

City of Southport's Settlement With Doshier Hospital Error Discovered on Electricity Bill

The following is an explanation of the error in Doshier Hospital's electric bill which resulted in a balance reported to be over \$1 million, but was settled for \$125,786.80.

How did the error occur?

Doshier Hospital had the need for an additional power plant, so it made arrangements for Brunswick Electric Membership Bureau (BEMC), who does electrical system maintenance and repair work for Southport, to install a new meter and open a new account.

Load sharing is a process where the customer gets a much lower electricity rate if they allow the city to cut off power to their electrical system during times when the grid in Southport is drawing too much electricity to keep it in balance and operating. Doshier intended this new account to be a load sharing one, but the Public Works Director was not notified of this (as per Southport's policy at the time, which continues today). Also, the meter installed was a kw/h meter rather than a demand meter. Load sharing requires a demand meter. At the time (2004) only ElectriCities was installing demand meters. Now this is done by Southport's Public Works Department. BEMC was never authorized to install demand meters and the public works person at Doshier should have known that.

When BEMC sent the installation report to Southport's Finance Department, it did not mention load sharing or the number of **multipliers** on the account. The multiplier default setting on the Finance Department computers is one (1), so the Doshier electrical account was set up as full rate with a multiplier of 1. The multiplier was supposed to be 160 (see below). Doshier was paying the non-load sharing rate without a multiplier. The difference between what Doshier paid and what they should have paid was \$1 million +. The person in the Finance Department lacked the technical knowledge to figure out that the report from BEMC didn't include information about the multiplier or load sharing, so that was the error by the city. However, since the report was from BEMC and nobody at Doshier informed the Director of Public Works that it was a load sharing account with a multiplier, the employee entered the account incorrectly.

Multiplier?

When current runs through a meter, it is at a level lower than most businesses use. In order to have a high rate flow safely through the meter, it must be reduced. Depending on the power drawn by the electrical user for a given meter, the flow is reduced by a specific multiple. In the case of Doshier Hospital, the rate to the meter in question had to be reduced by a factor of 160. Once the electricity passes through the meter, the flow is increased to the demand level of the user. Therefore, the meter reading must be multiplied by that factor (or multiplier) by which it was reduced before entering the meter.

The City Manager has been auditing all of the utility accounts because so many errors were being discovered by accident. In some cases the errors were known to the Public Works Department, but

previous administrations (city managers and electric committees) refused to correct the situation or have the Finance Department bill for past usage. Ah, the good ol' days.

The city knew exactly how much power was used by this meter at Doshier Hospital, but did not use the multiplier for past billings. Doshier was notified of the error in October 2010 and the negotiating process began. The executive committee from the Board of Trustees of Doshier Hospital (president, vice president and secretary) met with Mayor Robert Howard, Alderman Jwantana Frink and myself to discuss the situation.

The statute of limitations with regards to billing errors is normally 3 years. However, NC law allows only 2 years for billing errors with a governmental entity. Doshier Hospital is regarded as a governmental entity (board elected by the citizens of Smithville Township, collects a fee from residents in the township), so the city could only bill for the past 2 years of electrical use.

Doshier has what is known as a transition switch on its electrical meters. The transition switch cuts off all power going through the meter and into the facility when the city is having a load sharing event. The switch automatically turns on a generator to provide power until the load sharing event is over. Their switches have a history of working 99% of the time and Southport's Public Works Director believes that Doshier was load sharing at the meter in question during the time of the billing error. Therefore, the most the city could collect was \$125,786.80--the last 2 years electricity use at the load sharing rate using the correct multiplier of 160 minus what they actually paid during that period.

The City of Southport has instituted changes in policy and operations such that an error of this type is highly unlikely to occur in the future. While blame for the error is not a factor for legal purposes, both parties did contribute to the problem. The negotiations went smoothly and the final settlement was fair to Doshier Hospital, and it was the maximum possible monetary reimbursement the City of Southport could legally pursue. However, the city will never recoup money for the additional 4 years of electricity used by Doshier Hospital.

There are 2 key points that all citizens must understand about this lack of income to the city's electric fund during the past 6 years.

1. All of the other electric customers served by Southport were NOT charged a higher rate to make up this shortfall. The money came from the electric fund's surplus account.
2. The City's electric fund surplus is used to front payments to Electricities for all electricity used throughout the city (the city pays for the electricity before customers are billed for it) and for any maintenance, repairs, equipment not in the budget, and emergencies that may occur.

Both Electricities and the state regulatory agencies have a recommended electric fund balance that all cities providing electric service should maintain. Southport's balance has been low for a number of years, and was lower than the standard in 2009-2010 according to our auditor. The settlement funds will be used to get the electric fund on better footing and allow Southport to handle whatever calamitous events may come our way.