

MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON FEBRUARY 17, 2010 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 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 Rząd, 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 System Coordinator Apprenticeship Program – Eric Balbuena

Chairman Hernandez stated the Board is extremely pleased to recognize Eric Balbuena for completing the Power System Coordinator Apprenticeship Program.

Chairman Hernandez said that the two-year program consists of eight sections during the first year that focus on dispatching and nine sections during the second year that focus on power coordination and on-the-job training. To complete the apprenticeship program, Mr. Balbuena also had to cross-train with various field employees throughout the company.

Chairman Hernandez stated that Mr. Balbuena is the first and only at KEYS to have passed his NERC certification which covers NERC standards and applications within the utility. This is a tremendous honor and achievement.

Chairman Hernandez said that Mr. Balbuena works within KEYS' Control Center and has been with KEYS since 2003 and was elevated to Power Systems Coordinator in January.

The Board congratulated Mr. Balbuena on his accomplishment.

Mr. Balbuena 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 Board meeting packet and staff is prepared to answer any questions they may have.

Mrs. Tejada reported that on Monday night all KEYS customers experienced a brief transmission power outage which originated in the Florida Keys Electric Co-Operative's (FKEC) service area.

Mrs. Tejada stated that FKEC reported that the fault indicator placed the outage at mile marker 79, which is near the area of the previous faults prior to the holidays.

Mrs. Tejada said FKEC crews road out the lines and did not find anything specifically related to transmission or distribution. FKEC did report they had a distribution outage at the same time KEYS outage occurred. She said that FKEC continues to investigate and will explore further to determine if the outages were related.

Chairman Hernandez asked if FKEC preformed the helicopter inspection. Mrs. Tejada said the helicopter inspection was preformed on New Year's Day.

Chairman Hernandez asked if FKEC has taken any other precautionary measures. Mr. Finigan said they changed out a string of distribution insulators and one transmission but neither showed concrete evidence of the problem.

Mr. Symroski reported that he was very proud of KEYS crews when Mr. Jim Scholl, Key West City Manager commented on how effective and professionally crew were on Cudjoe Key when replacing a concrete pole and reattaching lines after a car accident recently. He said it was nice to receive the positive feed back.

Mr. Symroski thanked Mrs. Tejada and the crews that completed the work.

Mr. Hernandez stated he also received several positive complements regarding the information provided to customers via the KEYS' Facebook Page and thanked Mr. Julio Barroso for providing the information to customers.

Agenda Item #6b – 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.

Mrs. Tejada stated this is the first report that shows the capacity since the High Speed Diesels (HSD's) were retired. She said that the report shows a slight decrease in capacity.

Agenda Item #6c – Rate Comparison

Mrs. Tejada informed the Board that the Rate Comparison is included in the Board meeting packet and staff is prepared to answer any questions they may have.

Mr. Bradford asked if it was known why there was a 10 percent increase in FKEC's rates for December. Mrs. Tejada said she was not sure but she would follow up and provide an answer.

Agenda Item #6d – Investment Planning Report

Mrs. Tejada informed the Board that the Investment Planning Report is included in the Board meeting packet and she reported that KEYS invested another 5.5 million on CD's earning 1 percent.

Mrs. Tejada said the detail is provided in the report and asked that Board if they had any questions. There were none.

Agenda Item #6e – Advisory Committee Update

Mrs. Tejada stated that Mr. Batty attended the Advisory Committee Meeting yesterday and provided outgoing Advisory Chairman Henry Hamilton with a plaque for his dedication and six years of service.

Mrs. Tejada reported that Mr. Hamilton termed out. She said that Ms. Metcalf and Mr. Gilleran just completed their first terms and both requested to remain on the Advisory Committee for a second term.

Mrs. Tejada said that Mr. Hamilton's seat (District 2) which serves Key Haven to Big Coppitt is currently being advertised and KEYS will accept applications through next week. She said that staff will provide the Board with the names of applicants at the first meeting in March where the Board will appoint the new District 2 seat.

Mr. Symroski asked if they will be background information provided on the applicants. Mrs. Tejada said yes and the application will be provided in the Board packet prior to the meeting.

American Public Power Association Anniversary Calendar

Mrs. Tejada informed the Board that as part of American Public Power Associations (APPA's) 70th year anniversary, the association is having a variety of activities. She said that APPA produced a calendar and used historical photograph that utilities submitted.

Mrs. Tejada said that APPA selected a KEYS photo of a bucket truck at the Angela Street Diesel Plant for the month of February. She said that KEYS is the only utility in Florida that made the calendar and thanked Mr. Barroso for his efforts in providing the photo to APPA. The calendar was passed around for the Board members to view.

AT&T Cable

Mrs. Tejada informed the Board that today KEYS line crews were working on the pole replacement project. When crews were digging a hole to install a concrete pole an AT&T cable was severed.

Mrs. Tejada said that this caused problems for business within the area which are served by the line. She said the initial estimates are \$50,000 to \$100,000 but she is hopeful that amount will decrease.

Mrs. Tejada stated that the incident was a mistake that KEYS crews made and KEYS is taking the fault.

Mr. Batty asked if KEYS has insurance which will cover the cost of the damages. Mrs. Tejada replied yes KEYS does have insurance with a deductible of 5,000.

Mrs. Tejada said the Citizen has already contacted Mr. Barroso and an article is expected to run in the newspaper tomorrow.

AGENDA ITEM #7 – CONSENT AGENDA

- a) Approve Minutes - Regular Meeting – January 27, 2010
- b) Approve Disbursements Report
- c) Approve Contract for Tank #3 Stair Replacement – Bid #09-10
- d) Award Bid for Purchase of Programmable Meters and Current Transformers – Bid #08-10
- e) Award the Repair of US-1 Autotransformer #1, BID# 05-10 and declare associated equipment as surplus

Motion was made by Mr. Batty and seconded by Ms. Clark to Approve the Consent Agenda as changed. The motion passed unanimously.

AGENDA ITEM #8 – ACTION ITEMS

Agenda Item #8a – Approve Resolution #768 - Amending Article Four, Section 4.09 of the Retirement Plan Document – Benefit Adjustments

Mrs. Tejada stated that this item came before the Board at the last Utility Board meeting and the item was postponed to allow all five Board members to participate in the discussion.

Mrs. Tejada informed the Board that Resolution #768 is a companion Resolutions to the Pension Board of Trustees Resolution #77, which was approved at their January 12th meeting.

Mrs. Tejada said that the Resolution is proposing that Article Four, Section 4.09 of the Retirement Document be amended to change the language regarding retiree's annual increase.

Mrs. Tejada stated that the Resolution will remove the language that states that the retirees receive a 3 percent annual increase and that the Actuary or Financial Advisor can recommend to decreased or eliminate the 3 percent.

Mrs. Tejada said the Trustees want the language removed for two reasons. First, the Trustees do not have a Financial Advisor. Second, the Actuary says he does not see a time where he will recommend eliminating or decreasing the 3-percent because his planning assumptions include the 3-percent.

Mrs. Tejada stated that Resolution #768 has added language stating that the 3-percent annual increase cannot be lowered for current retirees or current plan members.

Mrs. Tejada informed the Board that the retirees began receiving a 2-percent increase every other year in 1986. Then effective as of 1991 it was changed to 2-percent increase annually. In 2001 the current Resolution was adopted and the increase was changed to a 3-percent annual increase.

Mrs. Tejada said the language pertaining to the Actuary and Financial Advisor has been present in all of the Resolutions since 1986.

Mrs. Tejada stated it is the recommendation of the Pension Board of Trustees to approve Resolution #768.

Motion was made by Mr. Bradford and seconded by Ms. Clark to table the Approval Resolution #768 - Amending Article Four, Section 4.09 of the Retirement Plan Document until the May 26th Utility Board meeting.

The roll was called and the following vote was recorded:

Mr. Batty	Yes
Mr. Bradford	Yes
Ms. Clark	Yes
Mr. Symroski	No
Chairman Hernandez	Yes

Agenda Item #8b – Approve Emergency Purchase of Three Circuit Switches

Mrs. Tejada informed the Board that in October of 2009, KEYS and FMPA contracted with S&C Electric Company to perform an inspection and evaluation of the Circuit Switcher that serve the three Combustion Turbines (CT).

Mrs. Tejada said that S&C Electric Company submitted a report of their findings in December and the report recommends that two sets of bearings for the repair of Circuit Switchers #1 and #2 for CT1 and CT2, which includes the blades and contactors. They will also complete additional minimal work on Circuit Switcher #3 for CT3.

Mrs. Tejada stated KEYS would like the work completed prior to hurricane season. Therefore KEYS did not go through the competitive bid process but went out and

received quotes from companies which were capable and able to complete work within KEYS timeframe.

Mrs. Tejada said FMPA has agreed to fund 50 percent of the total replacement cost of the project.

Motion was made by Mr. Bradford and seconded by Ms. Clark to Approve Emergency Purchase of Three Circuit Switches.

Mr. Batty asked there was enough time for KEYS to go out for competitive bid. Mrs. Tejada said if KEYS went out on competitive bid it would not be ready to award till March and there would have been trouble ordering the equipment and installing before the May 1st deadline.

Mr. Batty asked if the equipment is being ordered and installed by the same company. Mrs. Tejada replied yes.

Mr. Symroski asked if there was any connection between Powerserve Technologies and S&C Electric Company. Mr. Garcia replied no they are two different companies.

OTHER BUSINESS

Mr. Symroski said he was happy to see the recent article on KEYS recycling in the Citizen and thanked staff for their efforts and Mr. Barroso for helping publicize the news.

ADJOURNMENT

Motion was made by Mr. Batty and seconded by Mr. Symroski to adjourn the Regular Utility Board meeting of February 17, 2010 at 5:21 p.m.

APPROVE:

Lou Hernandez, Chairman

ATTEST:

Lynne E. Tejada, General Manager/CEO & Secretary

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