



**HUTCHINSON AG**

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8 March 2019

Queensland Competition Authority  
GPO Box 2257  
Brisbane Qld 4001

### **Rural Irrigation Price Review 2020-24 – Dawson Valley WSS**

#### **Pricing**

##### **1. Table 2 Irrigation Charges 2018/19 – Network Service Plan Dawson Valley Bulk Water Service Contract page 4**

In this table, it indicates that cost to supply water is only \$10.77/ML but we are being charged \$17.60. This indicates that the scheme is well and truly meeting its lower bound cost recovery by \$6.83 so there should be no increases in Part A charges. Even if you take into account the subsidy of \$1.67 for Part B charges the scheme is still being charged \$5.16 more than it is costing to run the scheme.

Since the move to local area management for the channel scheme the question must be raised as to why bulk water customers who are also customers of a distribution scheme are being charged \$3.96 / ML less than other bulk customers. This indicates that if you are not part of the scheme you are actually subsidising these other irrigators. As these irrigators are taking exactly the same water that their neighbour who isn't part of the scheme is then these costs should be brought inline so there is no differentiation as ultimately Theodore Water (the LMA for the Theodore Scheme) is essentially just a big bulk customer.

##### **2. Key Infrastructure – Table 4 page 5**

In this table, it lists Orange Creek as having a total capacity of 6780 ML. The usable volume of this storage is not included in the Announced Allocations and it is not managed to supply water to the scheme therefore any costs associated to this piece of infrastructure should be excluded from total costings until the water in this storage is made available to irrigators through the allocation process.

Moura Off-Stream Storage – question why this dam is included as a referable dam when the embankment height is less than 10m which is a requirement for referable dams. This dam was also built to supply High Priority water for the Moura Ammonium Nitrate Plant therefore any costs associated with this dam should not be allocated to medium security water holders.

##### **3. Financial summary revenue and expenditure – Table 5 Page 6**

Over the past 5 years the Dawson Valley Service Contract has been showing a surplus of anywhere between \$2,174,800 and \$2,537,400 clearly indicating and reaffirming Point 1 in the Dawson Valley Scheme is charging above and beyond recoverable costs and there should be no increase in costs going into the next price path.

##### **4. Annuity Balance – Table 8 Page 13**

On the other hand the Annuity Balance has been decreasing substantially over the past three years going from \$1,501,000 in 2016/17 to \$1,088,400 in 2018/19. The question needs to be asked is why more funds from the operating budget which has a significant surplus been added to the Annuity Balance over the past couple of years? I do note that there has been a massive increase in Annuity Contributions from \$172,000 in 2019/20 to \$826,800 in 2020/21. This is a massive difference of more than \$650,000 from year to year. Had the annuity balance been funded more out of operating profit over the last price path there would not have been a need for this massive increase year on year. Irrigators are being unfairly penalised due to accounting practices in the past therefore should not be required to pay for this annuity increase through increased prices.



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**5. Appendix 4: Non Routine Projects**

As mentioned above the Moura Offstream Storage was built solely to provide high priority water therefore medium security users should not have to incur costs for its up keep. Given that medium security users have been subsidising this dam for a number of years and likely to have to continue to do so it is prudent to look at the costs that have been forecast.

**2019/20 Moura Pump Station Refurbishment**

GHD have recommended to remove and recoat Pump No 2 at MOSS for a total cost of \$44,000. Given that you can currently purchase a brand new pump for \$78,353 (and this includes around \$10,000 for cabling the pump indicated below is the same brand, same discharge size with a more efficient impellor). This cost is way above what is required and if it costs that much to repaint a pump why not buy a complete new one. Irrigators should not have to absorb these costings that a way and above what is available and you have to serious question Sunwaters costing methodology.

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SOLD TO		DELIVER		INVOICE NO	8073468.1
				DATE	20-02-19

JOB NO	DESPATCH DOCKET NO.	CUSTOMER ORDER NO	ORDER DATE	DELIVERY INSTRUCT	CUST'S No	CUSTOMERS ABN	WHS
8073468		David Hutchinson Email	October 22, 2018	Seymour's Transport	10054	14 231 418 772	BNE

ORDERED	ON BORDER	PRODUCT NO	DESCRIPTION	SHIPPED	UNIT PRICE	PER	NET AMOUNT	GST
		40-501142	MAS 711 Complete Base + Operator Panel		\$ 3,950.00	Ea	\$	10%
		35018350089	CP3501.835 830 215KW B 500 Pumps		\$ 78,353.50	Ea	\$	10%

The same comments above can go towards the budgeted \$43,000 to repaint Pump 1 in 2020/21.

**2020/21 MOSS upstream embankment**

There is a budgeted figure of \$190,000 to prevent scouring of the upstream embankment. Given that we operate a number of off-stream storages of similar sizes on the opposite side of the river we find this figure to be outrageous. We have been able to plant Alum Grass on the banks of our storages for less than \$1000. Within 12 months grass cover is sufficient to stop 100% of bank erosion or slumping. We are also in the process of rebattering the walls of an offstream storage built in 1983 for the first time. We are increasing the batter from 4:1 to a 5:1 for less than \$50,000. The factor in the cost that they have is ridiculous and irrigators who do not derive a benefit from the offstream storage should not be required to pay this amount. Below is a map indicating the location of both MOSS and Macander Offstream storages showing that we are operating in similar conditions.





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Sunwater have budgeted \$347,000 for a 20 year dam safety review. For this price I would be able to completely construct a new offstream storage (given that the embankment for MOSS is only 730m it would be a very cheap offstream storage to build. Irrigators should not be burdened with this cost particularly as medium security users do not derive any benefit from it.

In summary the costings that are being allocated to medium security users go way beyond what is necessary and cost effective. These factors should be taken into account when looking at the price path going forward and as the system is paying for itself and many of the costs that have been forecast are excessive there should be no reason why prices should increase.

Regards,

A handwritten signature in black ink that reads 'Greg Hutchinson'.

Greg Hutchinson  
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