

MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON JANUARY 28, 2009 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 Hernandez. Present and answering to the roll call were Utility Board members: Peter Batty; Charles Bradford, Mona Clark and Ty Symroski. Also present at the meeting: Lynne Tejada, General Manager & CEO; Nathan Eden, Attorney; Jack Wetzler, Assistant General Manager & CFO; Suzanne Greager, Director of Management Services; Dale Finigan, Director of Engineering/Control; Alex Tejada, Director of Customer Services, David Price, Director of T&D; Eddie Garcia, Director of Generation, and Stan Rzad, Compliance Administrator.

AGENDA ITEM #4 – RECOGNITION AND PRESENTATION
KEYS OUTSTANDING EMPLOYEE OF THE FIRST QUARTER 2009
CINDY MCVEIGH

Chairman Hernandez stated that the Utility Board is extremely pleased to recognize Cindy McVeigh as the Outstanding Employee for the First Quarter of 2009.

Cindy is the Finance Supervisor for Accounting & Analysis in KEYS' Finance Department and has been with the company close to three years.

Chairman Hernandez told Ms. McVeigh that she was highly recommended by her fellow employees throughout KEYS.

Ms. McVeigh thanked the Board for the recognition.

Chairman Hernandez suggested that if the Board agrees that perhaps staff should perk up the way the employee of the quarter is recognized.

Mrs. Tejada responded that staff will revisit the recognition process.

AGENDA ITEM #5 – INFORMATIONAL ITEMS

Item # 5a – Generation Report

Mrs. Tejada informed the Board that the Generation Report is included in the Board meeting packet and staff is prepared to answer any questions they may have. There were none.

Mrs. Tejada commented in the last month generation has been called upon while system improvements are being done in the substations. On January 5th, 8th and 23rd there were some tieline separations. Key Haven, Stock Island and Key West ran on local generation. All the units were utilized during the separations with the exception of CT #2. The other units have held up very well. There is further operational maintenance coming up and KEYS will rely on local generation again. They are all tentative except for the one scheduled on January 31st.

Mrs. Tejada continued to say that local generation was run for approximately twelve hours on January 21st when the insulator bell failure occurred on US1 in Big Coppitt.

At this time Mr. Finigan proceeded to provide a brief power point describing where the failure occurred and a timeline regarding the outage. The insulator bell that failed was also available for inspection by the Board.

Mr. Finigan pointed out that the outage affected 13,000 customers in the Stock Island and Key West area.

A brief discussion ensued regarding tieline separations.

Mr. Batty asked if there is any viability in bringing the high speed diesels up when one of the lines is out of service so that black start will not be as lengthy.

Mr. Finigan stated that the fuel cost versus the amount of time saved is not cost effective. At one time there was a policy where KEYS ran generation during major events such as Fantasy Fest. Currently KEYS just has personnel readily available to respond in the event that an outage occurs.

Mr. Batty asked if that policy is no longer in place.

Mrs. Tejada responded that staff came to the conclusion that it did not save that much time.

Mr. Finigan informed the Board that in the cases where the generation was run for special events there was never an incident where an outage occurred. He stated that the fuel cost to run the generation was significant.

Mr. Symroski commented that he respects staff's decision. However, it seems that during certain events the danger of a power failure can be troublesome. The danger comes from the mayhem that can occur.

Chairman Hernandez asked how many of the bell insulators are currently in the system.

Mrs. Tejada stated that there are more than 300 of that series of bell insulators. An outage occurred in 2007 at the Key West Diesel Substation which involved this type of insulator bell and as a result of that outage money was budgeted over a two-year period to change out these insulator bells. They are approximately 40 years old. More than two thirds have been changed and the remaining insulators are scheduled to be changed out. There have been three incidents involving failure of this type of insulator. The first was at the Key West Diesel Substation, one was during a hurricane and this last one is the third failure.

Mr. Batty stated that getting back to Mr. Symroski's comments regarding power failures during major events; Fantasy Fest and New Year's Eve are probably the two largest events that take place. He asked if staff can look into the economic viability of running generation during these two events. A brief discussion ensued on this matter.

Mrs. Tejada stated that staff will review the issue and report back to the Board. She commented that cost will be an important factor. Staff can put together a matrix to see if it will make sense or not.

Mr. Batty asked for an update on the fin-fan cooler.

Mrs. Tejada informed that staff does have more information and are in the process of compiling a report to present to the Board in February or March.

Item #5b – FMPA CT #1 Fire Protection Upgrade

Mrs. Tejada stated that Combustion Turbines #1, #2 and #3 are scheduled for fire protection upgrades. The fire protection system is outdated and needs to be upgraded to meet current National Fire Protection Association Standards. Two of the three units come under FMPA and they have quoted out the work. FMPA is hiring Borrel Fire Systems to do the upgrade. FMPA will bill KEYS for CT #1 in the amount of \$70,260. The billing is appropriate for the scope of the work and through KEYS' agreements with FMPA.

Mrs. Tejada stated that staff feels it is appropriate to report the upgrade to the Board because of the expense.

Chairman Hernandez asked if it is a budgeted item.

Mrs. Tejada responded that it is budgeted.

FMPA Strategic Planning Session

Mrs. Tejada informed the Board that FMPA is having a Strategic Planning Session in Orlando next week and she and Chairman Hernandez will attend.

Chairman Hernandez suggested an agenda item sometime in the future to bring the Board up to date on what occurs at the Strategic Planning Session.

Mr. Batty asked how FMPA is operating with the new regime.

Mrs. Tejada stated that they appear to be moving in the right direction. One of their biggest impediments right now is the cities. They are somewhat in disagreement about the future of FMPA which is why strategic planning is critical at this juncture so everyone can get on the same page. There have been a lot of personnel changes in the cities which makes it difficult to maintain continuity.

Mr. Batty asked if FMPA will be a different animal five years down the line as a result of Lake Worth and Vero Beach giving their notice to exit.

Mrs. Tejada stated that the planning process is still the same, they will loose the demand of the two cities, but that will not impact future capacity needs significantly.

Mr. Batty asked for an update on the hedge fund.

Mrs. Tejada stated that for the gas hedging FMPA was hedged significantly for November and the hedges were made when gas was \$14.00 per Million British Thermal Unit (MMBTU), they basically hedged at approximately \$10.00 and now that gas is down \$5.00 to \$6.00 more is being paid and FMPA has had to put up collateral. It is very expensive up front to fund. This item will be of significant discussion at the strategic planning session.

Finance Committee

Mrs. Tejada informed the Board that the Finance Committee will meet on Thursday, January 29th at 2:00 p.m. She stated that Chairman Hernandez and Mr. Bradford serve on this committee.

KEYS Recognition

Mrs. Tejada informed the Board that KEYS was recognized at the Key West Chamber of Commerce's Annual Awards Banquet for receiving all five stars in the chamber's 5 Star Education Program. KEYS was also recognized at the Key West High School Football Banquet for their support and sponsorship during the 2008 season.

AGENDA ITEM #6 – CONSENT AGENDA

- a) Approve Minutes - Regular Meeting - January 14, 2009
- b) Approve Disbursements Report
- c) Declare Non Stock Items as Surplus
- d) Approve Contract for Fuel & Water Tank Painting - Bid #10-09
- e) Award Purchase of Programmable Meters - Bid #11-09

Motion was made by Mr. Batty and seconded by Mr. Bradford to approve the consent agenda. There being no discussion the motion passed unanimously.

AGENDA ITEM #7 – ACTION ITEMS

Item #7a – Approve Resolution #760 – Amending Article 4.01(a) Normal Retirement Benefits and Article 4.02(c) Termination Retirement Benefit Early Retirement Benefits

Mrs. Tejada stated that Resolution #760 accompanies a resolution that has already been approved by the Pension Board. At this time it is requested that the Utility Board approve this Resolution #760. A few months ago the Pension Board discovered that there seems to be a discrepancy in the way the Pension Board of Trustees views how the plan should be administered versus how the Actuary and Pension Plan Attorney view it. The issue concerns people who arrive at retirement age but have fewer than five years of service with KEYS. These individuals have received calculations indicating that they are entitled to receive a pension benefit. The Pension Board was quite surprised that this is the case because the trustees recall that a certain amount of time must be invested to be entitled to receive a pension benefit.

Mrs. Tejada continued to say that the Pension Board adopted Resolution #75 to clarify the mis-interpretation between the Trustees, the Actuary and the Plan Attorney. The resolution states that every member must attain age sixty and completed ten years of credited service or attain thirty years of credited service for full retirement any employee who terminates service for any reason with less than five years of employment will not be entitled to any pension benefit.

Resolution #760 is a companion resolution that basically states the same thing as the resolution adopted by the Pension Board.

Motion was made by Mr. Bradford and seconded by Mr. Symroski to approve Resolution #760 – Amending Article 4.01(a) Normal Retirement Benefits and Article 4.02(c) Termination Retirement Benefit Early Retirement Benefits. The motion was called and the following vote was recorded:

Mr. Batty	Yes
Mr. Bradford	Yes
Ms. Clark	Yes
Mr. Symroski	Yes
Chairman Hernandez	Yes

OTHER BUSINESS

Mr. Batty requested to be excused from the January 14, 2009 Utility Board meeting. Motion was made by Ms. Clark and seconded by Mr. Symroski to excuse Mr. Batty from the January 14, 2009 meeting.

Mr. Symroski requested to be excused from the December 10, 1008 Utility Board meeting. Motion was made by Ms. Clark and seconded Mr. Batty to excuse Mr. Symroski from the December 10, 2008 meeting.

Mr. Tom Milone requested to address the Board. Mr. Milone made a request that window air conditioners be included in the FMPA rebate program.

Mrs. Tejeda stated that Mr. Milone had mentioned this matter to her at the last Utility Board meeting. She informed that the Green Committee will be discussing it at their next meeting. There is also an Energy Advisory Committee meeting coming up with FMPA and the question will be raised as to why the window air conditioners are not included.

Mr. Batty thanked Mr. Milone for bringing the matter to the Board's attention.

Ms. Clark made an inquiry regarding the sales tax underpayment issue.

Mrs. Tejeda stated that all the accounts involved have been billed in the month of January and thus far two calls have been received from customers who have stated that they are not paying the sales tax. They have been advised that the tax is part of their bill and non payment can result in their service being disconnected.

Mr. Bradford stated that the Board recently visited the FKEC solar array located in Marathon. The solar array cannot be justified as far as efficiency is concerned. He said that FKEC commented that the technology installed in December is already old technology.

Mr. Bradford expressed that KEYS should still explore installing a solar array there are enough people who want solar. Perhaps KEYS should not wait for FMPA and install a small array to allow the rate payers to see what can be done with solar. It isn't really efficient but if KEYS doesn't start doing something the truly efficient method will never be found.

Mrs. Tejada stated that staff will revisit the matter. When the Green Workshop was held last year in the spring there were different ideas on the table and at the time because KEYS was entering into a year with a rate increase the Board expressed reluctance at that time to do anything that would push costs in any way. Staff will re-evaluate whether solar or some other type of renewable source can be installed in KEYS' service area.

Mr. Batty stated that he agrees with Mr. Bradford and perhaps an area can be identified such as the swale in front of the High School to install a small solar array. It should be done within a reasonable timeframe. The idea shouldn't be studied for two years and then say it can't be accomplished. Technology is constantly changing but the best technology that is available today should be utilized this should also apply to smart metering.

Mr. Symroski commented that he would like to reiterate the importance of moving forward very quickly. He stated that he isn't extremely concerned about raising the utility bills one iota. If the bills must be increased to do what is right for the future generation it needs to be done or they will greatly pay later on.

Mr. Symroski stated that he also realizes that the cost involved is very expensive. However, if this is considered as an educational significance to students, the community, tourists, etc. then it can be very valuable.

Mr. Bradford stated that the solar array should be located somewhere so that it is highly visible to the community.

ADJOURNMENT

There being no further business to come before the Board a motion was made by Mr. Symroski to adjourn the Regular Utility Board meeting of January 28, 2009 at 5:45 p.m.

APPROVED:

Lou Hernandez, Chairman

ATTEST:

Lynne E. Tejada, General Manager & CEO/Secretary

