

MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON MAY 23, 2007 AT THE WILLIAM ARNOLD SERVICE BUILDING LOCATED AT 1001 JAMES STREET, KEY WEST, FLORIDA

The above referenced meeting of the Utility Board of the City of Key West, Florida, convened at 5:00 P.M., on the above date and location and was called to order by Chairman Padron. Present and answering to the roll call were Utility Board members: Peter Batty, Charles Bradford, Lou Hernandez, Mona Clark and Robert Padron. Also present at the meeting: Lynne Tejada, General Manager & CEO; Nathan Eden, Board Attorney; Suzanne Greager, Director of Management Services; Alex Tejada, Customer Services Director; Dale Finigan, Director of Engineering/Control Center; Stan Rzad, Compliance Administrator; and David Price, Director of T&D.

Chairman Padron informed the Board that he is pulling Item #6c under the Consent Agenda – Approve Amendments to the Stock Island Combustion Turbine Operations and Maintenance Agreement (KEYS/FMPA O & M Agreement)

AGENDA ITEM #4 – RECOGNITION

Item #4a – Career Education Pre-Apprenticeship – Lely Arrazola, Victor Linares & Eddie Powell

Chairman Padron stated that the Board is extremely pleased to recognize three high school senior interns for completing KEYS' Vocational Education Internship program.

KEYS' internship program is a part of the Monroe County School Districts Vocational Tech program that allows high school juniors and seniors the opportunity to work part-time in area businesses to gain valuable on the job training and better position them to gain employment post graduation from high school and/or college.

Chairman Padron noted that this program was first initiated by KEYS in an effort to proactively address the changing workforce of the Keys. He stated that he is extremely pleased to recognize Lely Arrazola who interned in the Purchasing Section; Eddie Powell who interned in the Electrical Section; and Victor Linares who interned in our I&E Section.

Ms. Lely was not present; Mr. Powell and Mr. Linares thanked the Board for the recognition.

Item #4b – Second Year Meter Program – Juan Menendez and Armando Rojas

Chairman Padron stated that the Board is pleased to recognize Juan Menendez and Armando Rojas for completing the second year of the Meterman Course.

The second year course consists of 19 sections that cover Electricity and Magnetism, Transformers, Electrical Blueprint Reading, and Electrical Wiring Practices, among others.

Juan is a Meter Service Technician and has been with KEYS for a little over two years, and Armando is a Meter Reader and has been with KEYS for just over one year, both work in our Meter Services section.

Neither Mr. Menendez nor Mr. Rojas were present.

Item #4c – City of Key West Ambassador Academy – Julio J. Barroso

Mrs. Tejeda informed the Board that she is pleased to recognize Julio Barroso who on May 22nd became an official Ambassador for the City. Over the last 18 weeks, Julio participated in the **City of Key West Ambassador Academy**. This program is similar to the Chamber's Leadership Monroe except it focuses on the City and its inner workings. It provides the participants with class presentations, site visits, and ride-alongs with various City employees.

ITEM #5 – INFORMATIONAL ITEMS

Item #5a – Power Supply Report

Mr. Dale Finigan reported that since the last Utility Board meeting there has been one transmission outage, no distribution outages and ten reclosure outages. The transmission outage was weather related and lasted two minutes. Ninety-five percent of the reclosure outages were weather related.

Item #5b – Generation Report

Mrs. Tejeda reported that currently there are 104.4 megawatts available. CT#3 is still unavailable, the pump has arrived but there was a problem with the

size of the shaft in the pump and it was sent off for refabrication. It has been returned and will be installed this week.

Item #5c – Comprehensive Annual Financial Report for Retirement System

Mrs. Tejeda referred the Board to the report in their packets. The report was prepared primarily by the Finance Department with Mrs. Cindy McVeigh taking the lead. The auditors for the pension fund, Cherry, Bekert and Holland, have reviewed the audit and have provided a letter stating that the financial statements present fairly the financial information on the Retirement System. The Actuarial Report was approved at the last Pension meeting and will come before the Utility Board for approval at the first meeting in June.

Chairman Padron stated that the current investments seem a lot better than in past years.

Mrs. Tejeda stated that she had one additional item to report. Mrs. Tejeda informed that the Utility Board meeting scheduled on June 27th is during the time that the American Public Power Association will hold their annual conference which is being attended by some of the Board members. Mrs. Tejeda suggested that the June 27th Utility Board meeting be cancelled.

Chairman Padron stated that the Board has that leeway in accordance with the Utility Board By-Laws. There were no objections from the rest of the Board. The June 27th meeting will be cancelled.

AGENDA ITEM #6 – CONSENT AGENDA

- a) Approve Minutes - Regular Meeting – May 9, 2007
- b) Approve Disbursements Report
- c) Approve Amendments to the Stock Island Combustion Turbine Operations and Maintenance Agreement (KEYS/FMPA O & M Agreement)
- d) Declare Inventory Stock & Non-Stock Items as Surplus

Motion was made by Mr. Batty and seconded by Mr. Hernandez to approve the consent agenda with the exception of item #6c which was pulled by Chairman Padron at the start of the meeting. There being no discussion agenda Items 6a, 6b and 6d were unanimously approved.

Mrs. Tejeda informed the Board that she requested that Chairman Padron pull item #6c from the consent agenda due to minor changes to the agreement since the packet was distributed. The changes are as follows:

- 1) Make the effective date of the agreement February 1, 2007, Section 2.29
- 2) Under Section 4.2.28 added the definition of shrinkage. "Shrinkage refers to inventory loss due to theft, vendor fraud and administrative errors".

Chairman Padron raised some questions on Section 4.2.30 – " KEYS shall provide immediate notice to FMPA regarding notices it receives related to any governmental authority with jurisdiction over the site or either party's obligations under this agreement" and Section 11.10 which states "each party shall provide immediate notice to the other party of notices received from any governmental authority relating to obligations of the O&M Agreement". He asked why the same article is stated twice.

Mrs. Tejeda responded that in Section 5.2 it also states that " FMPA is required to provide immediate notice to KEYS of any 3rd party notices received relating to KEYS performance relating to the O&M Agreement".

Mr. Eden stated that the agreement negotiation was lengthy and staff did not want to quibble over verbiage.

Chairman Padron proceeded to inquire about Exhibit B which provides an agreed upon staffing plan used for labor reimbursement which may vary from the KEYS authorized organizational chart.

Chairman Padron asked how FMPA's staffing plan compares to KEYS' staffing plan and how it affects cost recovery.

Mrs. Tejeda responded that KEYS has more staff than is shown in Exhibit B and explained that is largely because of new hiring's after several retirements. KEYS needs to build staff back up. FMPA believes that this is what it will require to run the system efficiently at this time. Exhibit B can change every year when the Operating Committee meets to produce the budget. They have the authority to make changes when both sides agree to it.

Mrs. Tejeda proceeded to say that concerns have been raised by KEYS that there might be some environmental issues that other sites do not encounter and that the staffing in Exhibit B may not be enough. FMPA has agreed to follow the issues FMPA has added in an allocation for the Generation Department Staff Assistant and allocated 5% recovery for the KEYS' Environmental Officer. The only exception is in Category 1 which is the Plant Manager and the Administrative Assistant, that is based on a blend percentage of the capacity of KEYS' units vs. their units and the number of megawatts produced over the year.

Motion was made by Mr. Hernandez and seconded by Mr. Batty to Approve the Amendments to the Stock Island Combustion Turbine Operations and Maintenance Agreement (KEYS/FMPA O & M Agreement).

Mrs. Tejeda informed the Board that this item will be presented to the All Requirements Board on May 24th and approval will be requested at the July meeting.

Mr. Batty inquired on the term of the agreement.

Mrs. Tejeda responded that it was indefinite as long as FMPA's units were on site.

A brief discussion ensued on 60% on-island generation.

There being no further discussion the motion passed unanimously.

AGENDA ITEM #7 – ACTION ITEMS

Item #7a – Appoint KEYS Representative – Career Service Council

Mrs. Tejeda stated that the Career Service Council was created in Monroe County by the State Legislature to hear appeals on suspensions, demotions and terminations from employees of KEYS, Florida Keys Aqueduct Authority, Mosquito Control and Monroe County. Each agency appoints a representative to serve a two-year term and then those four representatives appoint a fifth at-large member. Staff is recommending that the Board appoint Ms. Magali Alvarez, a local real estate broker, who has voiced an interest in serving on the Council and participating on behalf of the Utility Board.

Motion was made by Mr. Batty and seconded by Mr. Bradford to appoint Ms. Magali Alvarez to the Career Service Council for a two year term representing the Utility Board.

Mr. Hernandez stated that he is pleased that Ms. Alvarez has asked to serve on the Council.

Chairman Padron thanked Ms. Alvarez for her interest.

There being no further discussion the motion passed unanimously.

Ms. Alvarez thanked the Board for the appointment.

Item #7b – Presentation of Customer Satisfaction Survey Results

Mrs. Tejeda stated that in February 2007 the Utility approved hiring Oppenheim Research Inc. to conduct a Customer Satisfaction Survey. Anneliese Oppenheim is the President of Oppenheim Research, Inc. and will make the presentation.

Ms. Oppenheim introduced herself and proceeded with the presentation:

The powerpoint presentation is included as a separate attachment to the minutes.

Following the presentation Mr. Julio Barroso thanked Ms. Oppenheim and her research assistant.

Mr. Barroso informed the Board that there are 35 residents enrolled for the Go Green Program, 5 customers are enrolled in KEYS Cares, 1,200 customers pay their bills on line, 56 customers enrolled for the long distance service plan and over 4,000 customers view KEYS' website monthly. A brief discussion ensued regarding KEYS' website.

Mr. Barroso proceeded to review some of KEYS' staff recommendations. This presentation is also included as a separate attachment.

A brief discussion ensued on KEYS being a municipally owned electric company being least important to residential and business customers.

Agenda Item #7c – Approve Utility Board Policies and Resolutions (#750 Business Travel, #751 Surplus, #752 Contract Change Orders and Inventory Purchases), and Revised By-Laws of the Utility Board to Support the Enabling Act (69-1191)

Mrs. Tejeda stated that the Utility Board approved language for changes to the Enabling Act (69-1191) on January 24, 2007. Those changes have been passed through the House and through the Senate and are now traveling between the Senate and the Governor's office. KEYS' is awaiting approval from the Governor's office. In an attempt to be pro-active staff has some changes to the By-Laws and different resolutions. Staff is recommending that these changes become effective on the date the Governor signs the Enabling Act into law.

Mrs. Tejeda proceeded to review the following changes with the Board.

Preamble	Eliminate requirement to go to the City Commission for approval to issue bonds	<u>No Utility Board Action Required</u>
Section 2	Eliminate the elective office of Chairman of the Utility Board	<u>No Utility Board Action Required; Letter will be sent to City Clerk and Supervisor of Elections providing language change.</u>
Section 3	Elect five members rather than four members and a Chairman; members select their own Chairman during the Organizational Meeting following an election	<u>Revise By-Laws Article V</u>
Section 6	Update the process for filling a Utility Board vacancy	<u>Revise By-Laws Article IX</u>
Section 11	Eliminate the requirement to go to the City Commission for approval to issue bonds; Eliminate the three-year residency requirement for Senior Citizen/Disabled American Veteran Discount	<u>No Action Required</u>
Section 13	Improve the Purchasing process	<u>Adopt Resolution 752</u>
Section 16	Improve the Surplus Property process	<u>Adopt Resolution 751</u>
Section 19	Board members, agents, and employees of Board will be reimbursed for business travel expenses in accordance with resolutions adopted by the Board	<u>Adopt Resolution 750</u>
Section 20	Update the Property Appraisal process	<u>No Action Required</u>

Mrs. Tejada stated that staff recommends the adoption of the Resolution #752 which is a new purchasing agreement. It is requested that the purchasing authority for staff for inventory items, fuel and lubricating oil purchases be increased from (twenty-five thousand) \$25,000 to (thirty-five thousand) \$35,000.

The increase is not being requested for consulting services. Another change being requested by staff is that staff may effect change orders to Utility Board contracts provided that the cumulative amount of change orders is not in excess of five-percent (5%) of the original contract amount and not in excess of twenty-five thousand dollars (\$25,000.00), without prior approval of the Board.

Mrs. Tejeda reviewed the final change to Resolution #752 which states, prior to Utility Board approval of any contract omitting a surety or sureties for faithful performance of said contract, staff shall provide an explanation for said omission. The approval of such contract and explanation for said omission shall be recorded in the minutes of the Utility Board meeting.

Mr. Batty asked when the twenty-five thousand dollar (\$25,000) was set.

Mr. Eden responded that it was set when the last amendment was made to the Enabling Act.

Mrs. Tejeda stated that it was probably within the last ten years, maybe sooner. She informed the Board that other utilities were contacted and thirty-five thousand (\$35,000) is the average.

Mr. Batty asked if the Board could require a surety bond if it chose to do so.

Mrs. Tejeda responded that it is staff's thought that in almost every case a surety bond will be required it will be a rare instance where an exception will be requested. It will be entirely up to the Utility Board whether they want to require a surety bond or not.

Mr. Eden stated that he would scrutinize every contract regarding a surety bond.

Chairman Padron requested that language be added to Resolution #752 stating that the Board is to be notified of any change orders.

Motion was made by Mr. Batty and seconded by Ms. Clark to approve Resolution #752 with the addition of the language requested by Chairman Padron saying that the Board be notified of any increase over the contract amount (change orders)

There being no further discussion the motion passed unanimously.

Mrs. Tejada proceeded to Resolution #751 which deals with surplus property issues. She stated that previously, approval was required by the Utility Board to surplus any items. With the changes made to the Enabling Act the Board must set, by resolution, a threshold amount to come before the Board.

Mrs. Tejada stated that Resolution #751 states that staff may dispose of any property that is obsolete or that which is uneconomical or inefficient, or serves no useful function provided that all such items are valued under \$35,000, without first seeking approval of the Board. The next section states that if it valued over \$35,000 Board approval is required. The final section states that staff will present a monthly Surplus Report to the Utility Board concerning all property valued under \$35,000 that was declared surplus.

Motion was made by Mr. Hernandez and seconded by Ms. Clark to approve Resolution #751 regarding Declaration of Surplus Threshold Amounts.

Mr. Eden asked if changes were made to the Resolution by Mr. Robert Freeman, Bond Attorney.

Mrs. Tejada stated that minor changes were made by Mr. Robert Freeman and the changes are incorporated in the Resolution before the Board.

Mr. Batty expressed concern that if there is \$100,000 of material to be surplused it can be broken down into three or four different categories so it doesn't meet the requirements. He stated that he was not referring to present staff but is concerned about the future.

Mrs. Tejada stated that it is a valid concern.

Mr. Eden suggested that staff surplus items on time limits. Staff can only surplus a given amount within any given period.

A brief discussion ensued on the issue.

Mr. Batty stated that his comments are not to be taken negatively by present staff. He stated that if the change is made it will remain in effect for many years to come and it is hard to monitor. Mr. Batty asked if Resolution #751 had to be passed.

Mrs. Tejada responded that the Board had to approve a Resolution because in the Enabling Act as changed states that "all such items valued more than the amount as established by resolution adopted by the Board shall be offered as surplus to other governmental units, etc". The Board needs to set a threshold on what staff can surplus without the Board's approval.

Chairman Padron suggested that this item be tabled.

Motion was made by Mr. Hernandez and seconded by Mr. Batty to table Resolution #751 dealing with surplus property until the June 13, 2007 Utility Board meeting.

Chairman Padron expressed that he has concerns on the methodology that could be used in the future to determine the value of surplus items. He stated that it is not a reflection on current staff.

There being no further discussion, Mrs. Tejada proceeded to discuss Resolution #750 dealing with Business Travel. Mrs. Tejada stated that this is a housekeeping type of change. In Section 19 of the Enabling Act language was removed referencing a Florida Statute regarding travel. KEYS' typically uses the Governmental Standard Administration guidelines for travel.

Motion was made by Mr. Batty and seconded by Mr. Hernandez to approve Resolution #750 pertaining to a policy directive on business travel expenses.

Chairman Padron stated that the Board adopted Resolution #717 in 2004 pertaining to travel expenses. He stated that he had asked why the Board was adopting another resolution.

Mrs. Tejada responded that Resolution #717 specifically mentions Florida Statute 112 and Chapter 166. Since that has been removed from the Enabling Act it is necessary to adopt another Resolution which is Resolution #751, without that language.

Chairman Padron stressed that no changes have been made to the Travel Policy adopted by the Utility Board in 2004.

There being no further discussion the motion passed unanimously.

Mrs. Tejada pointed out that a motion and second is still required by the Board to approve the revised By-Laws.

Motion was made by Mr. Batty and seconded by Ms. Clark to approve the revised By-Laws of the Utility Board to support the Enabling Act.

There being no discussion the motion passed unanimously.

Agenda Item #7d – Approve Additional Business Priority to KEYS' Strategic Plan

Chairman Padron advised that Ms. Jody Smith Williams is requesting to address the Board on this item.

Ms. Williams introduced herself and told the Board that she is here representing Florida Keys GLEE (Green Living Energy Education). She informed the Board that she was prepared to fight but is delighted that the Board is supporting green living and applauds them and encourages the Board to move forward. Ms. Williams offered for a member of GLEE to participate in any committee dealing with green living that KEYS' may have. Ms. Williams thanked the Board for allowing time for her to speak.

Mrs. Tejada stated that this item is a result of the Strategic Planning Workshop held in April. The Board indicated that they would like to see KEYS' address the climate challenge. Staff has worked to come up with some priorities and action plans that will support the priority. Staff recommends adding the following Business Priority to KEYS' Strategic Plan: Develop a plan to reduce atmospheric concentrations of greenhouse gases while considering the rate impact on KEYS' customers. There are numerous ideas but it comes down to four major action plans.

1. Develop an Education Program to help customers learn about Climate Change and what they can do
2. Identify Customer Assistance Programs, Determine Feasibility of Implementation and Offer as appropriate
3. Implement "Green" initiatives for KEYS' facilities and operations
4. Lobby FMPA to establish renewable goals

Mrs. Tejada commented that KEYS is looking at what can be done in-house and with KEYS customers to help contribute to green living. She pointed out that all the light bulbs in the Board Room have been changed out to compact fluorescent bulbs. Mrs. Tejada encouraged the Board to review the ideas that staff has come up with and to submit any other ideas that they may have.

Mr. Hernandez complimented the Manager and staff for their efforts in compiling the list of ideas. He requested that the Board be informed of the final plan.

Motion was made by Ms. Clark and seconded by Mr. Hernandez to add the following Business Priority to KEYS' Strategic Plan: Develop a plan to reduce atmospheric concentrations of greenhouse gases while considering the rate impact on KEYS' customers.

Mrs. Tejeda stated that some plans will require Utility Board approval and some others will not.

Mr. Hernandez suggested that a letter be sent to Florida Municipal Power Agency from the Utility Board indicating what KEYS' is doing and challenge them to match it or do better.

Mrs. Tejeda stated that perhaps a Resolution should be adopted by the Utility Board setting forth KEYS' expectations of Florida Municipal Power Agency. A resolution may be a stronger method. Staff will work toward getting the resolution prepared to present to FMPA before the annual conference in July.

There being no further discussion the motion passed unanimously.

AGENDA ITEM #8 – OTHER BUSINESS

Commissioner Harry Bethel requested to address the Board. Mr. Bethel thanked Mrs. Tejeda for the tour that was conducted of the Stock Island Plant.

Mr. Bethel stated that he felt it is important for KEYS to maintain its identity in the community.

Mr. Batty stated that he had attended the All Requirements 101 session and felt it was very informative. He requested that a letter be sent to Mr. Fontes, General Manager, of FMPA thanking him on behalf of the Board.

Mr. Batty proceeded to inquire if any progress is being made regarding waste-to-energy.

Mrs. Tejeda stated that Mr. Fontes still believes that he would like to see all the utilities respond to their communities. They would then purchase any of the energy produced using the renewables or waste-to-energy.

Mrs. Tejeda stated that a resolution will be helpful in pushing them to build a demonstration unit.

Mr. Batty suggested that staff prepare a resolution for the Board to approve at their next meeting. He stated that perhaps they can provide KEYS with some engineering expertise to do a feasibility study.

Chairman Padron commented that he wondered what the position is of other governmental agencies (County & City) on this issue. He expressed that this project needs their support to be successful. He referred to problems in the

past with Montenay when a similar project was attempted. Further discussion ensued on this issue.

There being no further business to come before the Board the Regular Utility Board meeting of May 23, 2007 adjourned at 7:10 p.m.

APPROVE:

Robert R. Padron, Chairman

ATTEST:

Lynne E. Tejeda, General Manager & CEO/Secretary

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