

**MINUTES FROM THE NATURAL GAS PRICING WORKSHOP
THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA,
THURSDAY, JUNE 2, 2022 – 1:30 P.M.
KEYS ENERGY SERVICES BOARD ROOM**

The above referenced workshop of the Utility Board of the City of Key West, Florida, convened at 1:30 P.M., on the above date and location and was called to order by Utility Board Chair Ms. Mona Clark.

Utility Board Members Present

Mona C. Clark, Utility Board Chair
Timothy Root, Utility Board Vice Chair
Robert Barrios, Member
Pat Labrada, Member
Steve Wells, Member

Staff Present

Lynne Tejeda, General Manager & CEO
Nathan Eden, Utility Board Attorney
Dan Sabino, Director of Engineering & Assistant General Manager
Edee Delph, Executive Assistant to GM/CEO & Utility Board
Nick Batty, Director of Legal & Regulatory Services
Jesse Perloff, Director of Finance & CFO
Julio Torrado, Director of Human Resources & Communications
Joe Weldon, Director of Generation
Erica Zarate, Director of Customer Services
Jeanette Williams, Supervisor of Accounting & Financial Analysis
Amy Haas, Accounting & Financial Analyst
Katherine Lansdown, Accounting & Financial Analyst
Michael Wedincamp, Communications Coordinator

Others Present

Jacob Williams, FMPA General Manager & CEO
Navid Nowakhtar, FMPA Resource and Strategic Planning Manager
Tom Geoffroy, Florida Gas Utility, General Manager & CEO

Mrs. Tejeda stated that natural gas prices have recently risen substantially, and today's workshop is to provide the Board with information on the status of customer bills, offer an overview of natural gas prices and discuss natural gas hedging opportunity.

Mrs. Tejeda reviewed the components of KEYS bill and discussed the charges associated with customer bill, description of charge, current rates and total amount for 1,000-kilowatt hour (kwh).

Mr. Williams reviewed and discussed the following with the Board:

- U.S. Energy Prices Up 100% – 260% in Last Year
 - Global Energy Prices Up 120% – 400% Year Over Year
- U.S. Agricultural Prices Up 30-130% in Last Year
 - Global Dependency on Raw Materials Increasing Prices
- FY 2022 New York Mercantile Exchange (NYMEX) Contract \$3.85/MMBtu above Budget
 - NYMEX Natural Gas FY22 Settlement as of May 31, 2022
- Futures Pricing Drops Substantially After Winter 2023
 - Summer 2023 Averages \$5.03 vs. \$8.35 for Summer 2022
- Natural Gas Production Flat Despite Changes in Oil Prices
 - Average Monthly Change Since 2019 to Date (5/27/22)
- Drilling Rig Count Slight Increase, Oil Prices Remain Elevated
 - WITnet (WTI) Prices above \$100 for Past 3 Months (as of May 27th)
- Most Natural Gas Use Immune to Price Increases
 - Transport Uses of Oil Will Decline on High Prices
- Gas Storage Inventory as of Week Ending May 27th
 - 2022 Storage Season forecasted to remain in the Lower Level of the 5 Year Average

Mr. Williams provided the Board with estimated seasonal gas usage for the All-Requirements Project (ARP) Generation mix.

Mr. Williams informed the Board that gas prices drive range the cost of energy with every dollar increase in natural gas driving the ARP all-in cost of electricity by an estimated \$6.50 per megawatt hour.

Mr. Williams also discussed the implications of purchasing gas at fixed prices for the period of April 2023 through March 2024.

After discussion the Board requested additional information and generally indicated an interest in purchasing gas at known prices to reduce the risk associated with high natural gas prices.

Mrs. Tejada suggested that the Board have additional discussion at the next Utility Board meeting and be prepared to provide direction on whether or not they wish to hedge gas and if so to consider the volume to hedge, the duration of the hedge and the price target for the purchase.

It was the consensus of the Board to discuss and take action at the next Utility Board meeting.

(Documents provided at the meeting are available upon request)

ADJOURNMENT

The Utility Board Natural Gas Pricing Workshop of June 2, 2022, was adjourned by Utility Board Vice Chair Mr. Timothy Root at 2:57 P.M.

APPROVE:

Mona C. Clark, Utility Board Chair

ATTEST:

Lynne E. Tejeda, General Manager/CEO & Secretary

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