

> To Outlying Sewer Group

> From Jodi Dobson

> Date May 13, 2014

> Re City 2013 True-up Analysis

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We have reviewed the "True-Up" rates and calculations based on actual costs, flows and loadings for 2013 prepared by John Mayer, the City's rate consultant. The purpose of our review is to determine if the method used to calculate the true-up is consistent with prior years and to provide OSG members with an overview of the factors behind the annual adjustment. Our review confirmed the method used to calculate the true-up amount is consistent with prior years.

Of the 17 OSG members 12 will receive a refund. Please refer to Attachment 1 for summary true-up amounts. **We urge each member to confirm the amount shown as "actual billed amount". This amount should be equal to what you were billed and have already paid for 2013 costs.** Additionally, we recommend each member review the billable units for their corresponding community to ensure they are accurate.

There are several reasons for the overall OSG refund including:

- > The 2013 actual operating and maintenance costs shared between the City and OSG customers were 1.6% lower than budgeted. At the same time the capital outlay for treatment plant equipment increased.
- > The OSG flows and pollutant loadings as a percentage of total system flows and pollutant loadings were lower than anticipated in the 2013 budget. Due to an increase in volumes at the city's industrial customers and the level of I/I the OSG flows were 21.4% of the total compared to the anticipated 22.3% in the budget.
- > The actual true-up amount for each community is based on the combination of the lower overall costs and the actual volume and concentration of wastewater treated for that community. For example, a community with an increase in the concentration of BOD's would see a smaller refund than one with no increase in concentration, all other factors being equal.

*Please see Attachment 3 for a comparison of the 2012 actual, 2013 budgeted and 2013 actual rates charged.*

Other items to highlight for your information:

- > Attachment 2 shows a trend analysis of the total system flows by source. This illustrates that the total volume treated for the OSG members is less volatile over time than that of the City's customers, including their infiltration and inflow. With continued efforts to reduce infiltration and inflow by the City, the OSG could become a larger percentage of the entire system in the future.
- > 2013 was the first year in which TFDL SD3 was separately billed as TFDL SD3- Rolling Meadows and TFDL SD3- Rogersville. We note that while Rolling Meadows had sampling data from 2011-2013 to develop the concentration and thus the loadings of BOS, TSS, Phosphorus and NH3N Rogersville only had data from 2013. We recommend management review this sampling data included in Appendix A-1 of the full study from John Mayer to ensure it is reasonable.

Thank you for allowing us to help the OSG in this matter. If you have any questions, feel free to contact Jodi Dobson at 608 240 2469.

**Outlying Sewer Group  
City 2013 True-Up Calculation**

	Actually	True-Up	True-Up	2013 Reported	2013
	Billed	Bill	Amt. Due or (Refund)	Actual Flow	Budget Flow
<b>True-Up Summary:</b>					
Village of North Fond du Lac	\$ 403,036.00	\$ 384,366.07	\$ (18,669.93)	376.438 MG	341.289 MG
Town of Friendship 1 & 3	61,516.00	51,351.78	(10,164.22)	37.180 MG	36.624 MG
Town of Fond du Lac SD2	40,136.00	36,247.06	(3,888.94)	29.708 MG	29.836 MG
Taycheedah #1	72,676.00	74,528.64	1,852.64	61.083 MG	54.028 MG
Taycheedah #3 DP	30,820.00	34,287.50	3,467.50	28.102 MG	22.914 MG
Taycheedah #3 SP	17,256.00	14,722.15	(2,533.85)	12.066 MG	12.828 MG
Johnsburg	6,064.00	5,188.32	(875.68)	4.252 MG	4.509 MG
Calumet	24,076.00	27,287.07	3,211.07	22.364 MG	17.899 MG
SD#3 (Rolling Meadows)	58,511.32	53,911.92	(4,599.40)	28.692 MG	*
SD#3 (Rogersville)	44,748.68	26,286.69	(18,461.99)	21.943 MG	*
Empire #1	14,028.00	14,406.47	378.47	10,984.000 CCF	*
Empire #3	18,000.00	19,552.83	1,552.83	12,776.000 CCF	*
TFDL SD#2 Direct Connects	1,008.64	915.28	(93.36)	741.000 CCF	*
TFDL SD#4 Direct Connects	14,556.48	13,209.06	(1,347.42)	10,693.860 CCF	*
TFDL SD#6 Direct Connects	971.55	881.62	(89.93)	713.750 CCF	*
Town of FDL Direct Connects	701.76	636.81	(64.95)	515.550 CCF	*
Mary Hill Park Direct Connects	2,183.22	1,981.14	(202.08)	1,603.900 CCF	*
<b>Total OSG</b>	<b>\$ 810,289.65</b>	<b>\$ 759,760.41</b>	<b>\$ (50,529.24)</b>		

\* These communities are billed based on budgeted rates and actual flows rather than the budgeted revenues.

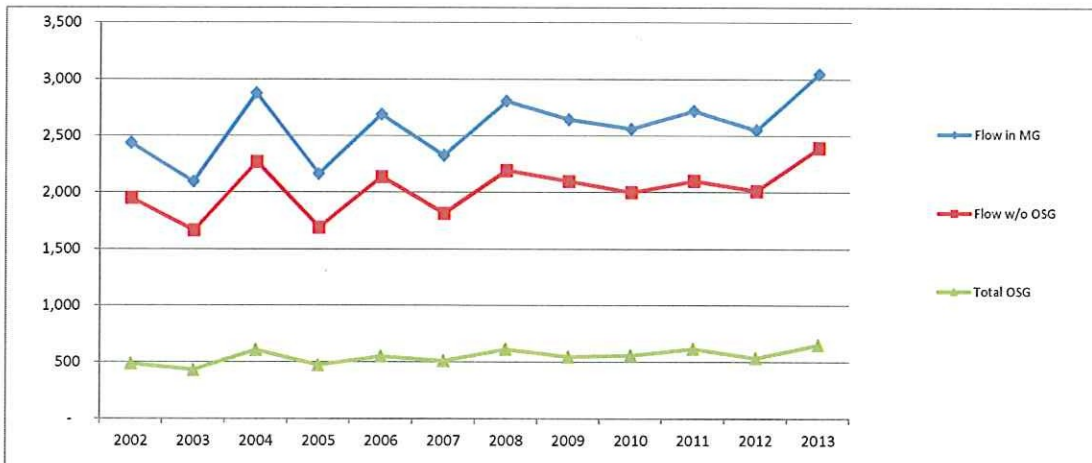
	2013 Budget vs Actual Variance Analysis							
	Volume variance		Billed \$		Billed \$		True-up \$	
		%	/ Budgeted unit	/Actual units	/Actual units	/Actual unit	Price variance	%
<b>True-Up Summary:</b>								
Village of North Fond du Lac	35.149780	10%	1,180.92			1,021.06	** (159.86)	-14%
Town of Friendship 1 & 3	0.556030	2%	1,679.67			1,381.17	** (298.50)	-18%
Town of Fond du Lac SD2	(0.128216)	0%	1,345.22			1,220.12	** (125.10)	-9%
Taycheedah #1	7.055043	13%	1,345.13			1,220.12	** (125.01)	-9%
Taycheedah #3 DP	5.187740	23%	1,345.13			1,220.12	** (125.01)	-9%
Taycheedah #3 SP	(0.761848)	-6%	1,345.13			1,220.12	** (125.01)	-9%
Johnsburg	(0.256698)	-6%	1,345.13			1,220.12	** (125.01)	-9%
Calumet	4.465249	25%	1,345.13			1,220.12	** (125.01)	-9%
Empire #1				1.28		1.31	** 0.03	3%
Empire #3				1.41		1.53	** 0.12	9%
TFDL SD#2 Direct Connects				1.36		1.24	** (0.13)	-9%
TFDL SD#4 Direct Connects				1.36		1.24	** (0.13)	-9%
TFDL SD#6 Direct Connects				1.36		1.24	** (0.13)	-9%
Town of FDL Direct Connects				1.36		1.24	** (0.13)	-9%
Mary Hill Park Direct Connects				1.36		1.24	** (0.13)	-9%

\*\* Differences in rates are based on concentrations of BOD, TSS, Phos. and NH3-N. The direct connect customers' concentrations are measured together so they have the same rate. Town of Fond du Lac SD2, Taycheedah, Johnsborg and Calumet are also measured together. The remaining customers are calculated separately. The price variance percentages are driven by the difference between the budget and actual loadings for each community.

Outlying Sewer Group  
City 2013 True-Up Calculation  
Ten Year Flow Analysis

	Flow in MG	Flow w/o OSG	Total OSG	SD#2, Tay, Johns,						SD#2 Direct	SD#3 Direct*	SD#4 Direct	SD#6 Direct	Town Direct	OSG portion of total flow
				Calumet	VNFD	Frienship	Mary Hill	Empire #1	Empire #3						
2002	2,435	1,949	486	112	297	49	2	6	6	0	4	9	-	1	19.97%
2003	2,093	1,663	430	103	255	43	2	6	6	0	6	8	-	1	20.55%
2004	2,875	2,270	606	178	336	59	2	7	7	0	9	8	-	1	21.06%
2005	2,164	1,692	472	151	249	35	2	7	10	0	10	8	-	1	21.82%
2006	2,688	2,138	549	171	299	35	2	8	11	0	16	8	-	1	20.45%
2007	2,326	1,814	511	149	287	30	1	7	11	1	16	8	-	0	21.98%
2008	2,805	2,193	612	186	342	34	1	9	13	1	18	8	-	0	21.82%
2009	2,645	2,098	547	158	309	31	2	8	10	0	19	8	-	0	20.67%
2010	2,561	2,001	560	148	330	33	2	9	9	1	19	8	1	0	21.85%
2011	2,720	2,102	618	153	380	36	1	8	9	1	22	8	0	0	22.73%
2012	2,549	2,013	536	136	312	34	2	8	8	1	28	9	1	0	21.04%
2013	3,046	2,394	652	158	376	37	1	8	10	1	51	9	1	0	21.40%

\* In 2013 this is the combination of the Rolling Meadows and the Rogersville SD#3 flows



**SEWER RATES FOR OSG CUSTOMERS**  
**True-Up 2013 Rates w/ Trailing 12-mo. Flows & 3-yr. avg. pollutant loadings**

**Non-City Customers Connected to City Collection System**

Town of FDL: SD2 (Direct Connect)  
 Town of FDL: SD3 (Direct Connect)  
 Town of FDL: SD4 (Direct Connect)  
 Town of FDL: SD6 (Direct Connect)  
 Town of FDL: Town (Direct Connect)  
 TN FDL: SD3 Rolling Mdws (Dir. Conn. W/Mtrd Flow)  
 TN FDL: SD3 Rogersville (Dir. Conn. W/Mtrd Flow)  
 Empire SD1 (Dir. Conn. w/Mtrd Flow)  
 Empire SD3 (Dir. Conn. w/Mtrd Flow)

		Actual 2012	Budgeted 2013	Actual 2013
Flow	\$/CCF	\$ 0.5182	\$ 0.5348	\$ 0.5093
BOD	\$/lb.	\$ 0.1783	\$ 0.1938	\$ 0.1886
TSS	\$/lb.	\$ 0.2044	\$ 0.2213	\$ 0.2285
Phos.	\$/lb.	\$ 6.0269	\$ 6.0387	\$ 3.3495
NH3-N	\$/lb.	\$ 0.4482	\$ 0.4692	\$ 0.4028

**Other Non-City Customers**

Village of NFDL  
 Town of Friendship SD1 & SD3  
 Town of Friendship SD2  
 Tn FDL: SD2/Taycheedah/Calumet

		Actual 2012	Budgeted 2013	Actual 2013
Flow	\$/CCF	\$ 0.3217	\$ 0.3573	\$ 0.3479
BOD	\$/lb.	\$ 0.1783	\$ 0.1938	\$ 0.1886
TSS	\$/lb.	\$ 0.2044	\$ 0.2213	\$ 0.2285
Phos.	\$/lb.	\$ 6.0269	\$ 6.0387	\$ 3.3495
NH3-N	\$/lb.	\$ 0.4482	\$ 0.4692	\$ 0.4028