

MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON DECEMBER 9, 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: Charles Bradford, Mona Clark and Peter Batty. Also present at the meeting: Lynne Tejeda, General Manager & CEO; Nathan Eden, Board Attorney; Jack Wetzler, Assistant General Manager & CFO; Alex Tejeda, Customer Services Director; Suzanne Greager, Management Services Director; Dale Finigan, Director of Engineering/Control Center; David Price, Director of T&D; Eddie Garcia, Director of Generation, and Stan Rzad, Compliance Administrator.

AGENDA ITEM #4 – SET AGENDA

There were no changes to the agenda and the agenda was set.

AGENDA ITEM #5 – RECOGNITION AND PRESENTATION

Agenda Item #5a – Completion of Power Line Design & Construction Course
Jeff Partington

Chairman Hernandez stated the Utility Board would like to recognize Mr. Partington for his voluntary completion of the Power Line Design and Construction program.

Chairman Hernandez said the program contained multiple sections that ranged for safety procedures to learning the intricacies of electric power substations.

Chairman Hernandez said that Mr. Partington works within KEYS' Control Center and has been with KEYS for a little over 7 year.

Chairman Hernandez congratulated Mr. Partington on behalf of the Board.

Mr. Finigan advised the Board that Mr. Jeff Partington is in the control center and is unable to accept the certificate in person.

Agenda Item #5b – Completion of Transmission Systems Operations Training
Roger George

Chairman Hernandez said the Utility Board would like to recognize Mr. Roger George for his voluntarily completion of the Transmission Systems Operations Training.

Chairman Hernandez stated that the course is an online training program and covers all of the National Electric Reliability Council (NERC) standards and their applications within the utility.

Chairman Hernandez said the Mr. George works with in KEYS' Control Center and has been with KEYS for 21 years.

Chairman Hernandez congratulated Mr. George on behalf of the Board.

Mr. George thanked the Board for the recognition.

Agenda Item #5c – Retirement 26 Years of Service- Susana Plowman

Chairman Hernandez stated the Utility Board is extremely pleased to recognize Mrs. Susana Plowman on the occasion of her impending retirement from KEYS after 26 years of service. He added that counting total years of interrupted service to the utility, Mrs. Plowman has put in nearly 40 years.

Chairman Hernandez said Mrs. Plowman was originally hired in 1967, and her latest run began in 1983. Throughout her tenure at KEYS she held numerous positions within the utility to include Head Cashier, Insurance Clerk, and numerous secretarial positions prior to ending her career as Executive Assistant to the General Manager & CEO and Utility Board Secretary.

Chairman Hernandez told Mrs. Plowman her dedication and many years of service to KEYS is one for the record books and to be commended.

Chairman Hernandez stated that on behalf of his fellow Board members he thanked Mrs. Plowman for all she has done for KEYS and the Board.

Mrs. Plowman thanked the Board for the recognition.

AGENDA ITEM #6 – INFORMATIONAL ITEMS

Agenda Item #6a – Power Supply Report

Mrs. Tejada informed the Board that the Power Supply Report is included in the packet.

Mr. Tejada advised the Board there are two transmission outages listed in the report.

Mrs. Tejeda stated since October 24th KEYS has experienced four separate transmission outages. One was in KEYS service area on November 21st which affected the island of Key West. The other three transmission outages affected all customers and all three originated in the Florida Keys Electric Co-Operative (FKEC).

Mrs. Tejeda said the three outages were all recorded as undetermined faults but equipment pinpointed the faults to roughly the same location.

Mrs. Tejeda advised the Board that Mr. Finigan is communicating with FKEC and working to identify the recurring problem.

Mr. Bradford said he received an email and his perception of the email was that FKEC was not as concerned as KEYS.

Mr. Finigan stated he feels FKEC is concerned and FKEC has ridden the line multiple times and the next step is to do an aerial inspection of the line. Mr. Finigan said KEYS is in support of the aerial inspection knowing that KEYS will have to pay a percentage of the cost.

Mr. Batty asked Mr. Finigan what he thinks is causing the outages. Mr. Finigan replied he thinks it could be insulators or something breaking down.

Mr. Bradford asked if FKEC customers were out. Mr. Finigan replied that their Marathon Substation was out but they did not experience a system wide outage like KEYS did.

Agenda Item #6b – Generation Report

Mrs. Tejeda 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.

Agenda Item #6c – Rate Comparisons

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

Mrs. Tejeda said she has additional informational items she would like to update the Board on.

No Name Key

Mrs. Tejeda informed the Board that on Friday representatives from the No Name Key Homeowners Association came in gave their \$13,800, deposit for KEYS to continue with preliminary work in preparation for the electrification of No Name Key.

Mrs. Tejada stated that KEYS has not received official approval from Florida Fish and Wildlife nor approval from the County. Mrs. Tejada said that the Homeowners Association is aware that final approval has not been received and they have advised KEYS they are comfortable moving forward without approval and to start the bid process and start additional survey work.

Mr. Batty asked if they are aware the deposit is non refundable. Mrs. Tejada replied they are aware and it is refundable to the point KEYS does not use the money. Mrs. Tejada said that it is also clearly written in a document they signed and Mr. Eden has reviewed the document.

Eco Discovery Center Solar Project

Mrs. Tejada advised the Board that KEYS, Florid Municipal Power Agency (FMPA), National Oceanic and Atmospheric Administration (NOAA) and Advanced Roofing (ARI) met today to review all plans for the solar project and installation, which is to begin on Monday and completion is expected in the first or second week of January.

Line Supervisor

Mrs. Tejada informed the Board that Mr. James Newton was selected for the Line Supervisor position. Mr. Newton position was previously held by Mr. Russell Free whom recently retired.

The Board congratulated Mr. Newton on his promotion.

Chairman Hernandez asked for an update on the Holiday Parade and apologized for not being in attendance. Mrs. Tejada said there was a big crowd and the route was longer than in past years.

Mr. Batty reiterated Mrs. Tejada's comments.

AGENDA ITEM #7 – CONSENT AGENDA

- a) Approve Minutes - Regular Meeting – November 18, 2009
- b) Approve Disbursements Report
- c) Award Purchase of Stainless Steel Piping for Fuel Line Replacement, KEYS Bid # 02-10 and Declare Associated Equipment as Surplus
- d) Declare Miscellaneous Wire and Metal as Surplus

Motion was made by Mr. Batty and seconded by Mr. Bradford to approve the Consent Agenda. The motion passed unanimously.

AGENDA ITEM #8 – ACTION ITEMS

Agenda Item #8a – Approve Change Order #1 to Motor City Electric, Co., for Electrical Substation Construction and various Miscellaneous Construction Services

Mrs. Tejada said that staff is seeking approval of Change Order #1 to Motor City Electric, Co., for a multi year project that was originally approved in 2007 for \$4.2 million.

Mrs. Tejada informed the Board the work included construction of the new substation on Stock Island and various upgrades to the Kennedy Drive and US1 substations. She said there is still additional work to complete on the project but a majority of the work has been completed.

Mrs. Tejada stated that staff is recommending a Change Order to reduce the original cost by \$275,675.80 from \$4,165,363 to \$3,889,387.

Mrs. Tejada said included in the packet there is a description to the components that went into making the reduction.

Motion was made by Mr. Batty and seconded by Ms. Clark to Approve Change Order #1 to Motor City Electric, Co., for Electrical Substation Construction and various Miscellaneous Construction Services.

Mr. Batty asked if items were eliminated or was pricing reduced. Mrs. Tejada replied that some items were eliminated.

There being no further discussion the motion passed unanimously.

Agenda Item #8b – Approve Change Order #1 for 13.8kV Switchgear and Transformer Replacement and Budget Amendment # 10-03

Mrs. Tejada said that staff is seeking approval of Change Order #1 to Motor City Electric, Co. Mrs. Tejada said this Change Order is a separate project that was originally awarded in October of 2008.

Mrs. Tejada informed the Board that this was for work completed at the US 1 Substation for upgrading switchgear, the transformer and the control building.

Mrs. Tejada said it was originally awarded for \$1.6 million and that staff is seeking a Change Order, for an increase of \$40,655. due to changes that KEYS has requested. This is a 2.5 percent increase

Mrs. Tejada stated that the project is not complete and there remains about two more months of work.

Mrs. Tejada said there is also an associated budget amendment staff is seeking approval for.

Motion was made by Ms. Clark and seconded by Mr. Batty to Approve Change Order #1 for 13.8kV Switchgear and Transformer Replacement and Budget Amendment # 10-03. The motion passed unanimously.

Agenda Item #8c – Approve Fifth Amendment to the Decommissioned Stack Attachment Lease Agreement between KEYS and New Cingular Wireless PSC, LLC

Mrs. Tejada informed the Board back in 1996 KEYS began a relationship with AT&T to allow AT&T to attach communications equipment to the decommissioned Stock Island Steam Plant Stack.

Mrs. Tejada said that the original contract has been amended four times the first in 1999, second in 2001, third in 2005 and fourth in 2008.

Mrs. Tejada reported that earlier in the year it was determined that the stack is in need of considerable repair. Staff performed a cost analysis to determine if it would be cost effective to repair the stack and continue leasing to AT&T and the Coast Guard. She said that improvements to the stack were approved at a previous Board meeting.

Mrs. Tejada stated that KEYS began negotiations with both AT&T which is doing business as New Cingular Wireless PSC and the Coast Guard. Both entities expressed a strong desire to maintain the attachments.

Mrs. Tejada informed the Board that KEYS has negotiated the Fifth Amendment to the AT&T lease which begins January 1st for \$65,000, this year and an annual increase of 5 percent each year after.

Mrs. Tejada said that the Fifth Amendment requires that the first year be pre paid in order to pay for improvements to the stack. Also there is no exit clause for the first two years, which will insure that KEYS expenses are covered for repairs to the stack. There is additional language which adds in a late payment clause and clarifies termination, default and removal of attachment.

Mrs. Tejada stated that AT&T has not signed the Fifth Amendment and is waiting for it to make the way through the quagmire of bureaucracy. Usually KEYS has vendors sign contract first prior to KEYS signature.

Mrs. Tejada said that staff is asking the Board to approve the amendment and authorize Chairman Hernandez to sign amendment when received to make effective on January 1st.

Motion was made by Mr. Batty and seconded by Mr. Bradford to Approve Fifth Amendment to the Decommissioned Stack Attachment Lease Agreement between KEYS and New Cingular Wireless PSC, LLC.

Mr. Batty asked what the final cost was for the repairs to the stack. Mr. Wetzler replied approximately \$130,000., over the first five years. He said the repairs alone are an estimated \$103,000.

Mr. Batty asked with the guaranteed two year lease period KEYS will cover the cost of the repairs no matter what. Mr. Wetzler replied yes cost will be covered by AT&T alone.

Mrs. Tejada informed the Board that the Coast Guard has also agreed to a new lease but are unable to complete paperwork until they receive their allocation from the Federal Government.

Mr. Batty said he recalls the Coast Guards lease being significantly lower than AT&T. Mrs. Tejada said that is correct and it remains lower. She said one change that was made effectively immediately is that the Coast Guard was not paying an electric bill and electricity was included in station service and KEYS has changed and the Coast Guard agreed to change.

Mr. Wetzler informed the Board that the Coast Guard has agreed to increase yearly lease from \$6,000 to \$25,000 when a new lease is executed next year.

There being no further discussion the motion passed unanimously.

Agenda Item #8d – Approve Keys Energy Services Supplemental Investment Policy

Mrs. Tejada informed the Board the Investment Committee and Craig Dunlap, KEYS Financial Advisor met prior the Board meeting to review Keys Energy Services Supplemental Investment Policy.

Mrs. Tejada stated that both the Investment Committee and Mr. Dunlap agree that it is a good policy. Mr. Dunlap was involved in the development of the policy. Mrs. Tejada pointed out that Mr. Dunlap is in the audience.

Mrs. Tejada said that KEYS is currently earning less than .04 percent in interest in current investments. She stated staff is very uncomfortable with such low interest earnings

Mrs. Tejada said that Mr. Dunlap advised staff there are a number of opportunities for investments which would be better for the utility.

Mrs. Tejada said the policy would identify different areas where KEYS can invest and how to invest. The investment Committee would review and Mr. Wetzler and Mrs. Tejada would make the decisions on where to invest the money based on the guidelines within the policy.

Mrs. Tejada stated that the policy puts the safety of the money, the liquidity of the money and the earning as the three priorities with the safety being the number one priority.

Mrs. Tejada said that staff recommends that the Board approve the Supplemental Investment Policy so KEYS can begin to earn more on interest.

Motion was made by Ms. Clark and seconded by Mr. Bradford to Approve Keys Energy Services Supplemental Investment Policy.

Mr. Batty stated he agrees wholeheartedly and requested that when an investment is changed that the Board be notified. Mrs. Tejada said yes the Board will be notified.

There being no further discussion the motion passed unanimously.

Agenda Item #8e – Award Contract to Rebuild One High Speed Diesel and remove two remaining engines, Alternate Bid # 23-09, and Declare two HSD engines and Associated Equipment as Surplus

Mrs. Tejada said in October staff presented the Board with a presentation and discussion regarding the retirement of the three high speed diesel generation units (HSD) installed at Stock Island in the 1960's. The Board gave staff conditional approval to retire the units pending the outcome of a bid.

Mrs. Tejada informed the Board that since that approval, KEYS has received bids and received approval from the Florida Municipal Power Agency (FMPA) All Requirements Project (ARP) agreeing to waive the two year notification which is in the ARP contract.

Mrs. Tejada stated based on the bids staff's recommendation is to surplus two of the HSD's and associated equipment and rebuild one of the units for a 2.2 MW out put that will provide station service for Stock Island.

Mrs. Tejada reported that staff was surprised when the bids were received that the cost of rebuilding a unit was in line with the cost of a brand new unit. Staff believes that rebuilding the unit is a better solution since it is industrial grade and built to run for long periods of time. She also added that KEYS operators already know the system and KEYS has a full inventory of spare parts.

Mrs. Tejada said it is staff's recommendation to award the contract to rebuild one high speed diesel and remove the two remaining engines to Power Secure Inc., for a total price of \$1,096,234. Representatives from Power Secure Inc., are in the audience.

Motion was made by Mr. Batty and seconded by Ms. Clark to Award Contract to Rebuild One High Speed Diesel and remove two remaining engines, Alternate Bid # 23-09, and Declare two HSD engines and Associated Equipment as Surplus.

Mr. Batty asked if Power Secure Inc., will be bonded and does the bond include that the out put will be 2.2 MW. Mr. Wetzler said there is a performance bond and the bid specifications require a 2.2 MW out put and KEYS has progress payments and would not pay off if 2.2 MW was not satisfied.

There being no further discussion the motion passed unanimously.

OTHER BUSINESS

Mr. Bradford asked Mr. Finigan if FKEC has additional generating capacity other than their solar field. Mr. Finigan replied yes.

Mr. Bradford asked Mr. Finigan asked what the additional generating capacity was. Mr. Finigan replied roughly 25 MW.

Mr. Batty stated that FKEC has a contract with KEYS, which they pay even if they do not use. Mr. Finigan replied yes the contract is for 12 MW and yes pay regardless if they use or not.

ADJOURNMENT

Motion was made by Mr. Batty to adjourn the Regular Utility Board meeting of December 9, 2009 at 5:29 p.m.

APPROVE:

Lou Hernandez, Chairman

ATTEST:

Lynne E. Tejada, General Manager/CEO & Secretary

/ed