

MINUTES FROM THE COST OF SERVICE WORKSHOP OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 3:00 P.M. ON WEDNESDAY, JUNE 28, 2017 AT THE KEYS ENERGY SERVICES BOARD ROOM 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 3:00 P.M., on the above date and location. The workshop was called to order by Chairman Batty.

Utility Board Members Present

Peter Batty, Chairman
Mona Clark, Vice Chair
Charlie Bradford, Member
Timothy Root, Member
Steven Wells, Member

Staff Present

Lynne Tejeda, General Manager & CEO
Jack Wetzler, Assistant General Manager & CFO
Edee Delph, Executive Assistant to GM/CEO & UB
Julio Torrado, HR & Communications Director
Dale Finigan, Engineering & Control Center Director
Dan Sabino, Generation Director
Stan Rząd, Compliance Administrator
Cindy McVeigh, Finance Supervisor
Jesse Perloff, Accounting & Financial Analysis
Amy Haas, Accounting & Financial Analysis
Kim Free, Exec Assistant & Pension Administrator
Nathan Eden, Utility Board Attorney

Other Present

Joe Mancinelli, NewGen GM/President
Tiffany Curry, Assoc. of UB Attorney
Greg Daniels
Beth Vickery- Ramsay

Mrs. Tejeda asked Mr. Wetzler to provide the Board with an introduction to the workshop prior to the presentation.

Mr. Wetzler informed the Board that the presentation today will give an overview of the Cost of Service Study (COS) and provide the Board with scenarios on proposed rate changes. Mr. Wetzler said after the workshop staff will have a line item review of the budget to include any suggestions the Board may have.

Mr. Wetzler introduced Mr. Joe Mancinelli, General Manager & President of Energy Practice for NewGen Strategies & Solutions.

Mr. Mancinelli stated that today's objective is to familiarize the Board with the process, get the Board input to provide a preliminary rate proposal.

Mr. Mancinelli provided the presentation to the Board and the following was discussed:

- Scope of Work
 - Cost of Service Study
 - Rate Recommendations
 - Other Items
- Policy Overview
 - Policy Formation
 - Creating a Policy
 - Linking Cause and Effect
- Cost of Service Process
 - Overview
 - Typical Electric Utility System Configuration
 - Summary of Cost Functions and Classifications
 - Revenue Collection out of Sync with Cost Classification
 - Growing Stress and Dynamic Use of Distribution System
 - Reason to have a Rate Class
 - Different Rate Classes
 - Best Practice
- Cost of Service Results
 - Revenue Requirements
 - Customer Usage Characteristics
 - System Characteristics/ Load Factor
 - Average Cost of Service by Class
 - Average Cost of Service Compared to Rate Revenue
 - Class Cost of Service Compared to Rate Revenue
 - FMPA Power Supply Cost
- Rate Design Overview
 - Cost of Service and Rate Making
 - Rate Making Best Practice
 - KEYS Current Rate Structure
- Propose Rate Design Objectives
 - Inter-Class Subsidy
 - Intra-Class Subsidy
- Rate Design Scenarios
 - Revenue Requirement for Rate Design

Due to the Regularly Scheduled Utility Board Meeting at 5:00p.m., the COS workshop was concluded early. The Utility Board had numerous questions, which Mrs. Tejada stated would have been addressed later in the presentation, which due to time was not covered. Therefore, it was the consensus of the Board to have another workshop to complete the presentation, review scenarios, answer any questions they may have and provide a recommendation to Staff on how to proceed. The second workshop will be scheduled in July or August.

(A copy of the power point presentation is available upon request)

ADJOURNMENT

Chairman Batty adjourned the Cost of Service Study Workshop of June 28, 2017, at 5:00 P.M.

APPROVE:

Peter Batty, Chairman

ATTEST:

Lynne E. Tejada, General Manager/CEO & Secretary

/ed