 Field Services efficiency savings (\$m)

| | 2012-13 actuals | 2012-13 escalated actuals* | 2013-14 budget | Implied efficiency saving (\$m) | Implied efficiency saving (%) |
|------------------------------------|----------------------------|---|---------------------------|--|--|
| Information provided to SKM | 25.3 | 26.3 | 26.4 | -0.1 | -0.4% |
| Unitywater's subsequent submission | 26.1 | 27.1 | 26.4 | 0.7 | 2.4% |

Note: * 2012-13 actuals have been escalated by 4.05% for comparison to 2013-14 budget. Source: SKM (2014a), Unitywater (2013h)

The QCA noted that Unitywater's subsequent submission differed from that provided to SKM. Further, the implied efficiency saving of 2.4% had resulted from an upward revision to 2012-13 actual costs. Upward revisions to historical cost estimates are not compelling evidence of efficiency savings. SKM's review considered the level of budgeted costs in 2013-14 and recommended a 5% saving. The QCA did not believe that Unitywater's subsequent submission refuted SKM's analysis and accepted SKM's savings (Table 51).

Table 51 Unitywater employee and contractor expenses (\$m)

| | 2012-13 | 2013-14 | 2014-15 |
|----------------------|----------------|----------------|----------------|
| Water | 15.83 | 15.69 | 16.19 |
| Wastewater | 38.40 | 39.10 | 40.36 |
| QCA Total | 54.24 | 54.79 | 56.55 |
| Unitywater Submitted | 54.24 | 56.11 | 57.91 |
| Variance | - | -1.32 | -1.36 |

Source: SKM (2014a), QCA calculations, Unitywater (2013e).

Submission on the draft report

In response to the draft report, Unitywater reiterated its comment made prior to the draft report that it accepted efficiencies will be made but that it disagreed with the timing in which these could be delivered.⁵⁷

Further, Unitywater submitted that it seemed inconsistent that the QCA had accepted the number of FTEs, the cost of employing staff and the level of overtime, but made an adjustment to employee costs for productivity which will only be delivered through a reduction in FTEs. Unitywater proposed that the final report clarified why a productivity adjustment had been made when overall FTE numbers were accepted.

Final report

SKM was requested to look at Unitywater's performance in achieving savings identified in earlier reviews and found that Unitywater had not achieved them in this instance. SKM

⁵⁷ The QCA noted in its Draft Report that 'In response, Unitywater submitted that the CAMS project was not completed until June 2013, and that savings could therefore not be achieved in 2012-13 and will not be fully realised in 2013-15. Unitywater considers that the CAMS project provides a platform to enable cost savings, but that savings will be realised as part of Unitywater's current Productivity Support Project.'

recommended that the savings should be maintained, but that Unitywater be allowed to delay their achievement.

The QCA notes that the source of productivity gains recommended by SKM (and Halcrow) relate to less travel time for maintenance crews. The QCA believes that this could result in reductions in FTEs, escalation factors and/or overtime, but that the ultimate source of cost savings depends on Unitywater operational decisions. The QCA does not believe that SKM needs to identify which cost type should reduce due to the implementation of CAMS.

5.6.3 Corporate costs

Corporate costs are general corporate expenditures that cannot be readily allocated to other cost types. Unitywater has budgeted \$52.3 million in corporate costs for 2013-14 (Table 52). This is forecast to decrease by 7.9% to \$48.1 million in 2014-15.

Table 52 Unitywater 2013-14 corporate costs (\$'000)

| | <i>Employee</i> | <i>Contractors</i> | <i>Licence & regulatory</i> | <i>Materials & services</i> | <i>Total</i> |
|-------------------------------|-----------------|--------------------|---------------------------------|---------------------------------|-----------------|
| Office of CEO | 677.6 | - | - | 44.2 | 721.8 |
| People, culture & safety | 5,418.3 | 323.8 | - | 618.0 | 6,360.1 |
| Finance & regulatory services | 5,742.9 | 446.0 | 724.6 | 732.7 | 7,646.2 |
| ICT | 6,028.3 | 3,818.7 | - | 6,079.1 | 15,926.1 |
| Retail services | 8,188.8 | 5,467.3 | 150.0 | 3,254.3 | 17,060.4 |
| Corporate services | 9,533.8 | 576.3 | 61.1 | 13,871.8 | 24,043.0 |
| Business improvements | - | 1,942.2 | - | 2,807.8 | 4,750.0 |
| Corporate finance | 300.0 | - | - | -23,562.8 | -23,262.8 |
| Total | 35,889.7 | 12,574.3 | 935.7 | 3,845.1 | 53,244.8 |

Note: Includes non-regulated services corporate costs. Source: Unitywater (2013e).

Corporate employee costs

Draft report

Unitywater's cost per corporate employee in 2012-13 is expected to be \$124,954. Unitywater has forecast this to decrease by 0.8% in 2013-14 and increase by 3.4% in 2014-15.

SKM found that the average cost for corporate employees is relatively high compared to similar organisations in SEQ. Given this assessment, SKM found Unitywater's proposed escalation of corporate employee costs in 2014-15 to be excessive. SKM therefore recommended that the increase should be more closely aligned with recent increases in the Queensland public service which have been of the order of 2.2%.

The QCA accepted SKM's recommendation and applied an escalation rate of 2.2% to Unitywater's 2014-15 corporate employee costs in its draft report (Table 53).

Table 53 Unitywater's corporate employee costs (\$m)

| | 2012-13 | 2013-14 | 2014-15 |
|---|----------------|----------------|----------------|
| Unitywater submitted corporate employee costs | 34.12 | 33.34 | 34.46 |
| QCA corporate employee costs | 34.12 | 33.34 | 33.76 |
| Variance | - | - | -0.70 |

Note: Source: Unitywater (2013e), SKM (2014a).

SKM noted that 8.2% of Unitywater employees are in the People, Culture and Safety division. Drawing on Deloitte's (2011) review of Sunwater costs, SKM concluded that an appropriate ratio for Unitywater would be 4%. SKM therefore recommended a reduction of 37.9 FTEs in 2013-14, a saving of \$4.7 million. Using Unitywater's forecast growth in corporate employee costs of 3.4%, SKM estimated a corresponding 2014-15 saving of \$4.9 million.

In response to SKM's final report, Unitywater provided further information to support its view that the employees in its People, Culture and Safety division include 39 staff that are administration services staff and are not involved in providing HR support. The information provided by Unitywater indicated that these staff are mostly Integrated Services Staff and Administration Officers. Unitywater provided position descriptions for these roles.

The QCA reviewed the additional information provided by Unitywater and accepted that 39 FTEs in the People, Culture and Safety division do not provide HR services. The QCA therefore concluded that Unitywater's HR FTEs are efficient and did not make any adjustments to Unitywater's HR staff.

SKM's review found that Unitywater's off-budget target of achieving 5% savings to 2013-14 support costs was likely to involve staff reductions in its finance and regulatory function. These reductions could be achieved through economies of scale from amalgamation, business improvement initiatives and the greater use of information technology. SKM therefore applied a 5% saving to corporate support costs resulting in a reduction of 2.7 FTEs, equivalent to \$335,000 in 2013-14. Using Unitywater's forecast growth in corporate employee costs of 3.4%, SKM estimated a corresponding 2014-15 saving of \$348,567.

In response to SKM's findings, Unitywater stated that when it was created no corporate functions were transferred from Councils as these activities continued to be performed by each Council.

The QCA noted in the draft report that SKM's finding of excess FTEs in the Finance and Regulatory Services Division relied only partly on the rationale that the concentration of these activities within one entity could be expected to lead to efficiencies in service provision. Further, even though these functions were not transferred to Unitywater upon inception, it can be expected to perform these services more efficiently over time than if the functions had remained split between several smaller entities.

The QCA therefore accepted SKM's findings.

Submissions on draft report

In response to the draft report, Unitywater submitted that it disagreed with the assumptions QCA used to derive savings in corporate costs. However, Unitywater also acknowledged that there are opportunities to reduce the costs of its corporate functions and noted that it is

investing in optimising the use of systems to automate manual processes that will lead to efficiencies in the staff required to support the business. Unitywater also noted that there is an opportunity to reduce costs should the QCA move to a lighter handed form of regulation.

Final report

The QCA notes that while Unitywater did not agree with the assumptions used to derive savings in costs Unitywater has recognised there is scope to reduce the costs of its corporate functions and these savings are being sought. The QCA has maintained its savings in corporate employee costs (the only source of such adjustments to corporate costs) for the final report.

Corporate non-labour costs

SKM found Unitywater's corporate non-labour costs to be efficient as they are relatively small.

The QCA accepts SKM's recommendation.

Conclusion

The QCA considers that there is scope for Unitywater to make savings in its corporate costs (Table 54).

Table 54 Adjustments to Unitywater's corporate costs (\$)

| <i>Adjustment</i> | <i>2013-14</i> | <i>2014-15</i> |
|---|-----------------|-------------------|
| Corporate employee cost escalation | - | -706,000 |
| Reduction of 2.7 corporate support FTEs | -335,000 | -348,567 |
| Total adjustments | -335,000 | -1,054,567 |

Source: SKM (2014a).

5.6.4 Electricity

Unitywater purchases electricity through two contracts - one for large sites that consume more than 100 MWh per annum and the other for small sites. The contract for small sites commenced in 2012-13 for a two-year period. The contract for large sites is a one-year contract that expires at the end of 2013.

Energy use

Draft report

The overall growth in electricity costs forecast by Unitywater is 15.07% in 2013-14 and 6.36% in 2014-15. This growth in costs is driven by a combination of higher prices and increased electricity use. Given that Unitywater has forecast prices increases of 7.32% and 4.05% for 2013-14 and 2014-15 respectively, the implied growth in electricity use is 7.23% and 2.22% in 2013-14 and 2014-15 respectively.

As in the previous review, the QCA considered that the key drivers of energy use are bulk water volumes (for water services) and sewerage connections (for wastewater services).

The QCA therefore used its forecast growth in bulk water volumes and sewerage connections to forecast growth in Unitywater's energy use and has revised Unitywater's forecast of growth in its energy use down to 2.22% in 2013-14.

Submissions on draft report

While recognising the need to develop a consistent and repeatable framework for electricity, Unitywater submitted that oversimplification of the drivers for energy use identified by the QCA could lead to incorrect conclusions being drawn. Unitywater therefore requested the QCA to consider a more comprehensive methodology that would include two key drivers for each of three major electricity categories:

- (a) bulk water volume and elevation of water source relative to water users for the drinking water supply category
- (b) sewage volume and elevation of sewer network relative to sewage treatment plants for the sewage collection network category
- (c) number of connected properties and standard treatment provided for the sewage treatment plant category.

Final report

The QCA sought advice on the major drivers of energy use from Halcrow during the 2012-13 review (QCA (2013a, p. 231-232)). Halcrow advised that the volume of water is a good proxy for water pumped and energy used for this purpose although actual increases in pumping will depend on where the additional demand is realised.

For sewerage activities, Halcrow advised that sewage flows are influenced by a range of factors including water flows and stormwater infiltration. However Halcrow also noted that growth in water use will not have a corresponding impact on sewage flows since a proportion of this growth will relate to non-sewage uses such as garden watering and car washing. On this basis, Halcrow advised that growth in electricity usage for sewerage activities should be based on growth in connections.

The QCA notes that there may be other drivers of electricity use as identified by Unitywater and the choice of drivers could be expanded based on data and other evidence.

On the basis of the available information, the QCA concludes that its approach to reviewing forecast energy use is appropriate for the purposes of price monitoring. To the extent that more detailed and precise estimation is required, it would be helpful if Unitywater would continue to explore ways of refining its forecasting and gather evidence to support its approach.

Retail electricity prices for large sites

Draft report

The electricity costs that Unitywater submitted for 2013-14 are based on forecast increases in the energy and network components of the retail price for its large sites which make up the bulk of its electricity budget. The forecasts were determined on the basis of advice provided to Unitywater by Energetics before Unitywater renewed its electricity contracts in May 2013.

Table 55 isolates the impact of changes in price on electricity costs. It compares Unitywater's electricity costs for large sites in 2012-13 and 2013-14 using Energetics' forecast of energy prices for 2013-14, Unitywater's actual energy prices for 2013-14 and estimated actual energy use in 2012-13.

Table 55 Impact of price changes on Unitywater's retail electricity costs for its large sites (\$m)

| | 2012-13 <i>(estimated actual)</i> | 2013-14[#] <i>(impact of Energetics' forecast of energy prices)</i> | 2013-14[#] <i>(impact of contracted energy prices)</i> |
|-----------------------|---|--|---|
| Peak energy cost* | 1.57 | 1.49 | 1.81 |
| Off-peak energy cost* | 1.20 | 1.14 | 1.33 |
| Renewable energy cost | 0.55 | 0.47 | 0.48 |
| Network costs | 3.31 | 4.02 | 4.02 |
| Regulatory costs | 0.04 | 0.04 | 0.04 |
| Total cost | 6.67 | 7.16 | 7.68 |

Note: [#] change in costs due to change in price alone (no change in quantity) * inclusive of carbon price. Source: Unitywater (2013a), Unitywater (2013i)

The revised forecasts are for energy prices to increase between 2012-13 and 2013-14. The QCA has undertaken its analysis on the basis of the revised information.

Under the revised information, Unitywater is forecasting an increase in retail electricity prices of 15.2% in 2013-14. This is as a result of increases in energy charges and network charges.

Energy component of retail electricity prices for large sites

As the increase in energy prices is based on contract rates for large contestable sites, the QCA accepts this to be efficient.

Network component of retail electricity prices for large sites

A major component of Unitywater's forecast increase in retail electricity prices is attributable to network charges which are forecast to increase by 21.5% in 2013-14. The QCA considers that regulated network charges for large sites will increase by 15.9% in 2013-14. This assessment is based on the QCA's retail electricity determination (QCA 2013b). The QCA has therefore applied an increase of 15.9% in network charges for 2013-14. This reduces Unitywater's revised electricity price escalation factor from 15.2% to 12.4% in 2013-14 (Table 56).

Table 56 QCA adjustment to Unitywater's retail electricity costs for large sites (\$m)

| | 2012-13 | 2013-14 |
|-----------------------------|----------------|----------------|
| Peak energy cost* | 1.57 | 1.81 |
| Off-peak energy cost* | 1.20 | 1.33 |
| Renewable energy cost | 0.55 | 0.48 |
| Network costs | 3.31 | 3.84 |
| Regulatory costs | 0.04 | 0.04 |
| Total cost | 6.67 | 7.49 |
| Increase in total costs (%) | | 12.4 |

Note: * inclusive of carbon price. Source: Unitywater (2013a), Unitywater (2013i), QCA calculations.

Retail electricity prices for small sites

Unitywater's submitted electricity costs for 2013-14 are based on forecast increases in retail electricity prices for its large sites which make up the bulk of its electricity budget. The QCA notes that small sites make up only 21% of Unitywater's electricity costs and, with the QCA determined 15% increase in regulated retail tariffs in 2013, would contribute less than one percent to the weighted average increase in Unitywater's electricity costs in 2013-14.

The QCA has reflected Unitywater's price escalation in 2014-15.

Submissions on draft report

In response to the draft report, Unitywater submitted that its actual electricity expenditure for the first half of 2013-14 exceeded budgeted expenditure as a result of higher than expected electricity prices and, as a result, proposed that the QCA not make adjustments to electricity expenditure.

Final report

The QCA notes that its price monitoring review is based on the information available at the time of price setting (in early 2013). As such, the information now provided on actual cost for 2013-14 cannot be taken into account as this involves the use of hindsight. The QCA has not altered its adjustments to electricity expenditure in its draft report.

Summary

In summary, the QCA has escalated Unitywater's 2012-13 electricity costs by 14.9% to obtain forecast electricity costs for 2013-14. This consists of a 12.4% increase in electricity prices and a 2.2% increase in electricity use. The QCA has escalated electricity costs in 2013-14 by 6.4% as proposed by Unitywater to estimate 2014-15 costs. The total effect of the QCA's adjustments is shown in Table 57.

Table 57 Revised Unitywater electricity costs (\$m)

| | 2012-13 | 2013-14 | 2014-15 |
|---------------------------|----------------|----------------|----------------|
| Large sites | 6.67 | 7.63 | 8.06 |
| Small sites | 1.90 | 2.18 | 2.30 |
| QCA Total | 8.57 | 9.81 | 10.37 |
| Unitywater Proposed Total | 8.57 | 9.87 | 10.49 |
| Variance | - | -0.06 | -0.12 |

Source: QCA calculations.

5.6.5 Tax

Unitywater submitted a tax cost of \$5.46 million in 2013-14. The QCA's tax estimate is calculated to be consistent with its estimate of the MAR (Chapter 7).

Table 58 Tax (\$000)

| | 2013-14 | 2014-15 |
|----------------------|----------------|----------------|
| Unitywater Submitted | 5.46 | 5.71 |
| QCA | 11.03 | 11.65 |
| Variance | 5.57 | 5.94 |

Source: QCA calculations.

5.7 Operating costs summary

Across 2013-15, the QCA has adjusted Unitywater's estimates of operating costs for:

- (a) lower bulk water prices and demand (-\$18.5 million)
- (b) employee cost savings due to productivity gains in Field Services operations (-\$2.7 million)
- (c) lower escalation factors and FTE numbers in other corporate employee (-\$1.4 million)
- (d) revisions to Unitywater's usage and price forecasts of electricity (-\$0.18 million)
- (e) a revised tax estimate (+\$3.7 million).

Overall, this is a reduction of \$19.1 million or 3.2% of Unitywater's operating costs. Excluding the revision to bulk water costs (-\$18.5 million), it is a \$0.6 million or 0.2% reduction to non-bulk operating costs.

Table 59 Revised operating costs 2012-13 to 2014-15 (\$m)

| | <i>2013-14</i> | <i>2014-15</i> |
|----------------------------------|----------------|----------------|
| Bulk water | 129.26 | 146.07 |
| Materials & services | 11.07 | 11.44 |
| Employees & contractors | 54.79 | 56.55 |
| Corporate costs | 51.94 | 47.08 |
| Electricity | 9.81 | 10.37 |
| Non recurrent costs | 4.46 | 4.62 |
| Tax | 8.43 | 6.39 |
| Other | 11.00 | 11.51 |
| Total Operating costs | 280.77 | 294.04 |
| Unitywater Proposed Total | 285.16 | 308.76 |
| Variance | -4.39 | -14.72 |

Note: Excludes unregulated services. Source: SKM (2014a), QCA (2013b).

6 MAXIMUM ALLOWABLE REVENUES

6.1 Scope of review

The Ministerial Direction requires the QCA to monitor water and sewerage revenues against the MAR based on the total prudent and efficient costs of carrying on the activity including:

- (a) operating and maintenance costs
- (b) capital costs (including return on capital and depreciation)
- (c) tax payable.

The Direction also requires the QCA to provide information to customers about the costs and other factors underlying the provision of water and sewerage services.

6.2 Elements underpinning total costs

Unitywater noted the following elements underpin changes to its estimate of total costs:

- (a) the asset offset approach to the treatment of capital contributions from 1 July 2013
- (b) its WACC of 7.62%, which it considered to be a more stable long-term benchmark than the QCA's revised benchmark WACC of 6.57%, noting its concerns would be raised during the QCA's broader WACC review.

As noted in chapter 4, the QCA accepts Unitywater's change to an asset offset approach to the treatment of capital contributions, as this is allowed under the Direction and is the QCA's preferred treatment. Further, the QCA must adopt the benchmark WACC of 6.57%.

6.3 Costs for 2013-15

Draft report

The key components of Unitywater's costs for its water and sewerage activities are set out in Table 60 and Table 61 below.

Table 60 Unitywater Costs - Water (\$m)

| | 2012-13 | 2013-14 | 2014-15 |
|-----------------------|----------------|----------------|----------------|
| Bulk water | 114.9 | 134.9 | 158.9 |
| Other operating costs | 53.7 | 52.8 | 51.5 |
| Return on capital | 52.0 | 60.7 | 62.4 |
| Return of capital | 33.5 | 31.9 | 31.7 |
| Total Costs | 254.1 | 280.3 | 304.5 |

Source: Unitywater (2013g and 2012).

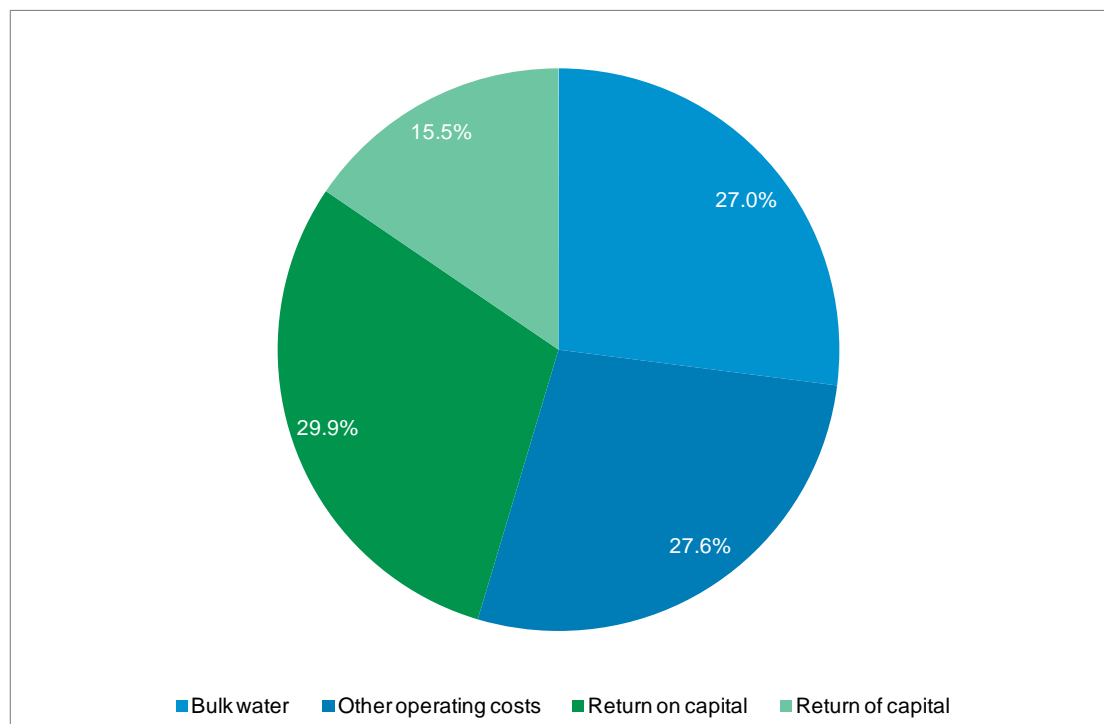
Table 61 Unitywater Costs - Sewerage (\$m)

| | 2012-13 | 2013-14 | 2014-15 |
|-----------------------|----------------|----------------|----------------|
| Other operating costs | 90.1 | 97.4 | 98.3 |
| Return on capital | 85.9 | 98.3 | 103.7 |
| Return of capital | 55.3 | 51.6 | 53.1 |
| Total Costs | 231.3 | 247.3 | 255.1 |

Source: Unitywater (2013g and 2012).

Overall, the key components of Unitywater's total costs for 2013-15 are in the figure below.

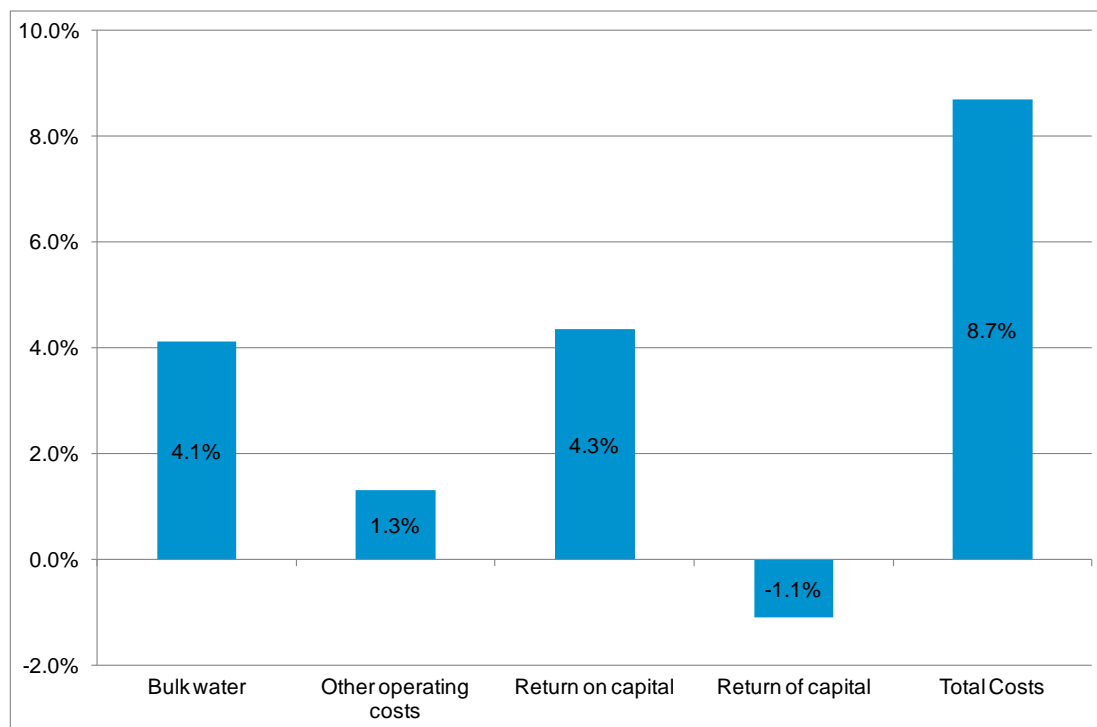
Figure 12 Unitywater total costs for 2013-15



Source: Unitywater (2013g).

The drivers of change in Unitywater's total costs in 2013-14 are set out in Figure 13 below.

Figure 13 Contribution to change in Unitywater's total costs in 2013-14



Source: Unitywater (2013g 2012).

Submissions on the draft report

Ms West noted that the Ministerial Direction requires provision of information to customers about costs and other factors underlying the provision of water and sewerage services.

Ms West stated that in order to do so the tables relating to Unitywater costs should show the return on capital and return of capital for bulk water costs, as an earlier report by the QCA indicates that about 60% of water costs are associated with capital charges for infrastructure investment. Ms West stated that, if this remains indicative, capital related costs amount to about 60% for total water costs rather than the 34% as shown in the table for Unitywater water costs. Ms West noted that the table on Unitywater sewerage costs indicates that capital related costs amount to 61% of total costs for sewerage services.

Final report

The QCA understands that the request to identify capital costs in the bulk water costs was intended to highlight the importance of the RAB value to costs and therefore prices.

The QCA notes that Seqwater owns the SEQ bulk water assets and incurs capital costs in the provision of bulk water services to Unitywater. Some of Seqwater’s capital costs are recouped in the bulk water charge paid by Unitywater, as noted in the QCA’s SEQ Grid Service Charges 2012-13 final report.

However, from Unitywater’s perspective, the bulk water charge is an operating cost. Unitywater does not own bulk water assets and therefore does not incur bulk water capital costs. The same principle applies for other charges paid by Unitywater to its suppliers which are of an operating nature when viewed from the perspective of Unitywater.

The classification of costs is capital or operating in nature thus depends on the structure of the industry. This issue has complicated the benchmarking of distribution and retail operating costs across interstate water suppliers.

In summary, for Unitywater, bulk water costs are operating costs. No change to these tables is required.

QCA MAR for 2013-15

The MAR is the QCA's estimate of the prudent and efficient costs of carrying on a water and sewerage activity. This reflects the QCA's view of prudent and efficient operating and capital costs (see previous chapters), the asset offset approach to the treatment of capital contributions and the benchmark WACC of 6.57%.

For both water and sewerage, the MAR lies below Unitywater's estimate of total costs.

The differences between Unitywater's submitted costs and the QCA's MAR are detailed in previous chapters. In summary, the key differences are:

- (a) a lower estimate of bulk water demand (-\$18.5 million)
- (b) net reductions to retail-distribution operating costs (-\$0.6 million) arising from:
 - (i) reduced employee expenses incurred due to operations overtime (-\$2.7 million)
 - (ii) lower escalation factors and FTE numbers in corporate employee costs (-\$1.4 million)
 - (iii) revisions to Unitywater's usage and price forecasts of electricity (-\$0.18 million) and
 - (iv) a revised tax estimate (+\$3.7 million)
- (c) a lower estimate of return on capital due to the QCA's lower WACC of 6.57% compared to Unitywater's WACC of 7.62% (-\$43.9 million)
- (d) a higher return of capital, due to differences in the asset lives of the RAB (\$1.0 million).

Table 62 QCA MAR - Water (\$m)

| | 2012-13 | 2013-14 | 2014-15 |
|-----------------------|----------------|----------------|----------------|
| Bulk water | 114.4 | 129.3 | 146.1 |
| Other operating costs | 51.4 | 53.9 | 51.0 |
| Return on capital | 53.2 | 52.0 | 53.2 |
| Return of capital | 33.4 | 38.5 | 32.4 |
| Total Costs | 252.3 | 273.6 | 282.7 |

Note: * 2012-13 capital contributions are offset against return on capital under the revenue offset approach adopted by Unitywater in 2012-13. Source: QCA (2012, 2013a and calculations).

Table 63 QCA MAR - Sewerage (\$m)

| | 2012-13 | 2013-14 | 2014-15 |
|-----------------------|----------------|----------------|----------------|
| Other operating costs | 86.0 | 97.6 | 97.0 |
| Return on capital | 92.3 | 86.0 | 90.0 |
| Return of capital | 48.5 | 51.1 | 47.3 |
| Total Costs | 226.8 | 234.7 | 234.3 |

Note: * 2012-13 capital contributions are offset against return on capital under the revenue offset approach adopted by Unitywater in 2012-13. Source: QCA (2012, 2013a and calculations).

7 COMPARING REVENUES WITH MAR

Under the Ministerial Direction, the QCA must monitor water and sewerage revenues against the MAR based on the total prudent and efficient costs of carrying on the activity.

7.1 Unitywater submission

Unitywater compared its forecast revenues against its estimate of the costs of delivering water and sewerage activities for each of 2013-14 and 2014-15.

For 2013-14, Unitywater submitted:

- (a) water revenue of \$242.3 million is below its total costs of \$280.3 million
- (b) sewerage revenue of \$214.0 million is below its total costs of \$247.3 million and
- (c) as a whole, revenues of \$456.4 million are below total costs of \$527.6 million.

For 2014-15, Unitywater submitted:

- (a) water revenue of \$271.9 million is below its total costs of \$304.5 million
- (b) sewerage revenue of \$225.6 million is below its total costs of \$255.1 million and
- (c) as a whole, revenues of \$497.5 million are below total costs of \$559.6 million.

As in previous years, Unitywater continued to propose the MAR Adjustment Transition Scheme to capture and carry forward revenue under-recoveries. Carried forward balances may be recouped in the future over a period to be determined with relevant stakeholders.

7.2 QCA analysis

Caveat on 2014-15 findings

As noted previously, Unitywater has not yet set its prices for 2014-15. As Unitywater is anticipating some further tariff reforms in 2014-15, there is a possibility that the 2014-15 revenue forecasts provided for this review will differ from those that match Unitywater's actual 2014-15 prices.

Under the Direction, the QCA's analysis is based on the 2013-15 revenues forecasts provided for this review. There is no ability under the current Direction to investigate and report on whether subsequent revenue forecasts have materially changed from the previous forecasts, and to update the findings accordingly. Should there be real concerns when Unitywater announces its 2014-15 prices, the State Government can refer this to the QCA for separate review.

As there is a lesser degree of confidence about the revenue forecasts for 2014-15, the QCA has separately reported its findings for 2013-14 and 2014-15.

Comparison of Unitywater revenues and QCA MAR

A comparison of Unitywater's water and sewerage revenue forecasts to the QCA's MAR based on the total prudent and efficient costs of carrying on the activity is shown below.

For Unitywater for 2013-14:

- (a) water revenue of \$253.2 million is 7.5% below the QCA MAR of \$273.6 million
- (b) sewerage revenue of \$216.0 million is 8.0% below the QCA MAR of \$234.7 million

(c) as a whole, revenues of \$469.1 million are 7.7% below the QCA MAR of \$508.3 million.

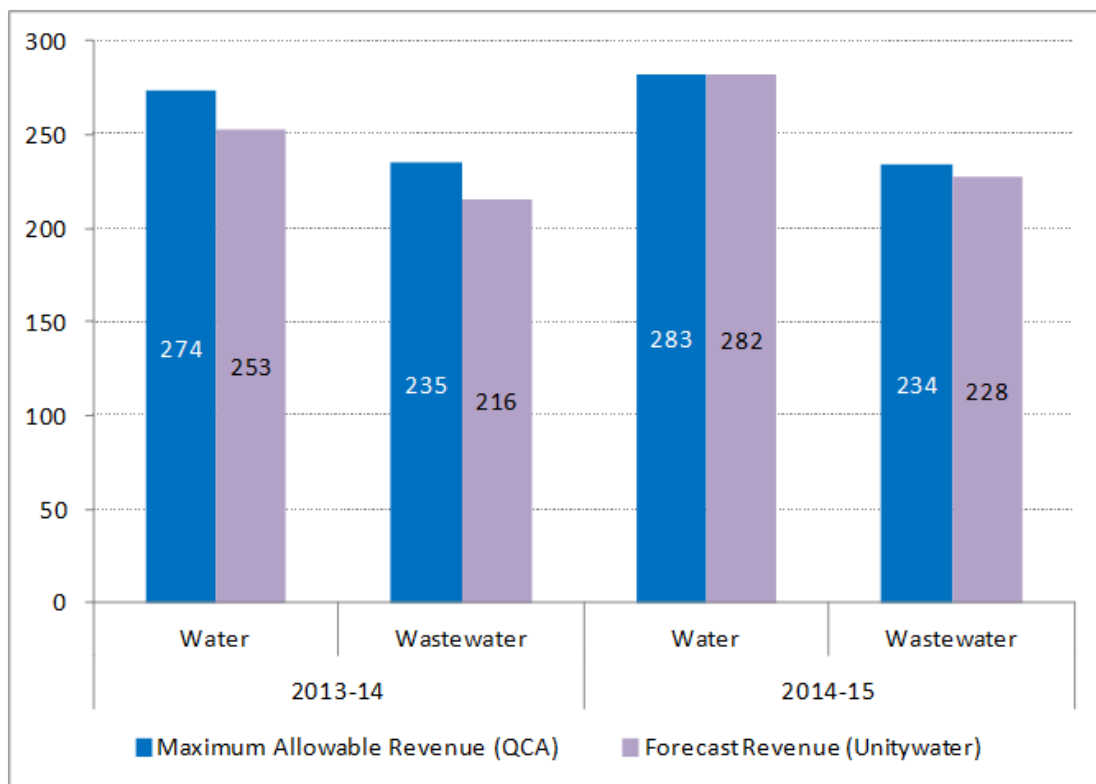
For Unitywater for 2014-15:

- (a) water revenue of \$282.3 million is 0.1% below the QCA MAR of \$282.7 million
- (b) sewerage revenue of \$227.5 million is 2.9% below the QCA MAR of \$234.4 million
- (c) as a whole, revenues of \$509.8 million are 1.4% below the QCA MAR of \$517 million.

The revenue estimates are from the Unitywater data template (sheet 5.2.1 revenue by geographic area and service category). These revenues are higher than those used by Unitywater in its comparison with the MAR, which are drawn from a different part of the Unitywater data template (sheet 5.1.1 consolidated statement of financial performance).

The QCA has adopted the Unitywater revenue estimates from sheet 5.2.1, consistent with its approach in previous years and for other entities.

Figure 14 MAR vs revenue (\$m)



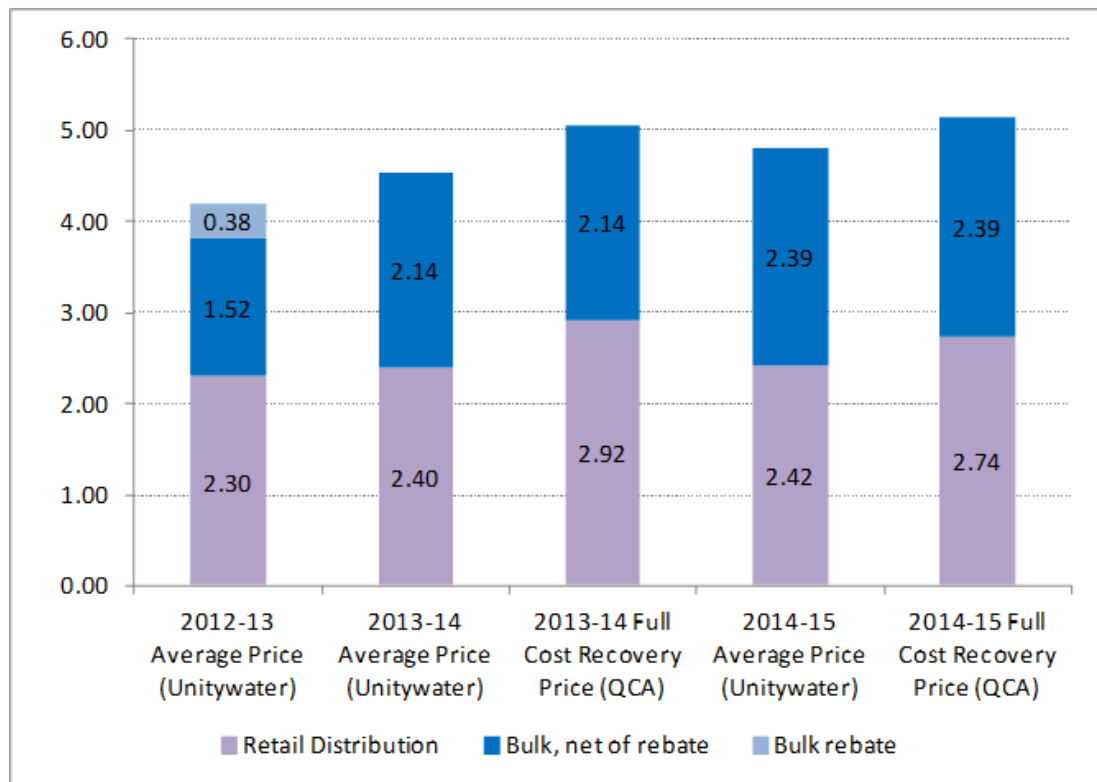
Source: Unitywater (2013e), QCA calculations.

Comparison of average prices

As in previous years, the QCA has also compared Unitywater's revenues and the QCA's costs on a per unit basis using average prices. Average prices are calculated by dividing total revenues by volumes – per kl (for water) and per connection (for sewerage). Average prices provide a broad overview of the average revenue earned per unit across all users.

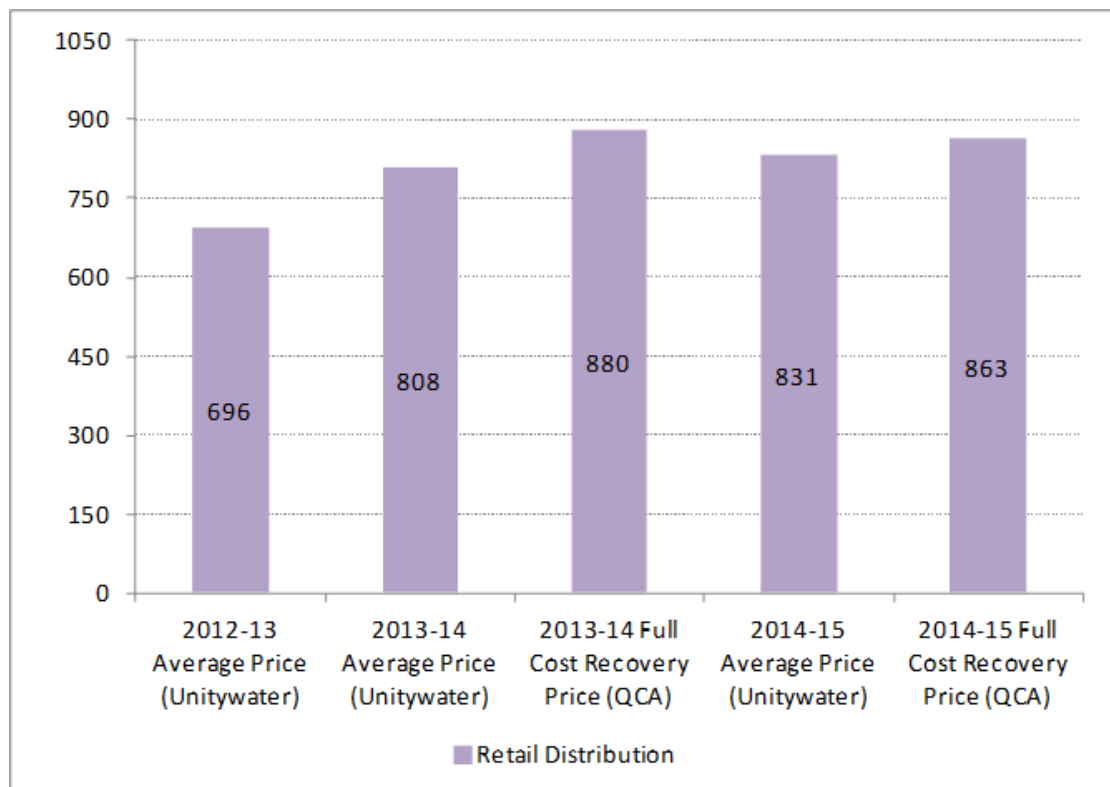
Unitywater's average annual prices are slightly below the prices which would fully recover costs for 2013-14 and 2014-15 (as shown in Figure 15 and Figure 16 below). As stated in previous reports, prices should ideally be set and smoothed over a longer period to avoid large annual variations.

Figure 15 Average water prices (\$/kl)



Source: Unitywater (2013e), QCA calculations.

Figure 16 Average sewerage prices (\$/connection)



Source: Unitywater (2013e), QCA calculations.

Comparison using consistent demand

As in previous years, the QCA has further supplemented the comparison of revenues and the MAR by using an estimate of revenue that the QCA expects Unitywater to receive. This estimate is based on the QCA's demand figures. The comparison of revenues and costs is then based on a consistent estimate of demand.

Table 64 Further comparison of revenues and QCA MAR (\$m)

| | 2013-14 | 2014-15 |
|-----------------------|----------------|----------------|
| QCA MAR | 508.3 | 517.0 |
| QCA Expected Revenues | 450.4 | 483.8 |
| Difference | -57.6 | -33.2 |

Source: QCA calculations.

Carrying forward under-recoveries

In the previous reviews for 2010-13, the QCA has not carried over any under-recovery from previous years in calculating the MAR, consistent with Unitywater's approach in those years.

However, in its past submissions, Unitywater proposed to capture and carry forward under and over-recoveries (2011, 2012).

In response, the QCA noted that, in calculating the benchmark MARs for the purposes of price monitoring, it would take account of any smoothing adopted by entities to avoid price shocks (QCA 2011). The QCA noted its in-principle support for an NPV neutral glide path to achieve full cost recovery, wherever possible (2011, 2012, 2013a). Further, that under and overs regimes in regulatory pricing are typically based on actual data (2013a).

However, the QCA also noted that:

- (a) an NPV neutral glide path is not always possible, particularly in the context of significant price increases, without prices in the final year being substantially in excess of their efficient level, requiring transitioning (down) in the next period
- (b) under a price monitoring framework in which the objective is to constrain the exercise of market power in a light-handed manner, under-recovery may be the legitimate exercise of Unitywater's discretion to forego these revenues and accept a lower rate of return. Where this does not jeopardise the financial viability of the entity this is a legitimate business decision. The QCA noted that Unitywater had not priced to the level of the cap (2013a).

In its final report for QUU for 2013-15, the QCA has noted that to allow entities to potentially recoup past under-recovery due to the price cap would not be consistent with the spirit and intention of the relevant legislation (QCA 2014 QUU). To allow entities to charge more in later years to make up for the price cap in 2011-12 and 2012-13 would leave customers no better off in NPV terms.

Therefore, the QCA would not include any past under-recovery due to the price cap to be carried forward in its estimate of prudent and efficient costs.

Further, as in previous reviews, the QCA is not in position to provide guidance on any particular under and overs regime or glide path as it has not been provided with a detailed proposal and the underpinning data, modelling and assumptions. In particular, the level of over-recovery sought in the later years of the scheme is not provided. The appropriateness of a glide path

typically hinges on this longer term information. The QCA has calculated annual stand-alone MARs pending this detailed information.

QCA finding

As Unitywater's revenues in 2013-14 and 2014-15 are below the MAR, there is no evidence of an exercise of monopoly power in these years.

8 COSTS, REVENUES AND PRICES

8.1 Submissions on draft report

Mr Koerner submitted that the under-recovery for 2013-14 and 2014-15 in the table in chapter 8 of the draft report is flawed because the Unitywater RAB may be inflated and has not been independently investigated by the QCA. Consequently, the QCA's public statements by the QCA [including its media release] that suggest no evidence of predatory pricing practices are unwarranted and detrimental to the public interest.

8.2 Final report

In response to Mr Koerner, the QCA notes that under the Ministerial Direction, the QCA is required to adopt the initial 1 July 2008 RAB (see also section 4.3). The RAB is a key input into the MAR. The QCA's public statements in its reports, fact sheets and media release reflect that Unitywater's revenues lie below the QCA MAR.

The reconciliation of costs, revenues and average prices is outlined in the tables below.

Table 65 Costs and revenues 2013-15 (\$m)

| | 2013-14 | | | | 2014-15 | | | |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Water | | Sewerage | | Water | | Sewerage | |
| | Uw | QCA | Uw | QCA | Uw | QCA | Uw | QCA |
| Bulk water | 134.9 | 129.3 | | | 158.9 | 146.1 | - | |
| Other opex | 52.8 | 53.9 | 97.4 | 97.6 | 51.5 | 51.0 | 98.3 | 97.1 |
| Return on capital | 60.7 | 52.0 | 98.3 | 86.0 | 62.4 | 53.2 | 103.7 | 90.0 |
| Return of capital | 31.9 | 38.5 | 51.6 | 51.1 | 31.7 | 32.4 | 53.1 | 47.3 |
| Total Costs (MAR) | 280.3 | 273.6 | 247.3 | 234.7 | 304.5 | 282.7 | 255.1 | 234.3 |
| Total Revenues | 242.3 | 253.2 | 214.0 | 216.0 | 271.9 | 282.3 | 225.6 | 227.5 |
| Over/(Under) recovery | -38.0 | -20.4 | -33.2 | -18.7 | -32.6 | -0.4 | -29.5 | -6.8 |

Source: Unitywater (2013e and g), QCA calculations.

Table 66 Average Prices

| | 2013-14 | | | | 2014-15 | | | |
|---|----------------|---------------|-----------------|-----------------|----------------|---------------|-----------------|-----------------|
| | Water | | Sewerage | | Water | | Sewerage | |
| | Uw | QCA | Uw | QCA | Uw | QCA | Uw | QCA |
| Total Revenues/MAR (\$m) | 253.2 | 273.6 | 216.0 | 234.7 | 282.3 | 282.7 | 227.5 | 234.3 |
| Volume ('000 ML or '000 connections)* | 55.8 | 54.1 | 267.4 | 266.7 | 58.7 | 55.1 | 273.7 | 271.6 |
| Average Price (\$/kl or \$/connection) | \$4.54 | \$5.06 | \$807.67 | \$880.17 | \$4.81 | \$5.13 | \$831.16 | \$862.60 |

Note: *Only includes chargeable volume, which is lower than the total water demand in Section 3. Source: Unitywater (2013e), QCA calculations.

9 KEY FINDINGS FOR 2013-15

In 2013-14, the retail and distribution component of prices for residential and non-residential customers were subject to tariff restructure with increased emphasis on volumetric charges. Prices not subject to tariff restructure increased by 3%. Unitywater has not announced its prices for 2014-15, and its revenue forecast for 2014-15 reflects a broad organisational target.

Bulk water costs account for 26.0% of Unitywater's total costs of supplying water and sewerage activities in 2013-15. Retail and distribution costs account for the remainder with operating costs comprising 28.2% and capital costs 45.7%.

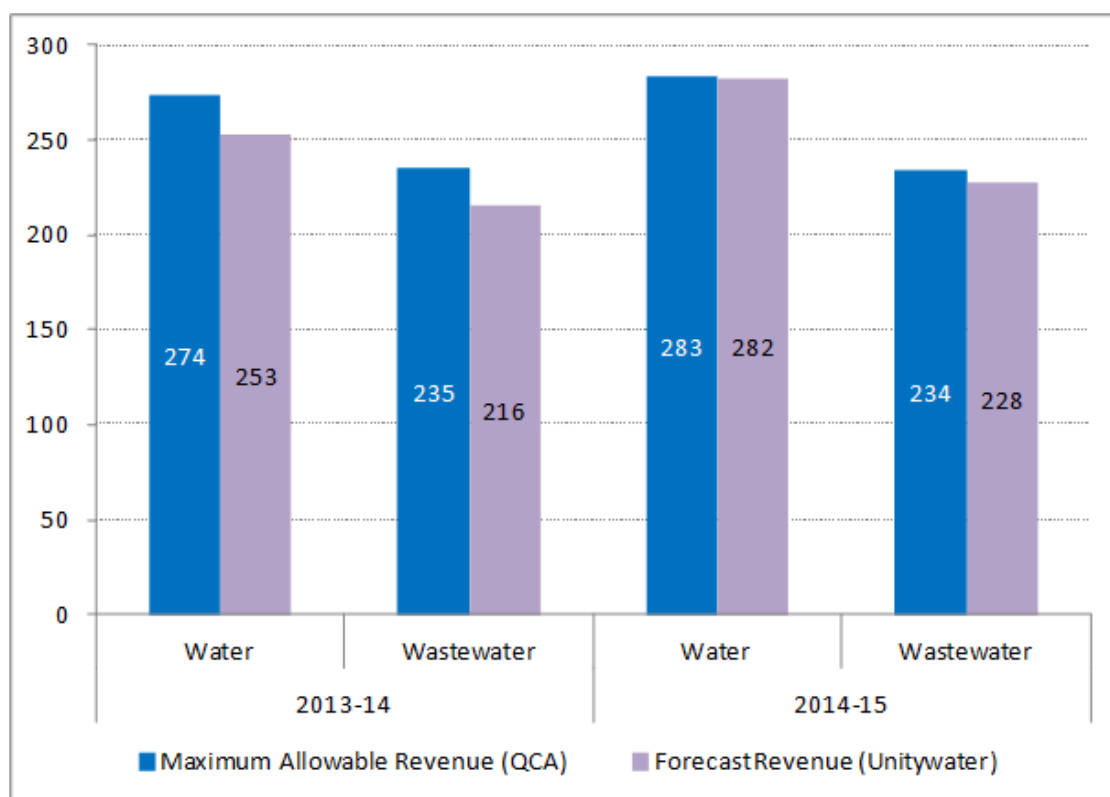
For Unitywater for 2013-14:

- (a) water revenue of \$253.2 million is 7.5% below the QCA MAR of \$273.6 million
- (b) sewerage revenue of \$216.0 million is 8.0% below the QCA MAR of \$234.7 million
- (c) as a whole, revenues of \$469.1 million are 7.7% below the QCA MAR of \$508.3 million.

For Unitywater for 2014-15:

- (a) water revenue of \$282.3 million is 0.31% below the QCA MAR of \$282.7 million
- (b) sewerage revenue of \$227.5 million is 2.9% below the QCA MAR of \$234.3 million
- (c) as a whole, revenues of \$509.8 million are 1.4% below the QCA MAR of \$517.0 million.

Figure 17 MAR and revenue (\$m)



Source: Unitywater (2013e), QCA calculations.

Based on current information, there is no evidence of an exercise of monopoly power in 2013-14 or 2014-15. However, the finding for 2014-15 is based on Unitywater's original

revenue forecast for 2014-15 made in 2013, before 2014-15 prices were set. Should there be concerns that updated revenue forecasts for 2014-15 (that align with 2014-15 prices) differ materially from those originally forecast, the Government can refer the issue to the QCA for further review.

APPENDIX A: MINISTERIAL DIRECTION

QUEENSLAND COMPETITION AUTHORITY ACT 1997
SECTIONS 23A
MINISTERS' REFERRAL NOTICE

Referral

As the responsible Ministers, pursuant to section 23A of the *Queensland Competition Authority Act 1997* (the QCA Act), we refer the monopoly distribution and retail water and sewerage activities (the activities) of the following entities (the entities):

- Northern SEQ Distributor-Retailer (Unitywater);
- Central SEQ Distributor-Retailer (Queensland Urban Utilities);
- Logan City Council;
- Redland City Council; and
- Gold Coast City Council;

to the Queensland Competition Authority (QCA) for a price monitoring investigation for the period from 1 July 2013 to 30 June 2015.

Conduct of the QCA pursuant to this referral

In referring this investigation, we direct the QCA under section 24 of the Act as follows. For each entity, the QCA shall:

- (a) provide information to customers about the costs and other factors underlying the provision of water and sewerage services including distinguishing between bulk and distribution/retail costs to the extent possible;
- (b) allow the entities to treat bulk water costs as a 'cost-pass-through' item;
- (c) monitor the change in prices of distribution and retail water and sewerage services for residential and non-residential customers;
- (d) monitor water and sewerage revenues against the maximum allowable revenue based on the total prudent and efficient costs of carrying on the activity including each of the following:
 - i. the operational and capital expenditure in carrying on the activity;
 - ii. depreciation;
 - iii. return on capital employed; and
 - iv. tax payable.
- (e) in respect of the return on capital:
 - i. advise a benchmark Weighted Average Cost of Capital (WACC) by 31 January 2013; and
 - ii. monitor the WACCs applied by the entities against the benchmark WACC;

- (f) roll forward the regulated asset base (RAB) using the following principles:
- i. the opening RAB for 1 July 2013 to be calculated as:

$$\text{RAB}_t = \text{RAB}_{t-1} + \text{Capital expenditure}_t - \text{Regulatory Depreciation}_t - \text{Disposal}_t + \text{Indexation}_t$$

where t = year under consideration.
 - ii. for Unitywater and Queensland Urban Utilities:

RABt-1 = the rolled forward RAB for 1 July 2012 as verified by the QCA;
 - iii. for Logan, Redland and Gold Coast City Councils:

RABt-1 = the RAB for each individual council as at 1 July 2013 should reflect their agreed disaggregation of the total Allconnex RAB as at 1 July 2010 and subsequent capital expenditure incurred to 30 June 2013;

for clarity, a revaluation of the initial RAB is not to be considered.
- (g) to assess operating and capital expenditure in (d) above, the QCA is to undertake a review not more than once per entity during the monitoring period based on the following approach:
- i. assess the existence of robust policies and procedures having regard to good industry practice, as well as compliance, using a sample of six capex projects (per entity) and each of the following broad opex headings: employee expenses (including contractors); electricity; other materials and services; corporate overheads;
 - ii. assess the robustness of the capex and opex program planning and delivery processes and procedures in an overall sense and identify any areas for improvement; and
 - iii. form a view on the prudence and efficiency of capital and operating expenditure, focussing on any areas of significant cost increase and identifying the reasons why.
- (h) the QCA is to accept that, in setting prices entities may have applied a revenue offset approach to account for capital contributions received. This approach is to remain in effect until such time as the entity nominates, through their price monitoring returns, to adopt the asset offset method. Where a change in methodology is adopted, the RAB is not to be adjusted retrospectively.
- (i) to assess Regulatory Depreciation in (f) above, the QCA must take into account the regulatory depreciation on the physical assets has been calculated using existing useful lives attaching to the individual assets or relevant asset classes;
- (j) to assess the indexation in (f) above, the QCA must use the annual March to March Australian Bureau of Statistics Consumer Price Index (all groups, Brisbane);
- (k) monitor according to the QCA Final Report on the SEQ Interim Price Monitoring Framework (April 2010) and Information Requirements, except as amended by this referral.

Consultation

The QCA must undertake an open consultation process with all relevant parties and consider submissions within the timetable for the review and reports. Consistent with section 34 of the QCA Act, all reports and submissions must be published on the QCA website.

Timing

The entities must provide price monitoring information returns in respect of 2013-14 and 2014-15 to the QCA by:

- i. 30 June 2013 for Queensland Urban Utilities and Unitywater; and
- ii. 30 September 2013 for Logan, Redland and Gold Coast City Councils.

The QCA must provide to responsible Ministers and the Minister for Energy and Water Supply a draft report by 31 January 2014 and a final report by 31 March 2014.



TIM NICHOLLS
Treasurer and Minister for Trade



JARROD BLEIJIE
Attorney-General and
Minister for Justice

APPENDIX B: UNITYWATER SELECTED PRICES

As noted in chapter 2, Unitywater has restructured water and sewerage prices for stand-alone residential houses (68.2% of customers) from 1 July 2013 to increase the volumetric component. All other properties will receive a 3% increase in prices until they move onto the new price structure, being phased in progressively for sporting groups (1 October 2013), residential vacant land (1 January 2014), residential unit complexes (by June 2014) and all other customers over the period to 30 June 2015.

As a result, Unitywater provided two sets of prices for 2013-14, the first for customers subject to tariff restructure, the second for customers not subject to tariff restructure. Some customers will transition from the second to the first set over 2013-14 as noted above.

Unitywater also provided the QCA with its prices for trade waste, recycled water and sundry charges.

Water and sewerage prices for customers with tariff restructure⁵⁸

Moreton Bay

| Fixed Charge | 2012-13 | | 2013-14 | | % change |
|--------------------------------|------------------------|-------|-----------|-------|----------|
| Water Access Charge | \$346.00 | | \$293.56 | | -15.2% |
| Sewerage Access Charge | \$744.88 | | \$695.24 | | -6.7% |
| | | | | | |
| Volumetric Charges | 2012-13 | | 2013-14 | | % change |
| Water -Tier 1 | <= 280 kL | 0.176 | <= 300 kL | 0.644 | 266% |
| Water -Tier 2 | > 280 kL and <= 360 kL | 0.849 | > 300 kL | 1.288 | 52% |
| Water -Tier 3 | > 360 kL | 1.305 | N/A | | -1% |
| Sewerage -Tier 1 | N/A | N/A | <= 270 kL | 0.644 | |
| Sewerage - Tier 2 ¹ | N/A | N/A | > 270 kL | 1.288 | |

Sunshine Coast

| Fixed Charge | 2012-13 | | 2013-14 | | % change |
|--------------------------------|-----------|-------|-----------|-------|----------|
| Water Access Charge | \$232.04 | | \$231.76 | | -0.1% |
| Sewerage Access Charge | \$570.80 | | \$509.84 | | -10.7% |
| | | | | | |
| Volumetric Charges | 2012-13 | | 2013-14 | | % change |
| Water -Tier 1 | <= 219 kL | 0.538 | <= 300 kL | 0.644 | 20% |
| Water -Tier 2 | > 219 kL | 1.036 | > 300 kL | 1.288 | 24% |
| Sewerage -Tier 1 | N/A | N/A | <= 270 kL | 0.644 | |
| Sewerage - Tier 2 ¹ | N/A | N/A | > 270 kL | 1.288 | |

⁵⁸ Retail and distribution component only. As noted in chapter 2, where there is a change in tariff structure the best measure of the impact of the change on customers is the change in bills.

Water and sewerage prices for customers without tariff restructure⁵⁹

Moreton Bay

| MORETON BAY REGION WATER AND SEWERAGE CHARGES | | | | |
|--|--|------------------------|--|-----------|
| Description | charge rate 2012/13 | charge rate 2013/14 | % Increase | |
| MORETON BAY REGION WATER | | | | |
| CABOOLTURE WATER | | | | |
| Caboolture water access charge | Connected price residence or unoccupied land connected to Unitywater's water supply homes; home units; flats or motel units (each); residences attached to businesses and each separate home on one (1) parcel of land connected to Unitywater's water supply | \$346.00 | \$356 | 3% |
| Caboolture water access charge | Commercial/Business property connected to Unitywater's water supply including individual Building Units or Group Title Shops | \$346.00 | \$356 | 3% |
| Caboolture water access charge | Other properties not specifically designated above which are connected to Unitywater's water supply, eg schools; churches; halls/lodges; community organisations | \$346.00 | \$356 | 3% |
| Caboolture water access charge | Vacant land to which Unitywater will supply a water connection upon receipt of a standard connection fee – for each separate parcel of land provided that in the instance of a dwelling and one adjacent vacant parcel of land which is zoned Residential A owned by one and the same person then this vacant land charge shall not apply to this particular | \$346.00 | \$356 | 3% |
| Caboolture water access charge | Dedicated fire hose reel service providing water for the sole purpose of fire fighting equipment, which service is not for domestic use | \$0.00 | N/A | |
| Caboolture water access charge | Supply of recycled water through a dedicated recycle water access | 0.00 | N/A | |
| Caboolture water consumption charges | As near as practicable, water meters will be read on a cyclical basis. The charge for water consumed in a quarter will be included on the next quarter's invoice. Water consumption charge is based on daily average consumption of water consumed since the previous meter reading. | | | |
| Caboolture water consumption charge – potable reticulated water | Water consumed up until 30/06/13 will be charged on the following basis: | | | |
| Caboolture water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 1 (For the first 767 L/day) - State Government bulk water charge - Unitywater charge | | 2012/13 \$ 2.192/kL \$ 0.176/kL | |
| Caboolture water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 2 (768 - 986 L/day) - State Government bulk water charge - Unitywater charge | | 2012/13 \$ 2.192/kL \$ 0.849/kL | |
| Caboolture water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 3 (above 986 L/day) - State Government bulk water charge - Unitywater charge | | 2012/13 \$ 2.192/kL \$ 1.305/kL | |
| Caboolture water consumption charge – potable reticulated water | Water consumed after 30/06/13 will be charged on the following basis: | | | |
| Caboolture water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 1 (For the first 767 L/day) - State Government bulk water charge - Unitywater charge | | 2013/14 \$ 2.437/kL \$ 0.181/kL | 11% 3% |
| Caboolture water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 2 (768 - 986 L/day) - State Government bulk water charge - Unitywater charge | | 2013/14 \$ 2.437/kL \$ 0.874/kL | 11% 3% |
| Caboolture water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 3 (above 986 L/day) - State Government bulk water charge - Unitywater charge | | 2013/14 \$ 2.437/kL \$ 1.344/kL | 11% 3% |
| Caboolture water consumption charge – potable reticulated water | Dedicated fire hose reel service (industrial/commercial) 0 to 3kL | 0.00 | N/A | |
| Caboolture water consumption charge – potable reticulated water | Dedicated fire hose reel service (industrial/commercial) 3kL plus | As per Tier 1 to 3 | As per Tier 1 to 3 | |
| Caboolture water charges | Dialysis and other medical conditions – allowance as set by UnityWater policy | 0.00 | N/A | |
| Caboolture water charges | In relation to the calculation for community title premises (Community Unit, Building Unit or Group Title Plan) without approved sub-metering, water consumption will be apportioned in accordance with the relevant lot entitlements. | | | |
| Caboolture water charges | For properties charged multiple access charges the relevant tiers for water consumption will be multiplied by the number of access charges levied. | | | |

⁵⁹ Includes bulk water charges, as noted.

| PINE WATER | | | | | |
|---|--|--------------------|---------------------------------------|-----------|--|
| Pine water access charge | Vacant land – land to which water is available but not connected | \$346.00 | \$356 | 3% | |
| Pine water access charge | Domestic premises with a 15mm, 20mm supply line with individual | \$346.00 | \$356 | 3% | |
| Pine water access charge | Domestic community title premises with individual meters | \$346.00 | \$356 | 3% | |
| Pine water access charge | Domestic flats with individual meters | \$346.00 | \$356 | 3% | |
| Pine water access charge | All other domestic premises with individual meters not mentioned in the other consumer classes | \$346.00 | \$356 | 3% | |
| Pine water access charge | Any domestic premises with a shared meter | \$346.00 | \$356 | 3% | |
| Pine water access charge | Community – public halls (including the MBRC owned and operated); place of worship; parks (including sporting fields); reserves; land occupied by Not for Profit community organisations. | \$346.00 | \$356 | 3% | |
| Pine water access charge | Dedicated fire hose reel service (industrial/commercial) providing water for the sole purpose of fire fighting equipment which service is not for domestic use | \$0.00 | N/A | | |
| Pine water access charge | Supply of recycled water through a dedicated recycle water access | \$0.00 | N/A | | |
| Pine industrial/commercial water access charge | Pine industrial/commercial water access charges include: retirement villages, shops (including cafes, bake houses, butcher shops, garages & service stations); bowling greens and clubhouses; hotels; industrial structures and warehouses; utilities including Energex, Powerlink, Telstra, sewerage/water pump stations, etc; Council facilities; schools, preschools, kindergartens and child care centres; offices; any other building or structure of a commercial or industrial nature not specified below. | | | | |
| Pine industrial/commercial water access charge | For the industrial/commercial consumer class, an access charge will be determined based on the meter size servicing the property. | | | | |
| Pine industrial/commercial water access charge | 20mm meter, capacity factor 1 | \$346.00 | \$356 | 3% | |
| Pine industrial/commercial water access charge | 25mm meter, capacity factor 1 | \$346.00 | \$356 | 3% | |
| Pine industrial/commercial water access charge | 32mm meter, capacity factor 2.56 | \$884.72 | \$911 | 3% | |
| Pine industrial/commercial water access charge | 40mm meter, capacity factor 4 | \$1,383.04 | \$1,425 | 3% | |
| Pine industrial/commercial water access charge | 50mm meter, capacity factor 6.25 | \$2,161.08 | \$2,226 | 3% | |
| Pine industrial/commercial water access charge | 65mm meter, capacity factor 10.56 | \$3,650.84 | \$3,760 | 3% | |
| Pine industrial/commercial water access charge | 80mm meter, capacity factor 16 | \$5,531.20 | \$5,697 | 3% | |
| Pine industrial/commercial water access charge | 100mm meter, capacity factor 25 | \$8,642.28 | \$8,902 | 3% | |
| Pine industrial/commercial water access charge | 150mm meter, capacity factor 56.25 | \$19,445.72 | \$20,029 | 3% | |
| Pine industrial/commercial water access charge | 200mm meter, capacity factor 100 | \$34,569.24 | \$35,606 | 3% | |
| Pine industrial/commercial water access charge | 225mm meter, capacity factor 126.5625 | \$43,751.28 | \$45,064 | 3% | |
| Pine industrial/commercial water access charge | 250mm meter, capacity factor 156.25 | \$54,014.96 | \$55,635 | 3% | |
| Pine industrial/commercial water access charge | 300mm meter, capacity factor 225 | \$77,780.80 | \$80,114 | 3% | |
| Pine industrial/commercial water access charge | A deemed capacity factor will be calculated as follows: - deemed capacity factor is water consumption for the previous financial year divided by (280kL result to be rounded up. - where the deemed capacity factor is less than the applicable meter size capacity factor in the schedule, the access charge is determined by multiplying the deemed capacity factor by \$356 - where the deemed capacity factor is greater than the applicable meter size capacity, the access charge will be in accordance with the access charge for the meter size | | | | |
| Pine water consumption charge – potable reticulated water | As near as practicable, water meters will be read on a cyclical basis. The charge for water consumed in a quarter will be included on the next quarter's invoice. Water consumption charge is based on daily average consumption of water consumed since the previous meter reading. | | | | |
| Pine water consumption charge – potable reticulated water | Water consumed up until 30/06/13 will be charged on the following basis: | | | | |
| Pine water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 1 (For the first 767 L/day) - State Government bulk water charge - Unitywater charge | | 2012/13 \$ 2.192/kL \$ 0.176/kL | | |
| Pine water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 2 (768 - 986 L/day) - State Government bulk water charge - Unitywater charge | | 2012/13 \$ 2.192/kL \$ 0.849/kL | | |
| Pine water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 3 (above 986 L/day) - State Government bulk water charge - Unitywater charge | | 2012/13 \$ 2.192/kL \$ 1.305/kL | | |
| Pine water consumption charge – potable reticulated water | Water consumed after 30/06/13 will be charged on the following basis: | | | | |
| Pine water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 1 (For the first 767 L/day) - State Government bulk water charge - Unitywater charge | | 2013/14 \$ 2.437/kL \$ 0.181/kL | 11% 3% | |
| Pine water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 2 (768 - 986 L/day) - State Government bulk water charge - Unitywater charge | | 2013/14 \$ 2.437/kL \$ 0.874/kL | 11% 3% | |
| Pine water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 3 (above 986 L/day) - State Government bulk water charge - Unitywater charge | | 2013/14 \$ 2.437/kL \$ 1.344/kL | 11% 3% | |
| Pine water consumption charge – potable reticulated water | Dedicated fire hose reel service (industrial/commercial) 0 to 3kL | 0.00 | N/A | | |
| Pine water consumption charge – potable reticulated water | Dedicated fire hose reel service (industrial/commercial) 3kL plus | As per Tier 1 to 3 | As per Tier 1 to 3 | | |
| Pine water charges | Dialysis and other medical conditions – allowance as set by Unitywater | 0.00 | N/A | | |
| Pine water charges | In relation to the calculation for community title premises (Community Unit, Building Unity or Group Title Plan) without approved sub-metering, water consumption will be apportioned in accordance with the relevant lot entitlements. | | | | |

| REDCLIFFE WATER | | | | |
|--|--|--------------------|---------------------------------------|-----------|
| Redcliffe water access charge | For all premises connected to Unitywater's water supply other than multi-occupational premises For multi-occupational premises connected to Unitywater's water supply, the charge multiplied by the occupancy multiplier for the OR For each lot in a community titles scheme under the "Body Corporate and Community Management Act 1997" where there are no individual meters for lots in the scheme | 346.00 | \$356 | 3% |
| Redcliffe water access charge | For each parcel of vacant or occupied land which is not connected to Unitywater's water supply system but is in Unitywater's service area under the Water Act 2000 (but which does not have a metered property) | 346.00 | \$356 | 3% |
| Redcliffe water access charge | Dedicated fire hose reel service providing water for the sole purpose of fire fighting equipment, which service is not for domestic use | 0.00 | N/A | |
| Redcliffe water access charge | Supply of recycled water through a dedicated recycle water access | 0.00 | N/A | |
| Redcliffe water access charge | For the purposes of water access charging "multi-occupation premises" are premises which: - Are classified in Unitywater's land record as "Flats" or "Single Unit Dwelling"; and - Are recorded in the land record as having an occupancy multiplier of greater than 1. | | | |
| Redcliffe water consumption charge – potable reticulated water | As near as practicable, water meters will be read on a cyclical basis. The charge for water consumed in a quarter will be included on the next quarter's invoice. Water consumption charge is based on daily average consumption of water consumed since the previous meter reading. | | | |
| Redcliffe water consumption charge – potable reticulated water | Water consumed up until 30/06/13 will be charged on the following basis: | | | |
| Redcliffe water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 1 (For the first 767 L/day) - State Government bulk water charge - Unitywater charge | | 2012/13 \$ 2.192/kL \$ 0.176/kL | |
| Redcliffe water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 2 (768 - 986 L/day) - State Government bulk water charge - Unitywater charge | | 2012/13 \$ 2.192/kL \$ 0.849/kL | |
| Redcliffe water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 3 (above 986 L/day) - State Government bulk water charge - Unitywater charge | | 2012/13 \$ 2.192/kL \$ 1.305/kL | |
| Redcliffe water consumption charge – potable reticulated water | Water consumed after 30/06/13 will be charged on the following basis: | | | |
| Redcliffe water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 1 (For the first 767 L/day) - State Government bulk water charge - Unitywater charge | | 2013/14 2.437/kL 0.181/kL | 11% 3% |
| Redcliffe water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 2 (768 - 986 L/day) - State Government bulk water charge - Unitywater charge | | 2013/14 2.437/kL 0.874/kL | 11% 3% |
| Redcliffe water consumption charge – potable reticulated water | Treated water provided to properties through a reticulated water network Tier 3 (above 986 L/day) - State Government bulk water charge - Unitywater charge | | 2013/14 \$ 2.437/kL \$ 1.344/kL | 11% 3% |
| Redcliffe water consumption charge – potable reticulated water | Dedicated fire hose reel service (industrial/commercial) 0 to 3kL | 0.00 | N/A | |
| Redcliffe water consumption charge – potable reticulated water | Dedicated fire hose reel service (industrial/commercial) 3kL plus | As per Tier 1 to 3 | As per Tier 1 to 3 | |
| Redcliffe water charges | Dialysis and other medical conditions – allowance as set by Unitywater | 0.00 | N/A | |

Sunshine Coast

| SUNSHINE COAST REGION WATER AND SEWERAGE CHARGES | | | | |
|---|---|------------------------|--|-----------|
| Description | charge rate 2012/13 | Charge rate 2013/14 | % Increase | |
| SUNSHINE COAST REGION WATER | | | | |
| Water base charge | Unconnected parcels of land | 232.04 | \$239.00 | 3% |
| Water base charge | Meters up to 25mm (per connection) | 232.04 | \$239.00 | 3% |
| Water base charge | 32mm meters (per connection) | 596.72 | \$615.00 | 3% |
| Water base charge | 40mm meters (per connection) | 932.40 | \$960.00 | 3% |
| Water base charge | 50mm meters (per connection) | 1456.60 | \$1,500.00 | 3% |
| Water base charge | 80mm meters (per connection) | 3729.60 | \$3,841.00 | 3% |
| Water base charge | 100mm meters (per connection) | 5827.48 | \$6,002.00 | 3% |
| Water base charge | 150mm meters (per connection) | 13111.60 | \$13,505.00 | 3% |
| Water base charge | 200mm meters (per connection) | 23310.00 | \$24,009.00 | 3% |
| Water base charge | Group/strata title developments – per service/connected property on the Group/Strata Title for a meter up to 25mm. (Where two meters are installed on each Group/Strata Title Unit for hot and cold services, only 1 base charge shall apply.) | 232.04 | \$239.00 | 3% |
| Water consumption charge | As near as practicable, water meters will be read on a cyclical basis. The charge for water consumed in a quarter will be included on the next quarter's invoice. Water consumption charge is based on daily average consumption of water consumed since the previous meter reading. | | | |
| Water consumption charge | For water meter readings prior to 30 June 2013 | | | |
| Water consumption charge | For the first 600 L/day - State Government bulk water charge - Unitywater charge | | pre 30/6/2013 \$ 1.610/KL \$ 0.538/KL | |
| Water consumption charge | Above 600 L/day - State Government bulk water charge - Unitywater charge | | pre 30/6/2013 \$ 1.610/KL \$ 1.036/KL | |
| Water consumption charge | For water meter readings after 30 June 2013 | | | |
| Water consumption charge | Consumption for water consumed since the previous meter reading, for Unitywater reading after 30/06/2013. For the first 600 L/day - State Government bulk water charge - Unitywater charge | | after 30/6/2013 \$ 1.855/KL \$ 0.554/KL | 15% 3% |
| Water consumption charge | Above 600 L/day - State Government bulk water charge - Unitywater charge | | after 30/6/2013 \$ 1.855/KL \$ 1.067/KL | 15% 3% |
| Water charge | Dialysis and other medical conditions – allowance as set by Unitywater | 0.00 | N/A | |
| SUNSHINE COAST REGION SEWERAGE RESIDENTIAL | | | | |
| Residential properties | A single charge has been adopted by Unitywater as the method of determining indicative usage of the sewerage collection/treatment and disposal system. | | | |
| Residential properties | Sewerage base charge – per dwelling and/or unit | 570.80 | \$588.00 | 3% |
| Residential properties | Sewerage base charge – unconnected (per each lot) | 547.00 | \$563.00 | 3% |
| Residential properties | Sewerage base charge – not connected (per dwelling unit) | 570.80 | \$588.00 | 3% |
| Residential properties | Where residential lots are registered pursuant to the Body Corporate and Community Management Act, 1997 and where sewerage is installed to the common area, a sewerage base charge will be levied for each sewerage installation and apportioned to each lot in accordance with the contribution schedule, or levied by arrangement through the Body Corporate – each pedestal. | 570.80 | \$588.00 | 3% |

| SUNSHINE COAST REGION SEWERAGE NON-RESIDENTIAL SOUTHERN AREA | | | | |
|--|---|--------|----------|----|
| Non-residential properties – southern area | Different charges for different types of non-residential properties have been adopted by Unitywater as the method of determining indicative usage of the sewage collection/treatment and disposal system. | | | |
| Non-residential properties – southern area | Buildings and uses not otherwise specified – first pedestal | 607.08 | \$625.00 | 3% |
| Non-residential properties – southern area | Buildings and uses not otherwise specified – additional pedestals | 454.80 | \$468.00 | 3% |
| Non-residential properties – southern area | Buildings and uses not otherwise specified – urinals (per .5 metre) | 152.28 | \$157.00 | 3% |
| Non-residential properties – southern area | Buildings and uses not otherwise specified – disposal point | 304.56 | \$314.00 | 3% |
| Non-residential properties – southern area | Buildings and uses not otherwise specified – backwash permit | 666.12 | \$686.00 | 3% |
| Non-residential properties – southern area | Clubhouse serviced by adjacent public toilets | 304.56 | \$314.00 | 3% |
| Non-residential properties – southern area | Communal effluent disposal – residential | 454.80 | \$468.00 | 3% |
| Non-residential properties – southern area | Communal effluent disposal – vacant | 423.72 | \$436.00 | 3% |
| Non-residential properties – southern area | Exempt properties (SES, vacant adjoining allotments less than 177m2 and non-chargeable uses) | 0.00 | N/A | |
| Non-residential properties – southern area | For each strata titled unit where the sewerage facilities are located on the common property | 304.56 | \$314.00 | 3% |
| Non-residential properties – southern area | Hooper Lodge – double units | 454.80 | \$468.00 | 3% |
| Non-residential properties – southern area | Hooper Lodge – single units | 304.56 | \$314.00 | 3% |
| Non-residential properties – southern area | Land declared to be of such a nature to require special consideration | 304.56 | \$314.00 | 3% |
| Non-residential properties – southern area | Miscellaneous improvement | 607.08 | \$625.00 | 3% |
| Non-residential properties – southern area | Schools and hospitals – first pedestal | 607.08 | \$625.00 | 3% |
| Non-residential properties – southern area | Schools and hospitals – additional pedestals | 454.76 | \$468.00 | 3% |
| Non-residential properties – southern area | Schools and hospitals – urinal (each .5m) | 304.56 | \$314.00 | 3% |
| Non-residential properties – southern area | Schools and hospitals – disposal point | 304.56 | \$314.00 | 3% |
| Non-residential properties – southern area | Selected community organisations – first pedestal | 607.08 | \$625.00 | 3% |
| Non-residential properties – southern area | Selected community organisations – additional pedestals | 454.80 | \$468.00 | 3% |
| Non-residential properties – southern area | Selected community organisations – urinal (each .5m) | 152.28 | \$157.00 | 3% |
| Non-residential properties – southern area | Storerooms and other uses not requiring sewerage facilities | 547.00 | \$563.00 | 3% |

| SUNSHINE COAST REGION SEWERAGE NON-RESIDENTIAL CENTRAL AREA | | | | |
|---|---|-----------|--------------------------------|----|
| Non-residential properties – central area | Non-residential properties – central area – charging is based on three separate categories in accordance with Unitywater’s Sewerage Pricing Policy and Sewage Discharge Factor Policy, as applies to the former Maroochy Shire Council area: - a base charge is levied for access to the wastewater reticulation and treatment network. This charge is multiplied by the applicable Discharge Factor as per Unitywater’s Sewerage Pricing Policy and Sewage Discharge Factor Policy; - a volume charge is applied to calculated sewage discharges. This charge is multiplied by the applicable Discharge Factor as per Unitywater’s Sewerage Pricing Policy and Sewage Discharge Factor Policy; - a sewage strength charge | | | |
| Non-residential properties – central area – base charge | Units as defined under the Body Corporate and Community Management Act 1997 where the complex has a main meter and individual units do not have an individual meter. Charge per unit | 420.60 | \$433.00 | 3% |
| Non-residential properties – central area – base charge | Base charge – water meter – 20-25mm | 420.60 | \$433.00 | 3% |
| Non-residential properties – central area – base charge | Base charge – water meter – 32mm | 1074.32 | \$1,107.00 | 3% |
| Non-residential properties – central area – base charge | Base charge – water meter – 40mm | 1678.32 | \$1,729.00 | 3% |
| Non-residential properties – central area – base charge | Base charge – water meter – 50mm | 2622.08 | \$2,701.00 | 3% |
| Non-residential properties – central area – base charge | Base charge – water meter – 80mm | 6711.20 | \$6,913.00 | 3% |
| Non-residential properties – central area – base charge | Base charge – water meter – 100mm | 10485.32 | \$10,800.00 | 3% |
| Non-residential properties – central area – base charge | Base charge – water meter – 150mm | 23591.76 | \$24,300.00 | 3% |
| Non-residential properties – central area – base charge | Base charges to be multiplied by the applicable discharge factor as per Unitywater’s Sewerage Pricing Policy and Sewage Discharge Factor Policy | | | |
| Non-residential properties – central area – volume charge | The sewage volume charge is charged in arrears and is derived from the amount of water consumed by a non-residential property, multiplied by the non-residential property’s discharge factor. | | | |
| Non-residential properties – central area – volume charge | For water meter readings prior to 30 June 2013 volumetric charge for each kilolitre of water consumed. | | pre 30/6/2013 \$ 2.662/kL | 3% |
| Non-residential properties – central area – volume charge | For water meter readings after 30 June 2013 volumetric charge for each kilolitre of water consumed. | | after 30/6/2013 \$ 2.742/kL | |
| Non-residential properties – central area – volume charge | The Sewage Strength Charge is in addition to the base and volumetric charges, non-residential properties are subject to an additional high strength charge levied on those non-residential properties that discharge in excess of domestic strength wastewater. | | | |
| Non-residential properties – central area – strength charge | Chemical oxygen demand >600mg/l | \$0.72/kg | \$0.74/kg | 3% |
| Non-residential properties – central area – strength charge | Suspended solids >300mg/l | \$1.14/kg | \$1.17/kg | 3% |
| Non-residential properties – central area – strength charge | Total nitrogen >80mg/l | \$1.81/kg | \$1.86/kg | 3% |
| Non-residential properties – central area – strength charge | Total phosphorous >15mg/l | \$5.16/kg | \$5.31/kg | 3% |

| SUNSHINE COAST REGION SEWERAGE NON RESIDENTIAL NORTHERN AREA | | | | | |
|--|--|--------|---------------------------|----------------------------|----|
| Non-residential properties – northern area | Different charges for different types of non-residential properties have been adopted by Unitywater as the method of determining indicative usage of the sewage collection/treatment and disposal system. | | | | |
| Non-residential properties – northern area | Commercial or industrial premises – first pedestal | 645.40 | \$665.00 | 3% | |
| Non-residential properties – northern area | Commercial or industrial premises – second pedestal | 645.40 | \$665.00 | 3% | |
| Non-residential properties – northern area | Commercial or industrial premises – third and each subsequent | 568.76 | \$586.00 | 3% | |
| Non-residential properties – northern area | Retirement villages – dwellings with two or more bedrooms (each lot) | 568.76 | \$586.00 | 3% | |
| Non-residential properties – northern area | Retirement villages – one bedroom dwelling (each lot) | 529.36 | \$545.00 | 3% | |
| Non-residential properties – northern area | Child care centres/kindergartens – per infant pedestal | 426.80 | \$440.00 | 3% | |
| Non-residential properties – northern area | All other non-residential use – first pedestal | 645.40 | \$665.00 | 3% | |
| Non-residential properties – northern area | All other non-residential use – second pedestal | 645.40 | \$665.00 | 3% | |
| Non-residential properties – northern area | All other non-residential use – third and each subsequent pedestal | 568.76 | \$586.00 | 3% | |
| Non-residential properties – northern area | Urinals – each 2m length or part thereof | 568.76 | \$586.00 | 3% | |
| Non-residential properties – northern area | Each parcel of land contained within the Tewantin Sports complex – charge per pedestal (common effluent line) | 645.40 | \$665.00 | 3% | |
| Non-residential properties – northern area | Each parcel of land contained within the Cooroy, Lake MacDonald and Lake Cootharaba Septic Effluent Schemes, charge per pedestal | 480.68 | \$495.00 | 3% | |
| Additional sewerage charge – northern area | As a partial contribution towards the full cost of Unitywater providing a sewerage service comprising headworks, works external and reticulation, an additional sewerage charge of \$219.00 per annum be levied on all lots, including vacant, on which no sewerage charges, except charges for septic effluent schemes, have been levied on the subject land as at 1 July 1994, as they did not form part of a previous Noosa Shire council sewerage scheme as at that date, and on which sewerage headwork's charges have not been paid pursuant to Noosa Shire Council's policy, first adopted on 19 May 1987. Such additional charge shall apply for a period of ten years from the date that the service is made available and the charge shall be adjusted annually in line with the non-residential building construction index for | | \$212.38/yr for ten years | \$ 219.00/yr for ten years | 3% |

Trade waste

| Trade Waste Strength Pricing | | | | |
|---|-------------------|--------------|-------------------|----------|
| Fee Description | 2012/13 Total Fee | Unit | 2013/14 Total Fee | % change |
| Quality / Quantity Charges - BOD5 | \$1.96 | per kilogram | \$2.02 | 3% |
| Quality / Quantity Charges - Suspended solids per kg | \$1.14 | per kilogram | \$1.17 | 3% |
| Quality / Quantity Charges - Sulphate | \$1.03 | per kilogram | \$1.06 | 3% |
| Quality / Quantity Charges - Chemical oxygen demand per kg | \$0.72 | per kilogram | \$0.75 | 4% |
| Quality / Quantity Charges - Total Nitrogen (or TKN) per kg | \$1.81 | per kilogram | \$1.86 | 3% |
| Quality / Quantity Charges - Total Phosphorous per kg | \$5.16 | per kilogram | \$5.32 | 3% |
| Quality / Quantity Charges - Total Dissolved Salts | \$1.29 | per kilogram | \$1.33 | 3% |
| Quality / Quantity Charges - Total Oil & Grease per kg | \$1.14 | per kilogram | \$1.17 | 3% |

| Trade Waste Volumetric Pricing | | | | | |
|---|-------------------|---|---------------|-------------------|----------|
| 12-13 Description | 2012/13 Total Fee | 13-14 Description | Unit | 2013/14 Total Fee | % change |
| 1. Trade Waste Volumetric Fee - Caboolture | \$1.85 | Trade Waste Volumetric Fee Category1 & Category 2 (Category 2 will be subject to a strength charge) | per kilolitre | \$2.00 | 8% |
| 1. Trade Waste Volumetric Fee - Pine | \$2.20 | | | | -9% |
| 2. Trade Waste Volumetric Fee - Pine | \$2.20 | | | | -9% |
| 2. Category 2 & 3 Volumetric Fee - Noosa and Caloundra | \$0.90 | | | | 122% |
| 2. Quality / Quantity Charges - Sewerage quantity charge per kL (as per waste water charge) | \$2.20 | | | | -9% |
| 3. Trade Waste Volumetric Fee Pine Category 1 < 30 | \$96.00 | Trade Waste Volumetric Fee Category 1 < 50kl (Only applies to trade waste customers without a sewerage meter) | per annum | \$100.00 | 4% |
| 3. Category 1A (Volume less than 50kL/annum) Volumetric Fee | \$110.00 | | | | -9% |
| 3. Category 1 Volumetric Fee Noosa | \$110.00 | | | | -9% |
| 3. Category 1 Volumetric Fee Noosa | \$42.00 | | | | 138% |
| 4. Category 1 (Volume greater than 50kL/annum, but less than 250kL/annum) Volumetric Fee | \$440.00 | Trade Waste Volumetric Fee Category 1 > 50 kl < 250 kl (Only applies to trade waste customers without a sewerage meter) | per annum | \$300.00 | 68% |
| | | Trade Waste Volumetric Fee Category 1 > 250 kl (Only applies to trade waste customers without a sewerage meter) | per annum | \$750.00 | 170% |
| 6. Quality / Quantity Charges - Landfill Leachate per kL | \$2.20 | Quality / Quantity Charges - Landfill Leachate per kL | per kilolitre | \$2.25 | 2% |
| 7. Quality / Quantity Charges - Tankered Domestic Sewerage per kL | \$2.20 | Quality / Quantity Charges - Tankered Domestic Sewerage per kL | per kilolitre | \$2.25 | 2% |
| 8. Quality / Quantity Charges - Tankered Non Domestic Sewerage per kL | \$11.00 | Quality / Quantity Charges - Tankered Non Domestic Sewerage per kL | per kilolitre | \$11.50 | 5% |
| 9. Quality / Quantity Charges - Chemical toilets per kL | \$20.00 | Quality / Quantity Charges - Chemical toilets per kL | per kilolitre | \$21.00 | 5% |
| 10. Quality / Quantity Charges - Septic tank / On Site Waste Treatment systems per kL | \$36.00 | Quality / Quantity Charges - Septic tank / On Site Waste Treatment systems per kL | per kilolitre | \$37.50 | 4% |
| 11. Tankered Liquid Trade Waste | \$52.00 | Tankered Liquid Trade Waste | per kilolitre | \$54.00 | 4% |

| Fee Description | 2012/13 Total Fee | Unit | 2013/14 Total Fee | % change |
|--|-------------------|-----------------|-------------------|----------|
| Application for Trade Waste Permit | \$325.00 | per application | \$335.00 | 3% |
| Renewal Fee for Trade Waste Permit | \$100.00 | per annum | \$103.00 | 3% |
| Trade Waste Licence Application Fee - Category 3 Legal Agreement | POA | per agreement | POA | |
| Plan Verification, Assessment, Inspection and Testing | \$70.00 | per hour | \$72.00 | 3% |
| Trade Waste - Trade Waste Search (property and/or business) 1.5 Hours | \$180.00 | per application | \$185.00 | 3% |
| Trade Waste - Change of Permit details | \$100.00 | per application | \$103.00 | 3% |
| Trade Waste - Food Waste Disposal Units & Vegetable Peelers Category A < 400 watts rated power | \$600.00 | per annum | \$620.00 | 3% |
| Trade Waste Fee - Food Waste Disposal Units & Vegetable Peelers Category B 400 - 600 watts rated power | \$2,700.00 | per annum | \$2,780.00 | 3% |
| Trade Waste - Food Waste Disposal Units & Vegetable Peelers Category C > 600 watts rated power | \$5,300.00 | per annum | \$5,460.00 | 3% |
| Inadequately Sized Arrestor (High Impact) | \$950.00 | per annum | \$980.00 | 3% |
| Inadequately Sized Arrestor (Medium Impact) | \$500.00 | per annum | \$515.00 | 3% |
| Inadequately Sized Arrestor (Low Impact) | \$350.00 | per annum | \$360.00 | 3% |
| Garbage Grinders - Up to 0.4 Kw/h | \$600.00 | per annum | \$620.00 | 3% |
| Garbage Grinders - Between 0.4 and 0.6 Kw/h | \$2,700.00 | per annum | \$2,780.00 | 3% |
| Garbage Grinders - Over 0.6 Kw/h | \$5,300.00 | per annum | \$5,460.00 | 3% |
| Trade Waste Fee - Review Cleaning / Pump-out Frequency of Treatment Devices | \$72.00 | per hour | \$75.00 | 4% |

Recycled water

| Recycled Water Fees & Charges | | | | | |
|--|-------------------|---|---------------|-------------------|----------|
| 12-13 Description | 2012/13 Total Fee | 13-14 Description | Unit | 2013/14 Total Fee | % change |
| 1. Recycled Water through Residential Dual Reticulation | \$1.00 | Recycled Water through Residential Dual Reticulation | per kilolitre | \$1.30 | 30% |
| 2. Class A and A+ Unitywater Owned Reticulation | \$1.00 | Class A and A+ Unitywater Owned Reticulation | per kilolitre | \$1.30 | 30% |
| 3. Class A and A+ Customer Owned Reticulation | \$0.40 | Class A and A+ Customer Owned Reticulation or Supplied to Tankers | per kilolitre | \$0.60 | 50% |
| 3. Class A and A+ Supplied to Tankers | \$0.40 | | | | 50% |
| 4. Class B Unitywater Owned Reticulation | \$0.20 | Class B Unitywater Owned Reticulation | per kilolitre | \$0.65 | 225% |
| 5. Class B Customer Owned Reticulation | \$0.14 | Class B Customer Owned Reticulation or Supplied to Tankers | per kilolitre | \$0.30 | 114% |
| 5. Class B Supplied to Tankers | \$0.30 | | | | 0% |
| 6. Provision of Bulk Recycled Water to Redcliffe Golf Club | \$685.00 | Provision of Bulk Recycled Water to Redcliffe Golf Club | per annum | \$700.00 | 2% |
| 7. Permit for Access to Bulk Recycled Water Outlets | \$120.00 | Permit for Access to Bulk Recycled Water Outlets | per annum | \$124.00 | 3% |
| 8. Recycled Water Safety stickers | \$4.00 | Recycled Water Stickers | per sticker | \$7.00 | 75% |
| 8. Recycled Water Stickers (Small) | \$7.00 | | | | 0% |
| 8. Recycled Water Stickers (Large) | \$10.00 | | | | -30% |
| 9. Recycled Water Logbook Fee | \$14.00 | Recycled Water Logbook Fee | per logbook | \$14.50 | 4% |
| 10 Bulk Recycled Water Standpipe Access Key Deposit | \$160.00 | Bulk Recycled Water Standpipe Access Key Deposit | per key | \$165.00 | 3% |

Selected sundry charges

| | | Other Water & Sewerage Charges 2013-14 | | | |
|--|----------------------|--|-----------------|----------------------|----------|
| 12-13 Description | 2012/13 Total Fee | 13-14 Description | Unit | 2013/14 Total Fee | % change |
| 1. Pressure and flow inspection test | \$110.00 | Pressure and flow inspection test | per inspection | \$120.00 | 9% |
| 2. Domestic Water Meter Replacement, Calibration and Strip Meters (refundable if meter faulty) | Price on Application | Domestic Water Meter Replacement, Calibration and Strip Meters (refundable if meter faulty) | per water meter | \$350.00 | |
| 3. Installation of Lockable Ball Valve for Water Meter | \$100.00 | Installation of Lockable Ball Valve for Water Meter | per water meter | \$120.00 | 20% |
| 4. Raise or Lower Water Meter Box (Below Ground Meter Installations Only) | \$90.00 | Raise or Lower Water Meter Box (Below Ground Meter Installations Only) | per water meter | \$120.00 | 33% |
| 5. Water Meter Relocation Fee | Price on Application | Water Meter Relocation Fee < 1m | per water meter | \$300.00 | |
| | | Water Meter Relocation Fee > 1m | per water meter | \$800.00 | |
| 6. Fee to Convert an Above Ground 20mm Meter to a Below Ground 20mm Meter | \$250.00 | Fee to Convert an Above Ground 20mm Meter to a Below Ground 20mm Meter | per water meter | \$340.00 | 36% |
| 7. Location of Water Meter | \$120.00 | Location of a Water Meter | per water meter | \$80.00 | -33% |
| 8. Excavating and locating existing connection by Unitywater Services on site | \$470.00 | Excavating and locating existing connection by Unitywater Services on site | each | \$450.00 | -4% |
| 9. Recycled Water Cross Connection Inspection | \$120.00 | Recycled Water Cross Connection Inspection | per inspection | \$120.00 | 0% |
| 10. Administration Charge for Fees Refund - water connections | \$70.00 | Administration Charge for Fees Refund - water connections | per refund | \$70.00 | 0% |
| 11. Water Supply - New metered service connection - 20mm - where pre tapped service pipe exists | \$300.00 | Water Supply - New metered service connection - 20mm | per connection | \$700.00 | 133% |
| 11. Water Supply - New metered service connection - 20mm - where no pre tapped service pipe exists | \$1,100.00 | | | | -36% |
| 11. Connection Fee for 20mm diameter Water Service (where service pipe exists) | \$420.00 | | | | 67% |
| 11. Connection Fee for 20mm diameter Water Service and Meter | \$800.00 | | | | -13% |
| 12. Connection Fee for 20mm diameter Water Service Pipe Only | \$500.00 | Connection Fee for 20mm diameter Water Service Pipe Only | per connection | \$520.00 | 4% |
| 13. Upgrade existing 12mm to 20mm service | Price on Application | Upgrade existing 12mm to 20mm service | Per upgrade | \$800.00 | |
| 14. Connection Fee for 25mm diameter Water Service and Meter | \$930.00 | Water Supply - New metered service connection - 25mm | per connection | \$1,000.00 | 8% |
| 14. Water Supply - New metered service connection - 25mm | \$1,300.00 | | | | -23% |
| 15. Connection Fee for greater than 25mm diameter Water Service and Meter | Price on Application | Connection Fee for greater than 25mm diameter Water Service and Meter | per connection | Price on Application | |
| 16. Connection Fee for Fire Services | Price on Application | Connection Fee for Fire Services | per connection | Price on Application | |
| 17. Water meter charge applying to community titled properties (excluding installation) per unit - Price per hour for on-site inspection including those required by 3rd party | \$110.00 | Water meter charge applying to community titled properties (excluding installation) per unit - Price per hour for on-site inspection including those required by 3rd party | per hour | \$120.00 | 9% |
| 18. Water Service Disconnection - Up to 25mm | \$340.00 | Water Service Disconnection - Up to 25mm | per meter | \$360.00 | 6% |
| 19. Water Service Disconnection - Larger than 25mm | Price on Application | Water Service Disconnection - Larger than 25mm | per meter | Price on Application | |
| 20. Installation of new sewerage network connection | Price on Application | Installation of new sewerage network connection | per connection | Price on Application | |
| 21. Standard connection charge (locate and mark position of existing junction) | \$80.00 | Standard connection charge (locate and mark position of existing junction) | each | \$85.00 | 6% |
| 22. Raising/Lowering of Sewer Manholes on Private Property | Price on Application | Raising/Lowering of Sewer Manholes on Private Property | per manhole | Price on Application | |
| 23. Special Sewerage Connection Fee - Godwin Beach, Beachmere Road Industrial Area and Donnybrook | \$465.00 | Special Sewerage Connection Fee - Godwin Beach, Beachmere Road Industrial Area and Donnybrook | per connection | \$480.00 | 3% |
| 24. Closed Circuit Television (CCTV) Survey of Sewer Length Related to Construction Adjacent to Sewer | \$500.00 | Closed Circuit Television (CCTV) Survey of Sewer Length Related to Construction Adjacent to Sewer | per application | \$520.00 | 4% |
| 25. Clearing Blocked Drains (After Hours) - 4 hours minimum | \$200.00 | Clearing Blocked Drains (After Hours) - 4 hours minimum | per hour | \$220.00 | 10% |
| 26. Clearing Blocked Drains (Normal Hours) - 2 hours minimum | \$160.00 | Clearing Blocked Drains (Normal Hours) - 2 hours minimum | per hour | \$170.00 | 6% |
| 27. Sewerage Disconnection | Price on Application | Sewerage Disconnection | per application | Price on Application | |
| 28. Sewer and Water Services Search (Unimproved Land) | \$60.00 | Sewer and Water Services Search (Unimproved Land) | per application | \$65.00 | 8% |
| 29. Sewer and Water Services Search (Developed Land) | \$120.00 | Sewer and Water Services Search (Developed Land) | per application | \$130.00 | 8% |

APPENDIX C RESIDENTIAL BILL CALCULATIONS

| | Unitywater (200.75kl/yr) | | | QCA (200kl/yr) | | |
|------------------------|---------------------------|-----------------|--------------|-----------------|-----------------|--------------|
| | 2012-13 | 2013-14 | % | 2012-13 | 2013-14 | % |
| <i>Caboolture</i> | | | | | | |
| Retail water access | 346.00 | 293.56 | -15.2% | 346.00 | 293.56 | -15.2% |
| Retail water use | 35.33 | 129.28 | 265.9% | 35.20 | 128.80 | 265.9% |
| Retail sewerage access | 744.88 | 695.24 | -6.7% | 744.88 | 695.24 | -6.7% |
| Retail sewerage use | na | 116.35 | - | na | 115.92 | - |
| Council rebate | excluded | excluded | - | -140.00 | 0 | - |
| Bulk water | 440.04 | 489.23 | 11.2% | 438.40 | 487.40 | 11.2% |
| Bulk water rebate | excluded | excluded | - | -80.00 | 0 | - |
| Total Bill | 1,566.26 | 1,723.67 | 10.1% | 1,344.48 | 1,720.92 | 28.0% |
| <i>Pine Rivers</i> | | | | | | |
| Retail water access | 346.00 | 293.56 | -15.2% | 346.00 | 293.56 | -15.2% |
| Retail water use | 35.33 | 129.28 | 265.9% | 35.20 | 128.80 | 265.9% |
| Retail sewerage access | 744.88 | 695.24 | -6.7% | 744.88 | 695.24 | -6.7% |
| Retail sewerage use | na | 116.35 | - | na | 115.92 | - |
| Council rebate | excluded | excluded | - | -111.12 | 0 | - |
| Bulk water | 440.04 | 489.23 | 11.2% | 438.40 | 487.40 | 11.2% |
| Bulk water rebate | excluded | excluded | - | -80.00 | 0 | - |
| Total Bill | 1,566.26 | 1,723.67 | 10.1% | 1,373.36 | 1,720.92 | 25.3% |
| <i>Redcliffe</i> | | | | | | |
| Retail water access | 346.00 | 293.56 | -15.2% | 346.00 | 293.56 | -15.2% |
| Retail water use | 35.33 | 129.28 | 265.9% | 35.20 | 128.80 | 265.9% |
| Retail sewerage access | 744.88 | 695.24 | -6.7% | 744.88 | 695.24 | -6.7% |
| Retail sewerage use | na | 116.35 | - | na | 115.92 | - |
| Council rebate | excluded | excluded | - | -244.72 | 0 | - |
| Bulk water | 440.04 | 489.23 | 11.2% | 438.40 | 487.40 | 11.2% |
| Bulk water rebate | excluded | excluded | - | -80.00 | 0 | - |
| Total Bill | 1,566.26 | 1,723.67 | 10.1% | 1,239.76 | 1,720.92 | 38.8% |
| | Unitywater (209.145kl/yr) | | | QCA (200kl/yr) | | |
| | 2012-13 | 2013-14 | % | 2012-13 | 2013-14 | % |
| <i>Sunshine Coast</i> | | | | | | |
| Retail water access | 232.04 | 231.76 | -0.1% | 232.04 | 231.76 | -0.1% |
| Retail water use | 112.52 | 134.69 | 19.7% | 107.60 | 128.80 | 19.7% |

| | <i>Unitywater (200.75kl/yr)</i> | | | <i>QCA (200kl/yr)</i> | | |
|------------------------|---------------------------------|-------------------|--------------|-----------------------|-------------------|--------------|
| Retail sewerage access | 570.80 | 509.84 | -10.7% | 570.80 | 509.84 | -10.7% |
| Retail sewerage use | na | 121.22 | - | na | 121.22 | - |
| Council rebate | no rebate | no rebate | - | no rebate | no rebate | - |
| Bulk water | 336.72 | 387.96 | 15.2% | 322.00 | 371 | 15.2% |
| Bulk water rebate | excluded | excluded | - | -80.00 | 0 | - |
| Total Bill | \$1,252.08 | \$1,385.47 | 10.7% | \$1,152.44 | \$1,357.32 | 17.8% |

APPENDIX D UNITYWATER’S RESIDENTIAL BILL CALCULATIONS

| Redcliffe | | | | | | Change in \$ | | | | | | Increase in 13-14 Bill % | | | | | |
|---|-------------------|-------------------|-------------------|----------------|------------------|--------------------|-----------------------|------------------|------------|-------------------|----------------------|--------------------------|-----------------------|------------------|------------|-------------------|----------------------|
| Type of Customer | Annual Usage (KL) | 12-13 Annual Bill | 13-14 Annual Bill | Change in Bill | % change in Bill | Unitywater - water | Unitywater - sewerage | Total Unitywater | Bulk Water | Loss of MB Rebate | Total change in Bill | Unitywater - water | Unitywater - sewerage | Total Unitywater | Bulk Water | Loss of MB Rebate | Total change in Bill |
| Single Pensioner | 29 | \$835 | \$1,096 | \$260 | 31.2% | -\$39 | -\$33 | -\$71 | \$87 | \$245 | \$260 | -4.6% | -3.9% | -8.6% | 10.4% | 29.3% | 31.2% |
| Single Person | 60 | \$908 | \$1,208 | \$300 | 33.1% | -\$24 | -\$15 | -\$39 | \$95 | \$245 | \$300 | -2.7% | -1.6% | -4.3% | 10.4% | 27.0% | 33.1% |
| Couple + small garden | 126 | \$1,063 | \$1,448 | \$385 | 36.2% | \$6 | \$23 | \$29 | \$111 | \$245 | \$385 | 0.6% | 2.2% | 2.8% | 10.4% | 23.0% | 36.2% |
| Two adults, one child + garden or pool | 131 | \$1,077 | \$1,470 | \$393 | 36.4% | \$9 | \$27 | \$36 | \$112 | \$245 | \$393 | 0.8% | 2.5% | 3.3% | 10.4% | 22.7% | 36.4% |
| Two adults, two child no garden or pool | 201 | \$1,241 | \$1,724 | \$482 | 38.8% | \$42 | \$67 | \$108 | \$129 | \$245 | \$482 | 3.3% | 5.4% | 8.7% | 10.4% | 19.7% | 38.8% |
| Two adults, two child + garden or pool | 260 | \$1,381 | \$1,940 | \$559 | 40.4% | \$69 | \$101 | \$170 | \$144 | \$245 | \$559 | 5.0% | 7.3% | 12.3% | 10.4% | 17.7% | 40.4% |
| Large water user | 482 | \$2,199 | \$2,764 | \$566 | 25.7% | -\$1 | \$124 | \$123 | \$198 | \$245 | \$566 | -0.1% | 5.7% | 5.6% | 9.0% | 11.1% | 25.7% |
| SEQ Average | 200 | \$1,240 | \$1,721 | \$481 | 38.8% | \$41 | \$66 | \$107 | \$129 | \$245 | \$481 | 3.3% | 5.3% | 8.7% | 10.4% | 19.7% | 38.8% |
| Average Usage Moreton Bay | 140 | \$1,098 | \$1,502 | \$404 | 36.8% | \$13 | \$32 | \$45 | \$114 | \$245 | \$404 | 1.2% | 2.9% | 4.1% | 10.4% | 22.3% | 36.8% |
| Average Usage UW Region | 150 | \$1,121 | \$1,538 | \$417 | 37.2% | \$18 | \$37 | \$55 | \$117 | \$245 | \$417 | 1.6% | 3.3% | 4.9% | 10.4% | 21.8% | 37.2% |

| Pine Rivers | | | | | | Change in \$ | | | | | | Increase in 13-14 Bill % | | | | | |
|---|-------------------|-------------------|-------------------|----------------|------------------|--------------------|-----------------------|------------------|------------|-------------------|----------------------|--------------------------|-----------------------|------------------|------------|-------------------|----------------------|
| Type of Customer | Annual Usage (KL) | 12-13 Annual Bill | 13-14 Annual Bill | Change in Bill | % change in Bill | Unitywater - water | Unitywater - sewerage | Total Unitywater | Bulk Water | Loss of MB Rebate | Total change in Bill | Unitywater - water | Unitywater - sewerage | Total Unitywater | Bulk Water | Loss of MB Rebate | Total change in Bill |
| Single Pensioner | 29 | \$969 | \$1,096 | \$127 | 13.1% | -\$39 | -\$33 | -\$71 | \$87 | \$111 | \$127 | -4.0% | -3.4% | -7.4% | 9.0% | 11.5% | 13.1% |
| Single Person | 60 | \$1,041 | \$1,208 | \$167 | 16.0% | -\$24 | -\$15 | -\$39 | \$95 | \$111 | \$167 | -2.3% | -1.4% | -3.8% | 9.1% | 10.7% | 16.0% |
| Couple + small garden | 126 | \$1,197 | \$1,448 | \$251 | 21.0% | \$6 | \$23 | \$29 | \$111 | \$111 | \$251 | 0.5% | 1.9% | 2.5% | 9.3% | 9.3% | 21.0% |
| Two adults, one child + garden or pool | 131 | \$1,211 | \$1,470 | \$259 | 21.4% | \$9 | \$27 | \$36 | \$112 | \$111 | \$259 | 0.7% | 2.2% | 2.9% | 9.3% | 9.2% | 21.4% |
| Two adults, two child no garden or pool | 201 | \$1,375 | \$1,724 | \$349 | 25.4% | \$42 | \$67 | \$108 | \$129 | \$111 | \$349 | 3.0% | 4.9% | 7.9% | 9.4% | 8.1% | 25.4% |
| Two adults, two child + garden or pool | 260 | \$1,515 | \$1,940 | \$425 | 28.1% | \$69 | \$101 | \$170 | \$144 | \$111 | \$425 | 4.6% | 6.7% | 11.2% | 9.5% | 7.3% | 28.1% |
| Large water user | 482 | \$2,332 | \$2,764 | \$432 | 18.5% | -\$1 | \$124 | \$123 | \$198 | \$111 | \$432 | -0.1% | 5.3% | 5.3% | 8.5% | 4.8% | 18.5% |
| SEQ Average | 200 | \$1,373 | \$1,721 | \$348 | 25.3% | \$41 | \$66 | \$107 | \$129 | \$111 | \$348 | 3.0% | 4.8% | 7.8% | 9.4% | 8.1% | 25.3% |
| Average Usage Moreton Bay | 140 | \$1,232 | \$1,502 | \$270 | 22.0% | \$13 | \$32 | \$45 | \$114 | \$111 | \$270 | 1.1% | 2.6% | 3.6% | 9.3% | 9.0% | 22.0% |
| Average Usage UW Region | 150 | \$1,255 | \$1,538 | \$283 | 22.6% | \$18 | \$37 | \$55 | \$117 | \$111 | \$283 | 1.4% | 3.0% | 4.4% | 9.3% | 8.9% | 22.6% |

| Type of Customer | Annual Usage (KL) | 12-13 Annual Bill | 13-14 Annual Bill | Change in Bill | % change in Bill | Change in \$ | | | | | | Increase in 13-14 Bill % | | | | | |
|---|-------------------|-------------------|-------------------|----------------|------------------|--------------------|-----------------------|------------------|------------|-------------------|----------------------|--------------------------|-----------------------|------------------|------------|-------------------|----------------------|
| | | | | | | Unitywater - water | Unitywater - sewerage | Total Unitywater | Bulk Water | Loss of MB Rebate | Total change in Bill | Unitywater - water | Unitywater - sewerage | Total Unitywater | Bulk Water | Loss of MB Rebate | Total change in Bill |
| Single Pensioner | 29.2 | \$940 | \$1,096 | \$156 | 16.6% | -\$39 | -\$33 | -\$71 | \$87 | \$140 | \$156 | -4.1% | -3.5% | -7.6% | 9.3% | 14.9% | 16.6% |
| Single Person | 59.86 | \$1,013 | \$1,208 | \$195 | 19.3% | -\$24 | -\$15 | -\$39 | \$95 | \$140 | \$195 | -2.4% | -1.5% | -3.9% | 9.3% | 13.8% | 19.3% |
| Couple + small garden | 125.56 | \$1,168 | \$1,448 | \$280 | 24.0% | \$6 | \$23 | \$29 | \$111 | \$140 | \$280 | 0.5% | 2.0% | 2.5% | 9.5% | 12.0% | 24.0% |
| Two adults, one child + garden or pool | 131.4 | \$1,182 | \$1,470 | \$288 | 24.4% | \$9 | \$27 | \$36 | \$112 | \$140 | \$288 | 0.8% | 2.2% | 3.0% | 9.5% | 11.9% | 24.4% |
| Two adults, two child no garden or pool | 200.75 | \$1,346 | \$1,724 | \$377 | 28.0% | \$42 | \$67 | \$108 | \$129 | \$140 | \$377 | 3.1% | 5.0% | 8.0% | 9.6% | 10.4% | 28.0% |
| Two adults, two child + garden or pool | 259.88 | \$1,486 | \$1,940 | \$454 | 30.5% | \$69 | \$101 | \$170 | \$144 | \$140 | \$454 | 4.7% | 6.8% | 11.5% | 9.7% | 9.4% | 30.5% |
| Large water user | 481.8 | \$2,303 | \$2,764 | \$461 | 20.0% | -\$1 | \$124 | \$123 | \$198 | \$140 | \$461 | -0.1% | 5.4% | 5.3% | 8.6% | 6.1% | 20.0% |
| SEQ Average | 200 | \$1,344 | \$1,721 | \$377 | 28.0% | \$41 | \$66 | \$107 | \$129 | \$140 | \$377 | 3.1% | 4.9% | 8.0% | 9.6% | 10.4% | 28.0% |
| Average Usage Moreton Bay | 140 | \$1,203 | \$1,502 | \$299 | 24.9% | \$13 | \$32 | \$45 | \$114 | \$140 | \$299 | 1.1% | 2.6% | 3.7% | 9.5% | 11.6% | 24.9% |
| Average Usage UW Region | 150 | \$1,226 | \$1,538 | \$312 | 25.4% | \$18 | \$37 | \$55 | \$117 | \$140 | \$312 | 1.4% | 3.0% | 4.5% | 9.5% | 11.4% | 25.4% |

| Type of Customer | Annual Usage (KL) | 12-13 Annual Bill | 13-14 Annual Bill | Change in Bill | % change in Bill | Change in \$ | | | | | | Increase in 13-14 Bill % | | | | | |
|---|-------------------|-------------------|-------------------|----------------|------------------|--------------------|-----------------------|------------------|------------|----------------------|--------------------|--------------------------|------------------|------------|----------------------|-------|--|
| | | | | | | Unitywater - water | Unitywater - sewerage | Total Unitywater | Bulk Water | Total change in Bill | Unitywater - water | Unitywater - sewerage | Total Unitywater | Bulk Water | Total change in Bill | | |
| Single Pensioner | 29 | \$786 | \$1,609 | \$823 | 104.8% | \$3 | -\$44 | -\$41 | \$87 | \$46 | \$46 | 0.4% | -5.6% | -5.2% | 11.1% | 5.8% | |
| Single Person | 60 | \$851 | \$1,741 | \$889 | 104.5% | \$6 | -\$26 | -\$20 | \$95 | \$74 | \$74 | 0.7% | -3.1% | -2.4% | 11.1% | 8.7% | |
| Couple + small garden | 126 | \$993 | \$2,023 | \$1,031 | 103.9% | \$13 | \$12 | \$25 | \$111 | \$136 | \$136 | 1.3% | 1.2% | 2.5% | 11.2% | 13.7% | |
| Two adults, one child + garden or pool | 131 | \$1,005 | \$2,049 | \$1,043 | 103.8% | \$14 | \$15 | \$29 | \$112 | \$141 | \$141 | 1.4% | 1.5% | 2.9% | 11.2% | 14.0% | |
| Two adults, two child no garden or pool | 201 | \$1,154 | \$2,347 | \$1,193 | 103.4% | \$21 | \$55 | \$76 | \$129 | \$206 | \$206 | 1.8% | 4.8% | 6.6% | 11.2% | 17.8% | |
| Two adults, two child + garden or pool | 260 | \$1,399 | \$2,601 | \$1,202 | 86.0% | -\$91 | \$90 | -\$1 | \$144 | \$143 | \$143 | -6.5% | 6.4% | -0.1% | 10.3% | 10.2% | |
| Large water user | 482 | \$1,876 | \$3,580 | \$1,704 | 90.8% | \$50 | \$113 | \$163 | \$198 | \$361 | \$361 | 2.7% | 6.0% | 8.7% | 10.6% | 19.3% | |
| SEQ Average | 200 | \$1,152 | \$2,344 | \$1,191 | 103.4% | \$21 | \$55 | \$76 | \$129 | \$205 | \$205 | 1.8% | 4.8% | 6.6% | 11.2% | 17.8% | |
| Average Usage | 160 | \$1,067 | \$2,172 | \$1,105 | 103.6% | \$17 | \$32 | \$48 | \$119 | \$168 | \$168 | 1.6% | 3.0% | 4.5% | 11.2% | 15.7% | |
| Average Usage | 150 | \$1,045 | \$2,129 | \$1,083 | 103.7% | \$16 | \$26 | \$42 | \$117 | \$158 | \$158 | 1.5% | 2.5% | 4.0% | 11.2% | 15.2% | |

GLOSSARY

A

ASC Asset Steering Committee

B

C

CAMS Consolidated Asset Management System

CPI Consumer Price Index

CWPM Capital Works Planning Manual

D

DEHP Department of Environment and Heritage Protection

Design and Construction Code SEQ Water Supply and Sewerage Design and Construction Code

DEWS Department of Energy and Water Supply

DSDIP Department of State Development, Infrastructure and Planning

DR Act *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009 (Qld)*

E

Entity SEQ service provider as defined by the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009 (Qld)*

EP Equivalent Persons

F

FTE Full Time Equivalent

G

GCCC Gold Coast City Council

H

I

IWA International Water Association

J

K

kl Kilolitre

km Kilometres

L

l/c/d Litres per connection per day

l/day Litres per day

LCC Logan City Council

| | |
|-------------------|--|
| l/p/d | Litres per person per day |
| M | |
| m | Million |
| MAR | Maximum Allowable Revenue |
| MBRC | Moreton Bay Regional Council |
| N | |
| NPV | Net Present Value |
| NSC | Northern Service Centre |
| NWC | National Water Commission |
| O | |
| OESR | Office of Economic and Statistical Research |
| P | |
| Q | |
| QCA | Queensland Competition Authority |
| QCOSS | Queensland Council of Social Service |
| QUU | Queensland Urban Utilities |
| QWC | Queensland Water Commission |
| R | |
| RAB | Regulatory Asset Base |
| RCC | Redland City Council |
| S | |
| SCADA | Supervisory Control and Data Acquisition |
| SCRC | Sunshine Coast Regional Council |
| SEQ | South East Queensland |
| SEQ Regional Plan | <i>South East Queensland Regional Plan 2009-2031</i> |
| STP | Sewage Treatment Plant |
| T | |
| TWCM | Total Water Cycle Management |
| U | |
| V | |
| W | |
| WACC | Weighted Average Cost of Capital |
| WSAA | Water Services Association of Australia |

X

Y

Z

REFERENCES

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