

CITY OF PIERZ
Official Minutes of the Pierz City Council
June 11 2012

Members present: Toby Egan, Stephanie Fyten, Mary Korf, Michael Menden, and Maureen Watercott.

The City Council Work Session was called to order at 6:00 pm at Pierz City Hall by Mayor Toby Egan.

MN Power Representatives were present to discuss the back billing request by MN Power due to a faulty CT. Dan Travica and Dan Gunderson were both present from MN Power to present to the City Council the circumstances of the faulty CT and the back billing.

Dan Travica began the meeting with an introduction of the issue at hand and allowed Dan Gunderson, Public Engineer, to explain the technical side of the issue.

Mr. Gunderson relayed to the Council that the City currently has 3 current transformers (CT's) that feed the meters for the City system. It was determined through a site inspection and through physical lab testing that the CT had an entry and exit wound that caused the CT to operate faulty and provide slow meter usage to the main meters. This explains why for over 2 years the usage rates that the City of Pierz was reporting were roughly 3% higher than the rates that MN Power was selling Pierz. Mr. Gunderson informed the Council that this CT was most likely damaged from a lightning strike and typically this causes CT's to catastrophically terminate, but in this circumstance it continued to operate at a faulty level. He informed the Council that they had been testing the meters over the course of 2 years and the meter tests proved to be accurate, so it was not thought to be a MN Power issue, however, the CT error would not have been caught from these tests. He will now work on implementing a site inspection program to prevent this problem from happening in the future. He informed the Council that after removing the CT and testing the CT in a lab, it was determined that on average the CT was operating 10-16% slower and they chose to use the 10% as a rate to determine the back billing. He offered his lab test results to the City, in the event that they would like to review them. He allowed for questions from Council Members after explaining the technical circumstances.

Council Member Steph Fyten questioned whether site inspections had been done in the past and why this was not caught from a MN Power crew member earlier. Mr. Gunderson informed Council Member Steph Fyten that there is currently no site inspection program implement due to the cost of training personnel and operating a bucket truck and equipment costs. He informed Council Member Steph Fyten that MN Power will be implementing a program to prevent this from happening in the future. He also informed her that the last time the CT was tested was in 2005.

Mayor Toby Egan discussed his displeasure with MN Power in that they run a no-risk business and every time a situation comes up where they have not been paid appropriately, the City is supposed to make up for the loss (cited the True-Up). He questioned why when there were obvious errors in their system, no inspections were completed and it took over 2 years to have a site inspection done. He also expressed his concern for their overall customer service and their inability to work with the City on the calculation of the bill when this was all MN Power's error to begin with.

City Administrator Anna Gruber asked the representatives from MN Power whether they knew exactly when this lightning strike occurred, or that it was for certain a lightning strike that caused the CT error. Both Dan Travica and Dan Gunderson informed the Council that it is merely an assumption that it was a lightning strike and that the time period was likely between 2008 and 2009 and that was determined due to comparison of usage amounts between the City and MN Power. They both informed the Council that an exact date could not and would not be determined and the best they can offer is an estimate in the timing

based on usage comparisons.

Council Member Mike Menden asked Mr. Gunderson how the 10% rate was determined for calculation of the back bill. Mr. Gunderson informed the Council that when the CT was brought to the lab they performed tests of high energy loads and no loads at all. When the CT had no load, it was operating at 10% faulty as a minimum. When the CT had high loads, it was operating upwards of 16% faulty. MN Power tested the CT themselves and would release the test results if the City would like. The City can also have the CT tested themselves if they would like. Mr. Gunderson confirmed Mayor Toby Egan's question that the 10% is also merely an estimate. Mr. Gunderson then allowed Dan Travica to take over to explain the bill itself.

Dan Travica helped clarify any questions as to how the back bill was calculated. The back bill amount was calculated for going one year back and was in the amount of \$62, 898.96. He noted that this could be paid over 1 year with no interest and that the 2011 true-up credit to the City would help to lower this number. He cited the MN Power contract with the City as the reason for going 1 year back in the billing.

Council Member Mike Menden question Mr. Travica as to whether MN Power would give a credit to the City for all of the staff time that was invested in to discovering this issue. The issue was initially brought to MN Powers attention in early 2011 and Pierz City Staff spent many hours trying to determine where the error in the City was and all along it was a CT error on MN Power's part. Travica informed Council Member Menden that this back bill amount is set and no credits would be applied.

Council Member Mike Menden also questioned why it took them two years to determine the problem and why no visual walk by was done of the CT's. Mr. Gunderson informed the Council that visually from the ground the crack in the CT could not have been seen and a bucket truck would have been necessary. Public Works Director Bob Otremba informed the Council and MN Power Representatives that when it was initially determined that the CT was the issue he was present standing below the CT on the ground with a lineman from MN Power. The linemen were there to remove the faulty CT. The lineman pointed up to the crack in the CT and told Bob Otremba that that is where the problem lies. Bob Otremba was able to see it from ground level with the naked eye. Otremba also questioned why linemen do not use the binoculars in their trucks and do better visual inspections, that it would be cost effective and would not require heavy equipment to do quick visual inspections. MN Power Representatives did not respond.

Council Member Steph Fyten read section 8 in the MN Power Contract that states that:

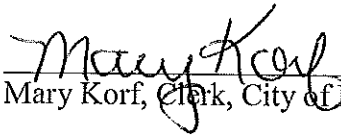
"In the event that any routine or special test of a Company meter discloses its average accuracy of registration to be in error by more than 2%, fast or slow, Company will refund the overcharge for a fast meter or charge for electricity consumer, but not included in the bills previously rendered for a slow meter. The refund or charge for both fast and slow meters will be based on corrected meter readings for a period equal to one-half the time elapsed since the last previous test but not to exceed six (6) months, unless it can be established that the error was due to some cause, the date of which can be fixed with reasonable certainty, in which case the refund or charge will be computed to that date, but in no event for a period longer than one (1) year."

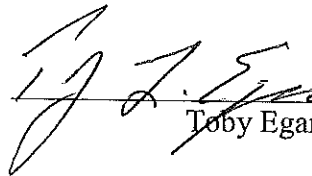
Council Member Steph Fyten expressed concern that because a date cannot be set in certain as to when this event occurred, the City should be charged for 6 months back and not 1 year. She cited the fact that Mr. Travica and Mr. Gunderson both admitted earlier in the meeting that a date of certainty could not be found and it was merely estimated that it occurred between 2008 and 2009 due to usage comparisons. Mr. Travica informed Council Member Fyten that he questioned the same thing and re-read this part of the contract multiple times and felt that because it could be determined by approximate certainty that the date was in 2008 or 2009, that was certain enough to require 1 year worth of back bill.

The Council thanked the MN Power Representatives for coming to the Council Meeting to present this issue

to the Council and for offering clarification on the issue. The Council agreed to discuss the back bill option and to get back to MN Power in regards to their decision. They also informed MN Power that they would be requesting input from the City Attorney in regards to the issue.

Meeting was adjourned at 6:45 pm.


Mary Korf, Clerk, City of Pierz


Toby Egan, City of Pierz Mayor