

MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON AUGUST 22, 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: Charles Bradford, Mona Clark, Lou Hernandez and Chairman Padron. Also present at the meeting: Lynne Tejeda, General Manager & CEO; Jack Wetzler, Assistant General Manager & CFO; Nathan Eden, Board Attorney; Suzanne Greager, Director of Management Services; Alex Tejeda, Customer Services Director; Dale Finigan, Director of Engineering/Control; and Stan Rzas, Compliance Administrator.

Chairman Padron informed the Board that Agenda Item #6b Approve Renewal of Utility Service Contract with Naval Facilities Engineering Command is being pulled until the September 12, 2007 Utility Board meeting. The contract has not been received for staff and the Board to review.

Chairman Padron asked if there were any other changes to be made to the agenda, there were none.

AGENDA ITEM #4 – INFORMATIONAL ITEMS

Agenda Item #4a – Power Supply Report

Mr. Dale Finigan reported that since the last Utility Board meeting there has been one transmission outage, eight feeder reclosures, and no distribution feeder outages. Mr. Finigan informed the Board that KEYS staff has met with Florida Keys Electric Co-Operative regarding outages that originate in their service and affect the entire transmission system. Hopefully improvements will be made.

Mr. Hernandez made an inquiry regarding an outage that occurred recently at Poinciana Plaza.

Mr. Finigan told Mr. Hernandez that he did not have the information available on that outage but will research and get back to him.

Agenda Item #4b – Generation Report

Mr. Wetzler informed the Board that currently there are 74 megawatts available. There are four units that are currently off line:

- CT #1 - Experiencing a Mark V problem. A GE consultant is on site dealing with the issue. The unit should be back on line tomorrow.
- MSD #1 - Parts have arrived and the unit should be back on line by Friday morning.
- HSD #1 - Shaft has not arrived but should arrive by tomorrow and that should be fixed rather quickly.
- CT #3 – Should be on line by Saturday

Mr. Wetzler proceeded to inform the Board that a Black Start is scheduled for tomorrow beginning at 6:00 a.m.

Agenda Item #4c – Storm Hardening Report

Mrs. Tejada informed the Board that the Storm Hardening Project is a huge project listed under the capital projects for the next five years and one of the main reasons for the bond issue last year.

Mr. Finigan informed the Board that in 2005 due to the significant amount of hurricanes experienced in Florida the Florida Public Service Commission (PSC) stepped in and approved rules to strengthen electric infrastructures.

Mr. Finigan proceeded with the following presentation:

Public Service Commission - Infrastructure Storm Hardening Mandates

- Pole Inspection 8-year cycle
- Design/Construct New Facilities to EWL (extreme wind of 150 mph)
- Critical Customers - EOC, Hospitals, Ports
- Elevate Underground Facilities
- Inaccessible Facilities - Easements
- Status Reports Yearly – PSC

POLE INSPECTION 8-YEAR CYCLE

PSC Rule – Pole Testing

Utility to test all wood poles within an 8-year cycle. Poles shall be tested using the 18" excavation method, and testing shall take into account electric & communication loading.

Comprehensive Inspection Includes:

- Visual Inspection
- Sound & Bore
- Excavation (18" at base)
- Strength & Load Analysis
- Treatment
- Data Collection
- KEYS completed 1 year cycle

Contractor Procured:

- Osmose Inc.
- Inspected approximately 14,000 poles (10,800 wood)
- 99% inspection completed
- Re-evaluating poles in sidewalks

Chairman Padron asked how many of the poles are located in sidewalks.

Mr. Finigan responded approximately 450.

Mr. Bradford asked if the 450 poles in sidewalks will be relocated in the exact location in the sidewalk or will they be moved out of the right of way.

Mr. Finigan stated that they will most likely remain in the sidewalks. In some cases there may be some adjustments.

Mr. Bradford commented that the poles should be in compliance with the American Disabilities Act (ADA)

Mr. Finigan stated that they will be in compliance and that KEYS is working with the City.

Chairman Padron inquired on the impact to the budget.

Mr. Finigan stated it will be approximately \$100,000 to relocate the 450 poles.

INSPECTION SUMMARY

% Reject Rate	27%
Total Reject Poles	KEYS 2,250 AT&T 700
<u>Reject Locations</u>	
Key West	25% 750 Poles
County (keys)	75% 2,200 Poles

DESIGN/CONSTRUCT NEW FACILITIES TO EWL (EXTREME WIND OF 150 MPH)

PSC Rule – Construction to “Extreme Wind Design”

Utility shall design and construct new and rebuilt overhead facilities to the Extreme Wind Load capacity of 150 mph.

Modify Construction Standards:

- Structurally evaluated existing OH (overhead) system
- Modified standards (i.e. pole design)
New stronger concrete poles (275%)
Larger and heavier than previous
Four types designed for various construction needs

Contractor Procured:

- US1 (in Fort Myers)
- KEYS witness test factor load breaks
- Started delivery in June 2007
- Type A-40 delivered

CRITICAL FACILITY UPGRADE

PSC Rule – Critical Facility Upgrade

Utility replace all facilities that provide a public health, safety and security to the community (i.e. PORT, Hospital and EOC). This applies even if facilities pass pole test.

Key West Port (Outer Mole)

- Current facilities
3 years old
100 mph rated
- KEYS explored upgrade justification
Navy content with current capacity
City content with current capacity

- PSC exemption reasonable and compliant

LKHS (Hospital)

- Current facilities
25 years old
90-120 mph rated
- Upgrade estimated at approximately \$175K
- Planned upgrade in 2010

ELEVATE UNDERGROUND FACILITY

PSC Rule – Elevation of Underground Facilities

Utility to design future underground facilities to consider the effect of flooding and minimize effects and improve reliability

- **KEYS Current Standard**
For 25+ years KEYS has elevated to FEMA Flood Elevation
No damage to underground system in Hurricane Wilma
KEYS in conformance to PSC Rule

INACCESSIBLE FACILITIES (EASEMENTS)

PSC Rule – Inaccessible Facilities

For new or rebuilt OH facilities the utility shall install in order to facilitate safe and efficient access for maintenance.

- **Status Update on PSC Rule**
City formed a committee to investigate
City of Key West
KEYS
AT&T
Comcast

KEYS performed detail report/study
KEYS' Utility Board passed Resolution #748
KEYS developed interactive "website" on this topic
As of late July 2007, the City advised the committee that the
"easement issue" is under review by City Legal Counsel

Chairman Padron commented that staff needs to stay on top of the accessibility issues.

PSC YEARLY REPORTING

PSC Rule – Storm Hardening Yearly Report to PSC

Utility to design future underground facilities to consider the effect of flooding and minimize effects and improve reliability.

- **PSC Reporting Requirements**

Yearly Utility report due every March

Provide status of “Storm Hardening Program”
on.....

Pole-Testing Program

Revised construction standards

Corrective actions on pole replacement

Vegetation clearance (tree trimming)

Inaccessible facilities

Elevation of underground facilities

Coordination with 3rd party utilities that attach (i.e. AT&T and Comcast)

MISUNDERSTANDINGS & MISCONCEPTIONS (POTENTIAL CUSTOMERS AND EMPLOYEE)

- Customers may think upgrades are done quickly. It’s a five-year program
- Just because it’s a concrete pole does not mean it is at the 150 mph load capacity (existing concrete poles are “NESC Code Compliant” and will remain)
- After 5 years into the program
 - Not every pole will be concrete
 - Only 30% of our distribution will be at 150 mph “extreme code”
 - Remaining facilities will be upgraded to the 150 mph extreme code, at the pole’s end of life (when pole is 66% decayed per NESC code and FPSC)

STATUS SUMMARY

Pole Inspection/Testing

Design to 150 mph EWL

Elevation of Underground Facilities

Yearly PSC Status Report

- **Inaccessible Facilities**

Completed impact study/report
Waiting on direction from City

- **Pole Replacement of Reject Poles**
2 crews performing
100+ replaced to date
3rd crew starts in 2 months
AT&T Pole Replacement Agreement
Pole weights, lifting of certain types
- **Critical Customers (Hospital, EOC, PORT)**
Pole Replacement on track. Complete by 2012
No major issues to delay
Easement poles may impact schedule

FUND DISBURSEMENT (major contracts)

- Osмосе Inc. (pole testing)

Total Contract	\$0.8 M
Total Paid to date	\$0.6M
- Diversified Services (line contractors)

Total Contract	\$13.6M
Total paid to date	\$ 0.5M
- Utility Structures (pole manufacture)

Total Contract	\$3.1M
Total paid to date	\$ 0.1M

TOTAL PROJECT BUDGET - \$17.0M

This concluded Mr. Finigan's presentation.

Agenda Item #4d – Hurricane Reimbursement Update

Mrs. Tejeda referred the Board to the Schedule of FEMA Reimbursements in their packets. She informed the Board that as of this date the total reimbursement expected for Hurricane Dennis has been received, Hurricane Katrina and Hurricane Rita funding should be received by the end of this fiscal year. Funding for Hurricane Wilma is expected by the end of this calendar year or by January.

Mrs. Tejeda had a few other informational items to report to the Board. She proceeded to inform the Board that KEYS' Annual Picnic will be held this Saturday at

the Water Park; last Saturday KEYS participated in the Annual Kids Show, KEYS' booth was a big hit. Mrs. Tejada informed the Board that the fiber award was scheduled for this meeting. However, it will be on the agenda for the September 12th meeting.

AGENDA ITEM #5 – CONSENT AGENDA

- a) Approve Minutes - Regular Meeting - August 8, 2007
- b) Approve Disbursements Report and Budget Amendment #07-39 Emergency Purchase
Insulator Bushings for US-1 Substation Auto Transformer
- c) Approve Renewal of Pollution Liability Insurance Coverage effective 8/12/07 through 8/12/08 with AIG through Key West Insurance, Inc.
- d) Approve FY 2008 Renewal of KEYS' Dental Insurance Program
- e) Approve Revised Bill Insert Policy
- f) Approve the Purchase of Radio Advertising from Clear Channel Metroplex, Inc. for Fiscal Year 2008
- g) Declare Non PCB Transformers as "Surplus"
- h) Declare Miscellaneous Wire & Metal as "Surplus"

Motion was made by Ms. Clark and seconded by Mr. Bradford to approve the Consent Agenda. There being no discussion the motion passed unanimously.

AGENDA ITEM #6 – ACTION ITEMS

Agenda Item #6a – Approve FY 2008 Renewal of KEYS' Health Benefit Program

Mrs. Tejada stated that staff is seeking approval to renew KEYS' Health Benefit Program. KEYS is entering its fifth year with the self-insurance program, it is working well and there are few changes to report. Currently there exists a healthy fund balance and KEYS is able to maintain the current rate structure. The only change that is recommended tonight is to change KEYS' provider network from Beechstreet to Evolutions Healthcare Systems effective October 1, 2007. Other than the network change staff is recommending that everything else remain the same. Staff will do an update in March to make sure the numbers are solid.

Mrs. Greager reported to the Board that Interisk, the insurance consultant and the third party administrator, Preferred Benefits, have reviewed the plan and feel KEYS is not receiving the proper discount from the current network provider, Beechstreet. They have recommended changing to a new provider network known as Evolutions Healthcare Systems. Mrs. Greager referred to the comparison below indicating that the savings are considerably higher with Evolutions Healthcare Systems.

PROPOSED NETWORK - EVOLUTIONS HEALTHCARE SYSTEMS		
CHARGES	SAVINGS	% OF SAVINGS
\$245,089.29	\$ 151,513.63	54%

CURRENT NETWORK - BEECH STREET		
CHARGES	SAVINGS	% OF SAVINGS
\$245,089.29	\$64,415.31	22%

Evolutions is a Florida based company and is able to offer KEYS higher savings as they have better relationships with providers in Florida. Beechstreet is national and is based in California.

Mrs. Greager proceeded to give an update on the Medicare benefit provided to retirees in January stating that it has been positive for the insurance program. Currently 52 of KEYS' 120 retirees are eligible and have Medicare as their primary insurer.

Mrs. Greager provided an example of the savings saying that Medicare participant's claims incurred from October 2006 through August 2007 has totaled \$814,000. Taking into consideration the PPO discounts, KEYS would be responsible for \$477,000 of this amount, KEYS' actual cost has been \$65,000 which is a significant savings.

Mr. Hernandez commented that 52 of the 120 KEYS' retirees are eligible for Medicare and asked if anything is being done to recruit the remaining retirees to apply for Medicare.

Mrs. Greager responded that there are 62 retirees who have the age to apply for Medicare; however, only 52 are eligible there are 10 who do not qualify for Medicare. They have not paid into social security and do not qualify. As others reach the qualifying age for Medicare they are sent a letter informing them to apply for Medicare.

Mrs. Greager stated that the self-insurance program is very healthy with a fund balance of \$1.2 million.

Motion was made by Mr. Hernandez and seconded by Mr. Bradford to approve the FY 2008 Renewal of KEYS' Health Benefit Program.

There being no further discussion the motion passed unanimously.

AGENDA ITEM #7 – OTHER BUSINESS

There was none.

There being no further business to come before the Board the Regular Utility Board meeting of August 22, 2007 convened at 5:55 P.M.

APPROVED:

Robert R. Padron, Chairman

ATTEST:

Lynne E. Tejeda, General Manager & CEO/Secretary

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