

MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON JULY 14, 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, Peter Batty, Mona C. 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; Eddie Garcia, Director of Generation and Stan Rzas, Compliance Administrator.

AGENDA ITEM #4 – SET AGENDA

There were no changes to the agenda.

AGENDA ITEM #5 – RECOGNITION AND PRESENTATION

Item #5a - Completion of Apprentice Lineman Training Program – Alberto Pumar

Chairman Hernandez stated that the Utility Board would like to recognize Alberto Pumar, for completing the four year Apprentice Lineman program.

Chairman Hernandez said the first three years of the program consisted of numerous elements ranging from electrical theory and safe practices to proper use of personal protection equipment and the troubleshooting of electrical problems on a day-to-day basis. The fourth and final year of the program dealt strictly with on-the-job training and demonstration of required skills.

Chairman Hernandez said Alberto has been with KEYS for 4 years and works in our Transmission and Distribution department.

Chairman Hernandez stated that subsequent to his completion of the training program, Alberto has been promoted to Journeyman Lineman status.

Mr. Pumar thanked the Board for the recognition.

AGENDA ITEM #6 – WORKSHOP SESSION 2010/2011 BUDGET

At this time Chairman Hernandez recessed the regular Utility Board meeting and opened the 2010/2011 Budget Workshop Session.

Mr. Wetzler reviewed a summary of the Budget & Five Year Financial Plan with the Utility Board and presented a power point presentation to the Board.

After Mr. Wetzler reviewed the Budget & Five Year Financial Plan with the Utility Board discussion ensued amongst the Board.

The Board was in consensus that they would not support a budget that required a rate increase in the upcoming fiscal year.

The Board gave staff the following direction prior to closing the workshop:

- No rate increase for Fiscal Year 2011
- Keep rate increases for future years reasonable
- Review line items that can be deleted or deferred
- Bring back to the Board for approval

The Budget & Five Year Financial Plan 2011/2015 power point presented to the Board is available upon request.

Chairman Hernandez closed the Budget Workshop and reopened the Regular meeting.

AGENDA ITEM #7 – INFORMATIONAL ITEMS

Agenda Item #7a – Power Supply Report

Mrs. Tejeda 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. There were none.

Agenda Item #7b – Schedule of Unit Price Purchase Order

Mrs. Tejeda informed the Board that that the Scheduling of Unit Price Purchase Order Report is included in the Board meeting packet and staff is prepared to answer any questions they may have. There were none.

Agenda Item #7c – Quarterly Safety Report

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

Agenda Item #7d – Power Cost Adjustment (PCA) Report

Mrs. Tejeda informed the Board that the PCA has decreased for the month of July. She said that residential customers received a 3.5-percent decrease in their total bill.

Mrs. Tejeda said that KEYS has steadily decreased the PCA throughout the fiscal year. In February the PCA decreased about 3-percent; again in April, KEYS decreased the PCA 3-percent; and in May, decreased it by 5-percent.

Mrs. Tejeda stated that from October to July KEYS customers have seen the cost of 1000kWh go from \$153.55 to \$132.15.

Mrs. Tejeda said that KEYS has been returning an over collection to customers that resulted from higher than expected sales and lower than expected energy cost from the Florida Municipal Power Agency (FMPA).

Mrs. Tejeda stated that she feels the PCA is as low as it will go and thinks in the very near future the trend will reverse and start to increase.

Agenda Item #7e – Land Use Update

Mrs. Tejeda informed the Board that the Land Use Committee continues to meet regularly to keep current on various land issues.

Mrs. Tejeda said she has three updates for the Utility Board.

Key West Steam Plant

Mrs. Tejeda said the Board agreed to extend to Key West Steam Plan Development (KWSP) the required deposit of \$100,000 on the 19 market rate units. She said that they were to pay 1/19th of the deposit at the time of closing, with the full deposit due on June 30, 2010.

Mrs. Tejeda reported that that the deposit was paid in full on July 9th. She stated that with the deposit received, KWSP is current in payments and compliant with the terms of the lease and various addendums.

Mrs. Tejeda said that staff expects little activity associated with KWSP in the future. She said KEYS will collect the monthly base rent; on a yearly basis in May determine if there is a base rate increase which could also require additional deposits; and continue to monitor closings in the hope that one day KEYS will receive a percentage rent. KEYS will receive 5-percent of the sales after sales exceed \$22,325,000.

Big Pine Key

Mrs. Tejeda informed the Board that the lease that KEYS has with Monroe County expires at the end of August. Monroe County sub-leases the property the Stand Up For Animals (SUFA).

Mrs. Tejeda said because Monroe County's relationship with SUFA is unknown the Land Use Committee believes it is best to not renew the contract but to allow Monroe County to continue to remain on the premises as a tenant-at-will.

Mrs. Tejeda reported that the Land Use Committee consulted with Dan DeCubellis, Land Attorney, and he agreed that the Land Use Committees decision was a satisfactory approach.

Mrs. Tejeda stated that KEYS will contact Monroe County and notify them of the decision to keep them as a tenant-at-will and pending their relationship with SUFA both agencies, KEYS and Monroe County, will be in better positions as to the future of the property.

Stock Island Property

Mrs. Tejeda informed the Board that the Fishbusterz Lease a/k/a BAMA will expire at the end of September. She said that Fishbusterz had the option of five one-year renewals; however, in requesting the renewal, they did not ask in a timely manner and have since indicated a desire to renew the lease.

Mrs. Tejeda stated the Land Use Committee discussed renewing the contract for an additional year and decided it was not in the best interest of KEYS due to the delicate situation regarding Fishbusterz and their finances and the potential risks it could bring on the Utility.

The committee also discussed allowing the lease to expire and continuing leasing as a tenant-at-will. She said the Land Use Committee consulted with Mr. DeCubellis and he expressed concerns that the terms of the lease would not be enforceable and KEYS would give up rights including amongst other things requiring insurance, requiring Fishbusters to obtain environmental assessments,

and removing derelict boats. Mr. DeCubellis advised the committee that preparing a month-to-month lease would be the utility's best option.

Mrs. Tejeda stated that staff will restructure the lease to modify the existing lease so it is month-to-month.

AGENDA ITEM #8 – CONSENT AGENDA

- a) Approve Minutes –
Other Post Employment Benefits (OPEB) Workshop – June 9, 2010
Public Utility Regulatory Policies Act (PURPA) Hearing – June 16, 2010
Regular Meeting Utility Board Meeting– June 16, 2010
- b) Approve Disbursements Report
- c) Approve Staff Recommendations Regarding Statutory Directives in the Public Utility Regulatory Policies Act (PURPA) of 1978 and amended by the Energy Independence and Security Act of 2007
- d) Approve Unit Price Contract for Anchor Installations - Bid #15-10
- e) Declare Miscellaneous Wire and Metal as "Surplus"

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

AGENDA ITEM #9 – ACTION ITEMS

Agenda Item #9a – Approve Other Post Employment Benefits (OPEB) Funding Level

Mrs. Tejeda said the Utility Board attended an OPEB workshop on June 9th where the Board directed staff to compare various OPEB funding level scenarios and describe various methods of funding, including joining the Florida League of Cities OPEB Trust.

Mrs. Tejeda said it is staff's recommendation to the Board to approve the first scenario and fund in total. She said staff believes it is best to fund OPEB if not in total then to partially fund.

Mr. Wetzler reviewed various scenarios and provided the Board with the following information:

- Scenarios Current Five Year Financial Plan
- Residential Base Rate – Cents per kWh Current Proposed Five Year Financial Plan
- Residential Base Rate - % to Prior Year Current Year Five Year Financial Plan

- OPEB Funding Current Year Five Year Financial Plan
- OPEB liability Current Year Five Year Financial Plan
- Rate Stabilization Fund Balance Current Year Five Year Financial Plan

Motion was made by Mr. Batty and seconded by Ms. Clark to Approve staff's recommendation regarding Other Post Employment Benefits (OPEB) Funding Level for discussion purposes.

A discussion ensued on the scenarios provided by staff.

The roll was called and the following vote was recorded:

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

Motion was made by Mr. Batty and seconded by Ms. Clark to Defer OPEB Discussion to the Next Budget Year and not Fund in the Upcoming Fiscal Year.

There being no further discussion 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

Mr. Wetzler asked the Board if they wanted staff to budget any OPEB Funding for Fiscal Years 2012 through 2015. Mr. Bradford said he feels it is reasonable to budget the annual liability and re-address in next year's budget.

It was the consensus of the Board that the Rate Stabilization Fund Balance be at \$3,000,000 at the end of Fiscal Year 2015.

There was not further discussion to come before the Board on this item.

Agenda Item #9b – Approve Pension Plan Procurement Policy

Mrs. Tejeda said at the April 16th Pension workshop the Board determined that a written purchasing policy for the Pension Board should be implemented.

Mrs. Tejada stated that the Board asked staff to create a Pension Plan Procurement Policy. Mrs. Tejada said the Procurement Policy is included in the Board packet.

Mrs. Tejada said essentially the policy follows the policy the Board uses when making utility purchases. She stated it has the same spending thresholds, references Utility Board Resolutions, and mimics what the Utility Board currently has in place when making purchases.

Mrs. Tejada said the only difference is that the Pension Board of Trustees would approve any spending as opposed to the Utility Board.

Motion was made by Mr. Bradford and seconded by Mr. Batty to Approve the Pension Plan Procurement Policy. The motion passed unanimously.

Agenda Item #9c – Modify the Terms by which the General Manger & CEO May Consummate the Sale of SO₂ Emission Allowances

Mrs. Tejada said that staff is requesting to sell the SO₂ credits for as low as \$4.50 per credit for 2010-2014, provided the market is reasonable.

Mrs. Tejada explained to the Board that the market for clean emission has significantly gone down and there is no indication that the need to purchase credits in the future will increase.

Mrs. Tejada said staff is hopeful that the SO₂ credits will sell for \$6 per credit but staff is asking for a bottom threshold of \$4.50.

Motion was made by Mr. Batty and seconded by Mr. Symroski to Modify the Terms by which the General Manger & CEO May Consummate the Sale of SO₂ Emission Allowances. The motion passed unanimously.

Mrs. Tejada said if the SO₂ credits sell for \$6 it is possible to receive \$75,330.

OTHER BUSINESS

Mr. Symroski said he recently experienced a power failure due to a blown transformer at his home and said he was very pleased with the service from the phone system to the crews. Mr. Symroski commended staff for the efforts.

Chairman Hernandez stated recently Mr. Robert Walker, Director of AIDS Help, commended KEYS crews. He said that there was a pole that needed to be

moved and it was believed to be an AT&T wooden pole and when AT&T was notified the customer was told they needed to come down from Miami and would have to schedule a truck. He said that Mr. Walker contacted KEYS and the pole was removed.

Mr. Batty stated that he was also aware of the pole removal for AIDS Help and they informed him that they were extremely pleased with the response time of the crews and the service they received. Mr. Batty said the pole was a hazard and AIDS Help was going to have to move people out of their units because the pole looked like it could come down at anytime. He also commended KEYS crews

ADJOURNMENT

Motion was made by Ms. Clark to adjourn the Regular Utility Board meeting of July 14, 2010 at 6:27 p.m.

APPROVE:

Lou Hernandez, Chairman

ATTEST:

Lynne E. Tejada, General Manager/CEO & Secretary

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