

**MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON JANUARY 13, 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: Charles Bradford, Mona Clark, Ty Symroski 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**

Mrs. Tejeda stated there are two additional informational items to come before the Board. The first is a No Name Key Update, which will be item 5i. The second is an item at the request of Mr. Symroski regarding a Climate Challenge request from the City of Key West, which will be item 5j.

There being no opposition from the Board and no additional requests the agenda was set.

**AGENDA ITEM #5 – INFORMATIONAL ITEMS**

**Agenda Item #5a – Power Supply Report**

Mrs. Tejeda informed the Board that the Power Supply Report is included in the Board meeting packet staff and is prepared to answer any questions they may have.

Mrs. Tejeda informed the Board that KEYS has had higher loads than normal within the last week. She said on Sunday KEYS peak was 128 MW and the normal average this time of year is 90 MW.

Mrs. Tejeda stated that Florida Municipal Power Agency (FMPA) believes they hit a new system-wide peak on Monday of 1,408 MW.

**Agenda Item #5b – 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.

### **Agenda Item #5c – Quarterly Safety Update**

Mrs. Tejada informed the Board that this item is a new report which will be provided to the Board on a quarterly basis at the request of Mr. Symroski.

Mrs. Tejada stated the report consists of two charts. The first chart shows the hours involved in safety meetings and safety related training sessions. The second chart shows incidents and accidents that have occurred.

Mrs. Tejada asked the Board if they had any suggestions for additional information to be added to the report or if they had any changes regarding the presentation of the report. There were none.

Mrs. Tejada said she is proud to report that employees just completed a full six months without a lost time accident. Per KEYS safety incentive program, employees were awarded four hours of leave.

### **Agenda Item #5d – Schedule of Unit Price Purchase Orders**

Mrs. Tejada informed the Board that the Schedule of Unit Price Purchase Orders is quarterly report and is included in the Board meeting packet. Staff is prepared to answer any questions the Board may have. There were none.

### **Agenda Item #5e – Power Cost Adjustment (PCA) Update**

Mrs. Tejada reported that KEYS plans to decrease the PCA in February.

Mrs. Tejada gave the Board some historical information that in April 2009 the PCA was \$19.50 per 1000 kWh with a total bill of \$153.67 and in October 2009 the base rate decreased which reduced the PCA to \$13.60 per 1000 kWh with a total bill of \$153.55.

Mrs. Tejada said that in February KEYS plans to reduce the total bill by three percent and the PCA will go from \$13.60 to \$9.05 with a total bill of \$149.00 for customers consuming 1,000 kWh of energy.

Mrs. Tejada stated that KEYS is in the position of being over collected and for the last several years the All Requirements Project (ARP) projections were less than the actuals. When KEYS figures projections, higher energy and demand cost are assumed rather than what is projected. She said that trend has changed over the last several months and now FMPA's projections are usually higher than actual resulting in a positive gain for KEYS and higher than projected sales means KEYS has over collected.

Mrs. Tejada informed the Board that KEYS is confident that the \$9.05 is sustainable over the next three months and if projections and sales continue to be as strong as they currently are it is possible the PCA rate will be sustained longer.

Mr. Batty asked how much is currently in the rate stabilization fund. Mr. Wetzer replied approximately \$2,000,000.

There was no further discussion on this item.

### **Agenda Item #5f – Investment Planning Committee 2009 End of Year Report**

Mrs. Tejada stated in December the Board approved a new Investment Policy and in December Finance actively moved KEYS funds to increase investment earnings.

Mrs. Tejada said the graph included in the Board packet shows the interest earnings expected in December when KEYS had \$13,700,000 in a repurchase agreement with First State Bank earning 0.37 percent and \$14,300,000 in a cash account earning 0.37 percent.

Mrs. Tejada reported that KEYS spoke to First State Bank regarding the existing purchase agreement and cash accounts and they have increased the interest rate to 0.7 percent. She then stated that money was moved from the two accounts and placed into CD's. One CD is now locked in for one year with TIB Bank of the Keys earning 1.7 percent and the other CD is locked in for six months with First State Bank earning 1.0 percent. KEYS plans to invest between \$6,000,000 and \$10,000,000 into CD's in 2010 and will report such investments to the Board as they occur in a similar format.

### **Agenda Item #5g – Annual KEYS' Self Insurance Health Plan Certification**

Mrs. Tejada stated that the Self Insurance Health Plan Certification is an annual requirement that KEYS fulfills and a report is filed with the Office of Insurance Regulation.

Mrs. Tejada said that KEYS Actuarial firm, Gabriel Roder Smith and Company states that in their opinion, the self insurance plan is actuarially sound as of September 30, 2009 and the funding policy is currently adequate.

Mrs. Tejada said that KEYS has been self insuring health insurance since October 2003. The plan has been successful and KEYS has been able to maintain rates comparable to other insurance companies.

Mrs. Tejada informed the Board that the rates today are lower than when KEYS first entered into self insurance and are definitely lower than they were when KEYS was with Florida League of Cities.

Mrs. Tejada stated that Self Insurance Health Plan has been beneficial to the employees as well as the Utility.

### **Agenda Item #5h – Five Star Program Award**

Mrs. Tejada reported that KEYS was recently recognized by the Key West Chamber of Commerce at their annual awards luncheon for receiving all five-stars in the Chamber's 5-Star Education Program.

Mrs. Tejada stated that KEYS is one of only two Chamber members, along with First State Bank, to have received the award every year since its inception.

Mrs. Tejada said that the program recognizes local businesses for their participation in, and support of, local education and student activities.

The Board congratulated staff on the award.

### **Agenda Item #5i – No Name Key Update**

Mrs. Tejada informed the Board there has not been much activity regarding No Name Key since the last Board meeting.

Mrs. Tejada stated that the Board of County Commissioners (BOCC) has requested KEYS attend the next BOCC meeting on Wednesday, January 20<sup>th</sup>, where they will be discussing the electrification of No Name Key. She said that KEYS will be in attendance to respond to any questions they may have.

### **Agenda Item #5j – Climate Challenge**

Mrs. Tejada stated that Mr. Symroski requested to add this agenda item as an additional informational item.

Mr. Symroski informed the Board that he received an email from Annalise Mannix, with the City of Key West requesting for KEYS support on a program to help the City of Key West meet their community greenhouse gas reduction goal.

Mr. Symroski said he feels the City of Key West is trying to accomplish two things, reduce energy consumption through business and asking for letters of support to include in a grant application.

Mr. Symroski said the City of Key West has a deadline of January 22<sup>nd</sup> to receive the letters of support.

Mr. Symroski would like indication from the Board for Mrs. Tejada to submit a letter of support to the City of Key West for their Commercial Climate Challenge to reduce energy use.

Mrs. Tejada stated that from a staff perspective she feels it is appropriate for KEYS to participate in the effort and to send a letter of support. She said she was not pleased with the suggested language in the draft letter provided. She said the draft letter states that KEYS is happy to support the City of Key West's goal to reduce energy use by 15-percent.

Mrs. Tejada believes it would be appropriate for KEYS to state that KEYS would like to participate and has the ability to offer energy audits and be very specific regarding ways KEYS is willing and able to support their initiatives.

The Board gave Mrs. Tejada direction to submit letter of support and make necessary changes as she deems appropriate.

### **AGENDA ITEM #6 – CONSENT AGENDA**

- a) Approve Minutes - Regular Meeting – December 9, 2009
- b) Approve Disbursements Report and Budget Amendment #10-04 Removal of FY 10 Smart Grid Grant Revenue and Corresponding Capital Projects
- c) Declare Miscellaneous Wire and Metal as Surplus

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

### **AGENDA ITEM #7 – ACTION ITEMS**

#### **Agenda Item #7a – Approve 3-Year Contract between the International Brotherhood of Electrical Workers (IBEW), Local Union 1990 and the Utility Board of the City of Key West October 1, 2009 through September 30, 2012**

Mrs. Tejada informed the Board that there is an impasse hearing scheduled in two weeks. She said both the Union Team and Management Team have worked very hard over the course six months to come to an agreement.

Mrs. Tejada said she believes this has been the most difficult negotiations that the Utility has had in twenty years.

Mrs. Tejada stated that both teams had expressed the desire to come to an agreement and not go to impasse.

Mrs. Tejada reported that in December the teams went back to the table with a Mediator from Miami and the teams were able to come to an agreement. She said the agreement was ratified by the Union membership on January 4<sup>th</sup>.

Mrs. Tejada informed the Board that the contract is for three years and the language will remain the same as the previous three years.

Mrs. Tejada said there are changes in Section 4.3 regarding Pension and the language was updated to state that employees hired on or after June 1, 2010 will receive the same baseline assumptions and methods with the exception that their retirement calculations for average final compensation will be based on a career average with a 2.0 percent annual accrual rate for each year of service. This will result in an estimated savings of \$23,000,000 over a 30-year period for the utility. She said the change to Pension Plan for new hires is the biggest change to the contract.

Mrs. Tejada informed the Board that another change was wage increases. For year one there will not be a wage increase. Year two there will be an increase of three percent. The only reason the Union would not receive an increase is if the Consumer Price Index (CPI) is negative. She explained if CPI is zero the Union would receive a 3 percent increase or if the CPI is positive in any measurable way, either 2-percent or 6-percent the Union would receive three percent wage increase.

Mrs. Tejada said going in to year three, there are too many unknowns such as sales and the economy, and both teams agreed to a re-opener where they will go back to the table and discuss wages only for year three.

Mrs. Tejada stated that the full contract is included in the Board packet in legislative format and there are additional changes to the Memorandums of Understanding (MOU) section which the Board had previously approved over the course of the last three years and are incorporating MOU's into the contract. The MOU's added to the contract were for Bereavement and Apprentice Pay.

Mrs. Tejada said that staff's recommendation is to approve the contract, and she applauded both teams.

Motion was made by Mr. Batty and seconded by Mr. Bradford to Approve 3-Year Contract between the International Brotherhood of Electrical Workers, Local Union 1990 and the Utility Board of the City of Key West October 1, 2009 through September 30, 2012.

Mr. Batty asked if the contract is retroactive to the expiration date of the last contract. Mrs. Tejada replied yes.

Chairman Hernandez congratulated both teams on their hard work and thanked them for their long hours. He said this is an important step for the company and also protects employees.

Mr. Batty stated he believes the contract also benefits the rate payers. The savings of \$24,000,000, over the next thirty-years, in his estimation, is huge.

There was no further discussion to come before the board on this item. The roll was called and the following vote was recorded:

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

**Agenda Item #7b – Approve Unit Price Change Order #1 for Structural Repair of Utility Poles Over Water and Approve Budget Amendment #10-05**

Mrs. Tejada stated that on August 12<sup>th</sup>, 2009, the Board approved a contract for approximately \$640,000 double check the original back in August. to Structural Preservation Systems for concrete work associated with Transmission Poles. She said at the meeting the Board was notified that the scope of the bid was greatly reduced due to budgetary concerns.

Mrs. Tejada said as of the August 12<sup>th</sup> meeting that the Board was advised staff would be in a better position in 2011 and 2012 to bring back to the Board for approval of additional work.

Mrs. Tejada informed the Board since the award in August there have been two changes which brings this item back before the Board seeking a change order. First, KEYS completed a field audit and discovered significant damage to additional poles which are in need of immediate attention. She said the damage occurred at a more rapid pace than anticipated, and staff is hesitant to prolong the structural work for another year. Second, KEYS has been cleaning up the accounting of Bond Funds and there are projects that came in under budget and projects that were reclassified to Renewal and Replacement (R&R). As a result of reviewing the accounting of the Bond Funds, additional dollars were found which allows KEYS to proceed with Structural Repair of Utility Poles earlier than projected.

Mrs. Tejada said when looking at the priority of current projects this is a high priority project.

Motion was made by Mr. Bradford and seconded by Mr. Symroski to Approve Unit Price Change Order #1 for Structural Repair of Utility Poles Over Water and Approve Budget Amendment #10-05.

Mr. Batty asked after the work is complete what will be the condition of the poles. Mr. Finigan replied that after completion the poles will return to the original structural design of the poles.

Mr. Finigan stated that this is a reoccurring process which is included in the five-year plan.

Mr. Symroski asked what the percentage of concrete poles is for the project. Mr. Finigan said it will cover poles from Garrison Bight to the Seven-Mile Bridge, and there are an estimated 100 poles to be repaired.

Mr. Symroski asked the type of warranty KEYS will receive for the work. Mr. Finigan said warranty for this type of repair is usually one year.

There being no further discussion the motion passed unanimously.

### **OTHER BUSINESS**

Mr. Eden introduced Mr. Robert Tilghman who is in the audience. He said Mr. Tilghman has been a partner of his for many years and was hired by the Board to assist him with the SG Pinney lawsuit.

The Board thanked Mr. Eden for the introduction.

Mr. Hernandez said that Mr. Bill Verge is in the audience and has asked to address the Board.

Mr. Verge approached the podium and introduced himself as the Executive Director of the United States Coast Guard Mohawk and Ingham Museums.

Mr. Verge said he has recently met with member of KEYS' staff regarding providing additional power.

Mr. Verge informed the Board that the City of Key West leases land for over 20 years to ships which require utilities. He said the City has requested that KEYS provide 480 three cycle power to the waterfront. He stated that the Mohawk already has electric utilities and the request is specifically for the Ingham.

Mr. Verge explained there is a difference between the Mohawk and the Ingham. The Mohawk is strictly a museum. The Ingham is not only for tourism but a community asset as well. He reviewed several of the community activities that would take place upon the Ingham.

Mr. Verge said due to the different community events that will take place on the Ingham the power requirements will be greater than what they currently have.

Mr. Verge stated there has been a delay as the power requirements were determined which was determined to be relatively substantial.

Mr. Verge said the first quote \$21,000 then the second quote was \$18,000. He asked the Board if there is any sharpening of the pencil that could be done to make the impact as less as possible. He also added that the community events which would take place on the Ingham are non-profit.

Mr. Verge said that on the invoice he received there was sales tax for the cost of materials for \$380 and he provided a tax exempt certificate.

Mr. Verge asked the Board if they had any suggestions they could pass onto staff to help lower the cost.

Mr. Batty stated that he believes in Mr. Verge's project and that it is a benefit to the City of Key West. He said he is confronted with one problem and that is if KEYS gives a concessions to one project there will be additional requests in the future.

Mr. Batty asked that staff look at the bill within the confines of the work to see if the bill could be reduced making any concessions.

Mrs. Tejeda said that when staff designed the project they understood it was a non-profit and took every step possible to keep costs down. She said it is a very expensive project due to the fact that the location is so far from existing facilities.

Mrs. Tejeda explained that KEYS followed IRS codes when taxes were applied to the project. She feels the taxes are properly applied.

Mrs. Tejeda said staff will review again but she feel confident that staff has tried to keep the project as low as possible.

Mr. Hernandez asked if there would be any benefit if the City of Key West applied. Mrs. Tejeda said that they are receiving benefits because the City of Key West agreed to sign up for service in their name. As a result the impact and deposit fees were waived.

The Board gave Mrs. Tejeda direction to review the project again and stay within KEYS' policy and make no exceptions but see if there is any opportunity to lower costs.

Mr. Verge thanked the Board for their time.

Mr. Batty said that the Navy made gestures that they were starting a major energy reduction process which could have an impact on KEYS' billing and asked if there was an update.

Mrs. Tejeda said that the local Navy has advised KEYS they are mandated to go through an energy reduction process that could include renewables. She said essentially the Navy wants to hire a company to come and complete a majority of the work and avoid a very onerous procurement process if they use KEYS.

Mrs. Tejeda explained the Navy would like KEYS to work with ESG which is a company that FMPA has pre-qualified and have KEYS help them accomplish some goals.

Mrs. Tejada informed the Board that KEYS has had discussion with the Navy and have asked them to provide sample contracts which were sent to Bob Jablon, KEYS Attorney in Washington. Mr. Jablon advised KEYS that the contracts are too generic for him to comment on at this time.

Mrs. Tejada stated that KEYS will assume a certain amount of liability as well as operational and financial risk.

Mrs. Tejada said that prior to the Board meeting she met with Mr. Hernandez and discussed KEYS picking one small project with a definite start and end date as a pilot program. This will allow KEYS the opportunity to see how project goes before entering into something that could cost KEYS considerable amount of money.

Mrs. Tejada said after her discussion with Chairman Hernandez, the plan is to contact the Navy and see if there is any opportunity for a KEYS pilot program.

Mr. Batty asked if the Navy is asking KEYS to stand in the middleman position without any remuneration for KEYS. Mrs. Tejada said that is something that staff will explore and believes there is an opportunity for KEYS to collect something.

Chairman Hernandez asked if the Board felt Mrs. Tejada was going in the right direction. The Board agreed.

Chairman Hernandez said he would like to recognize that Mr. Robert Padron, KEYS Past Utility Board Chairman, was is in the audience.

### **ADJOURNMENT**

Motion was made by Mr. Batty to adjourn the Regular Utility Board meeting of January 13, 2010 at 5:53 p.m.

APPROVE:

\_\_\_\_\_  
Lou Hernandez, Chairman

ATTEST:

\_\_\_\_\_  
Lynne E. Tejada, General Manager/CEO & Secretary

/ed