

**MINUTES FROM TRUE ALL REQUIREMENTS PROJECT (TARP)
WORKSHOP OF THE UTILITY BOARD OF THE CITY OF KEY WEST,
FLORIDA, HELD AT 2:00 P.M. ON MARCH 25, 2010 AT THE WILLIAM
ARNOLD SERVICE BUILDING LOCATED AT 1001 JAMES STREET,
KEY WEST, FLORIDA**

The above referenced workshop of the Utility Board of the City of Key West, Florida, convened at 2:00 P.M., on the above date and location and was called to order by Chairman Hernandez.

Utility Board Members Present

Chairman Hernandez
Peter Batty
Charlie Bradford
Mona Clark
Ty Symroski

Staff Present

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| Lynne Tejeda | Mark Palka |
| Nathan Eden | Joey Diaz |
| Jack Wetzler | Elizabeth Miller |
| Suzanne Greager | Mark Schimizza |
| David Price | James Barry |
| Dale Finigan | Cindy McVeigh |
| Eddie Garcia | Peggy Walls |
| Stan Rząd | Edee Delph |

Others Present

Rich Popp, FMPA
Tom Reedy, FMPA
Lloyd Shank, Power Services
Ralph Clark, Power Services

AGENDA ITEM #4 – SET AGENDA

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

ITEM #5 – TRUE ALL REQUIREMENTS PROJECT (TARP)

Mrs. Tejada stated that KEYS joined the All Requirements project in July 1997 and as part of the contract there is the All Requirements Contract and the Capacity and Energy Contract (C&E Contract). She said under the C&E Contract KEYS pays for the Operations & Maintenance (O&M) and Capital on KEYS owned Generation and FMPA pays KEYS Capacity Credits, Variable O&M Credits and Variable Start-Up Credits for generation available to FMPA. Mrs. Tejada said currently KEYS gets an estimated \$1.2 million per year in capacity credits from FMPA.

Mrs. Tejada reported that KEYS receives Special Amendments which defines KEYS' 60 percent online generation agreement.

Mrs. Tejada said that KEYS signed a lease agreement in 1997 for site generation and in 1998 FMPA put in Combustion Turbine 2 (CT2) and Combustion Turbine 3 (CT3) at the Stock Island Plant. She said KEYS also signed a Construction, Liaison and Operating Agreement 1997.

Mrs. Tejada said in September 2006 KEYS signed a Key West Site Lease and Site License Agreement and also executed a Key West Operations and Maintenance Agreement, which oversees all three generating units. FMPA added Combustion Turbine 4 (CT4) in 2007.

Mrs. Tejada stated that when KEYS originally entered into C&E there were only four other cities that had a C&E Agreement. The other cities were Fort Pierce, Vero Beach, Lake Worth and Kissimmee Utility Authority.

Mrs. Tejada reported that today KEYS is the only utility still under the C&E Agreement. She said that Fort Pierce retired all Generation, Vero Beach exercised Contract Rate of Delivery (CROD) Clause, Lake Worth exercised its CROD Clause and Kissimmee Utility Authority entered TARP.

Mr. Tejada said that RW Beck prepares a yearly study on the C&E Agreement to determine what the credit should be. There are methods to challenge if KEYS does not agree with the credits that RW Beck determines. KEYS also has the option to review rates which are subject to change due to the market value and use.

Mrs. Tejada said that TARP Negotiations began in 2005 as the "One Utility Concept".

Mrs. Tejada stated that KEYS hired a consultant to review TARP Contracts and since negotiations stalled KEYS has not used consultant.

Mrs. Tejada said that after recent discussions with Mr. Popp and Mr. Reedy, KEYS needs to provide direction to FMPA so they can present to the Executive Committee and let them know what KEYS is looking for, whether it be financial gain, risk protection or a combination of the two. She said this is the reason for the workshop so KEYS can come together and talk about options & what the alternatives are.

Mrs. Tejada review the three options KEYS has:

- Continue as is under the current C&E and the current Operation Agreement
- Propose a TARP Agreement
- Notify FMPA of intent to Retire Generation

Mrs. Tejada reviewed the highlights of all three options as well as the pros and cons of the options.

Mr. Batty stated he feels that KEYS is partners with FMPA and asked for their opinion. Mr. Reedy replied that he would like to see KEYS come to a TARP Agreement.

Mrs. Tejada informed the Board that staff would like to go to the table and negotiate TARP.

Mr. Batty asked for a timeframe if KEYS was to proceed with TARP negotiations, if the Board decides to go forward. Mrs. Tejada replied that the conceptual agreement can go before FMPA in April and be approved September 2010 and start in Fiscal Year 2011.

The Board agreed to go forward with TARP negotiations.

Mr. Batty asked that staff to provide the Board with updates and information as available during negotiations. Mrs. Tejada agreed.

A discussion ensued regarding voltage support and capacity improvements through var compensation.

Chairman Hernandez asked Mrs. Tejada if she was clear with the direction of the Board. Mrs. Tejada replied yes she is very clear.

There was no additional discussion to come before the Board.

A copy of the power point presentation is available upon request.

AGENDA ITEM # 6 – OTHER BUSINESS

There was no other business to come before the Board.

ADJOURNMENT

Motion was made by Mr. Batty to adjourn the True All Requirements (TARP) Workshop of March 25, 2010 at 3:48 p.m.

APPROVE:

Lou Hernandez, Chairman

ATTEST:

Lynne E. Tejeda, General Manager/CEO & Secretary

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