

MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON APRIL 11, 2007 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 Padron. Present and answering to the roll call were Utility Board members: Peter Batty, Charles Bradford, Lou Hernandez, Mona Clark and Robert Padron. Also present at the meeting: Lynne Tejeda, General Manager & CEO; Nathan Eden, Board Attorney; Jack Wetzler, Assistant General Manager & CFO; Suzanne Greager, Director of Management Services; Alex Tejeda, Customer Services Director; Dale Finigan, Director of Engineering/Control Center; Stan Rzad, Compliance Administrator; and David Price, Director of T&D.

Chairman Padron asked to defer agenda Item #4b to the next Utility Board meeting and stated that Mr. Alvaro Rodriguez is ill and unable to accept his certificate.

Chairman Padron asked to add Item #4d to the agenda. Mr. Bud Boudreaux from FMPA and formerly the CEO of Fort Pierce Utilities is in the audience and would like to address the board.

Chairman Padron also asked that Item #6d be deferred to the next meeting because the contracts are not complete at this time for Board approval.

AGENDA ITEM #4 – RECOGNITION – PARTICIPANTS IN LINEMAN’S RODEO

Mrs. Tejeda advised the Board that KEYS’ Linemen recently took part in the 7th Annual Lineman’s Rodeo in Kissimmee, Florida.

Mrs. Tejeda stated that 22 teams represented municipal and electric utilities from around the state which showcased their talents in several real-world events that simulated on-the-job procedures. Representing KEYS at the Rodeo were Pedro Arencibia, Walter Cashwell, Michael Commander, Albert Fernandez, Russell Free, Tommy Grassi, Scott Morgan, Jerry Pita and Bryan Veliz.

Mrs. Tejeda also said that KEYS’ Apprentice Lineman Albert Fernandez took home the second place overall trophy amongst his peer group.

Mr. Albert Fernandez approached the board and accepted two trophies from the Board on behalf of the linemen.

4th ANNUAL SERVICE INDUSTRY ADVERTISING AWARD

Mrs. Tejada informed the Board that KEYS' 10th Annual Energy Conservation Calendar was recently selected as the 'Gold Winner' in the calendar category at the Service Industry Advertising Awards.

Mrs. Tejada said that Mr. Julio J. Barroso oversees the annual calendar project for KEYS and he is currently in the process of preparing the 2007-2008 calendar, which will be available in July or August.

Mrs. Tejada also said that KEYS received a 'Merit' designation for recent updates and improvements to our website homepage at the Service Industry Advertising Awards. The Service Industry Advertising Awards recognize the achievements of the service industry and its creativity and communication accomplishments in advertising and promotion.

Mrs. Tejada asked Mr. Julio J. Barroso to accept the plaque on behalf of KEYS.

AGENDA ITEM #4d – Mr. Bud Boudreaux

Chairman Padron introduced Mr. Bud Boudreaux as a former General Manager and CEO of Fort Pierce Utilities and said he is currently employed by Florida Municipal Power Agency as a member services consultant.

Mr. Bud Boudreaux addressed the Board and said that it was a pleasure to be at the Board meeting and while working with KEYS over the years he has developed a great admiration and respect for the company.

Mr. Boudreaux said the reason for his visit to KEYS was to observe the LM 6000. He stated that there are other utilities in the state which are interested in having similar units of generation at their facilities.

Mr. Boudreaux said the main reason for addressing the Board was to express his appreciation to the Board and Staff for the relationship between KEYS and Fort Pierce Utilities. He said there were two hurricanes which he could recall where Keys Energy Services was the first utility on site to help with restoration.

In closing Mr. Boudreaux again thanked KEYS for all their help throughout the years.

AGENDA ITEM #5 - INFORMATIONAL ITEMS

Power Supply Report

Mr. Dale Finigan reported that since the last Utility Board meeting there have been no transmission outages, three distribution outages and four reclosure outages.

Mr. Finigan stated that one of the distribution outages which took place was located on Big Pine. This outage affected 1,900 customers for 80 minutes and was due to a car hitting a pole.

Mr. Finigan said that he is pleased to report that with the severe weather which came through the Keys last night the system did extremely well. He attributed this performance to the commitment from the Board and dedication of the staff

Mr. Batty asked how pole testing was progressing. Mr. Finigan replied it is near completion but all results have not been received. He also said that the reject rate is running at twenty-five percent for the wooden poles.

Mr. Finigan stated overall KEYS is very pleased with the quality of work, safety and customer interface that Osmose has provided.

Mr. Finigan advised the Board that once the project is complete, he would provide the Board with a final report.

Generation Report

Mrs. Lynne Tejada reported that there is currently 93.5 megawatts of generation available for service.

Mrs. Tejada told the Board that right before the meeting FMPA called to request that all generation be put on and at this point the reason is unknown. Mrs. Tejada said she is anxious to see all units perform this evening.

Mrs. Tejada updated the Board on scheduled outages. She reported that the High Speed Diesel #2 is in a scheduled outage while the fan bearing is replaced, the estimated run date is tomorrow. The Medium Speed Diesel #2 is in a scheduled outage for the overhaul and the estimated return date is May 9th, depending on availability of parts, and CT #3 is on a forced outage awaiting parts and the estimated return date is before May.

Property, Boiler & Machinery Insurance Update

Mrs. Tejada said that at the last Board meeting the Board approved an estimated insurance amount of \$701,356.00 and the actual premium came in at \$636,786.00.

Chairman Padron asked how this compared to last years figures. Mrs. Tejada responded that it was about \$300,000.00 less than last year.

Quarterly Unit Price Purchase Order Report

Mrs. Tejada stated that this report is a quarterly report which has been provided to the Board. Mrs. Tejada asked the Board if there were any questions regarding the report.

There were no questions from the Board on this matter.

AGENDA ITEM # 6 – CONSENT AGENDA

- a) Approve Minutes - Regular Meeting – March 21, 2007
- b) Approve Disbursements Report
- c) Approve Purchase of Flatbed Truck with Crane/Knuckle Boom, Bid #13-07, Approve Budget Amendment #07-26 and Declare Vehicle #13 as Surplus
- d) Approve Government Services Administration Contract #GS-35F-0605J for a Turnkey Supervisory Control and Data Acquisition (SCADA) System and Declare the Existing SCADA System and Associated Equipment as Surplus
- e) Approve Purchase of a Security Camera System for the Stock Island Generating Facility and Service Building and Declare the Existing System as Surplus
- f) Approve Change Order #1 to Wesco Distribution, Inc., Design Build of Relay Panel Replacement at Stock Island Plant Switch Yard – Bid #08B-07

Chairman Padron stated that he would like to pull Agenda Item 6c - Approve Purchase of Flatbed Truck with Crane/Knuckle Boom, Bid #13-07, Approve Budget Amendment #07-26 and Declare Vehicle #13 as Surplus.

Chairman Padron stated that he had pulled Item 6c due to the fact that there was a question from someone in the audience.

Motion was made by Mr. Batty and seconded by Ms. Clark to approve the Consent Agenda with the exception of Item 6c. There being no objections, the motion passed unanimously.

Chairman Padron asked Mr. Tom Milone to approach the podium to address the Board on Item 6c.

Mr. Milone stated that he asked that Item 6c be pulled. He stated that he's not opposed of the purchase of the truck but he would like to discuss alternative fuel.

Mr. Milone said the Florida Keys Electric Co-operative "FKEC" has recently announced they have converted their diesel-powered vehicles to bio-diesel.

Mr. Milone stated that after researching the FKEC website he stated several reasons why he feels bio-diesel vehicles should be considered.

Mr. Milone said he would like the Board to explore the use of bio diesel and other alternative fuels.

Mrs. Tejada responded that there is a Strategic Planning Workshop scheduled for next week and one of the question to come before the Board is whether staff should be investing more time reviewing options associated with climate change. One of the initiatives which the utility can pursue is alternative fuels for vehicles.

Chairman Padron asked if there were any other questions, there were none.

Motion was made to by Mr. Bradford and seconded by Mr. Batty to Approve Purchase of Flatbed Truck with Crane/Knuckle Boom, Bid #13-07, Approve Budget Amendment #07-26 and Declare Vehicle #13 as Surplus.

Under discussion Mr. Hernandez asked since KEYS only received one bid, what is the certainty it is the lowest price. Mrs. Tejada said when KEYS looked at past vehicle comparisons with the same size and weight that staff feels it is appropriately priced.

Mr. Batty said the truck seems to have tremendous flexibility and also appears to be a more desirable vehicle than the one it will replace. Mrs. Tejada replied that is absolutely the case.

Mr. Batty asked if the vehicle will help with the replacement of poles behind houses or right of ways. Mrs. Tejada said that it has been discussed and the vehicle does not have the attachments to lift a pole or the digger derrick unit to set the pole down.

Mrs. Tejada said the vehicle will be used for the padmount transformers, underground projects and will also help the Generation Facility with the High Speeds.

Mr. Batty asked if the vehicle has the ability to handle the heavier concrete poles. Mrs. Tejada replied that it would help in the transportation but not with the setting.

Mrs. Tejada stated that the vehicle should last the system at least fifteen years.

There being no further discussion the motion passed unanimously.

AGENDA ITEM #7 – ACTION ITEMS

Item #7a – Approve Professional Services Agreement with R.W. Beck, Inc. to provide Engineering Consulting Services for the Installation of Air Cooler Heat Exchangers

Mrs. Tejada said that the Air Cooler Heat Exchangers are more commonly known as fin fan coolers, which have been discussed over that last couple of months.

Mrs. Tejada stated that as KEYS was putting together bid specs it was obvious that the specs were very complicated and needed outside advice. KEYS contacted FMPA along with other utilities in the State and reached the conclusion that every site and unit is different and therefore R.W. Beck was contacted to spec the project.

Mrs. Tejada said in addition to having R.W. Beck spec out the fin fan coolers they will also be on site during the construction period to help with construction monitoring.

Mrs. Tejada said that staff is asking for approval of the Professional Services Agreement with R.W. Beck, Inc., to provide Engineering Consulting Services for the Installation of Air Cooler Heat Exchanger, for the not-to-exceed cost of \$82,000.00.

Motion was made by Mr. Hernandez and seconded by Mr. Bradford to Approve the Professional Services Agreement with R.W. Beck, Inc. to provide Engineering Consulting Services for the Installation of Air Cooler Heat Exchangers.

Under discussion Mr. Hernandez asked if the total budget represented all of the funds for the project for this fiscal year.

Mrs. Tejada said that the total amount budgeted includes consulting work, materials and installation. She said there's a possibility it will come before the Board again for a budget amendment after the bids are open, since recent indications are that the cost of fin fan coolers may be more than budgeted.

Chairman Pardon asked about the estimated completion date of the project. Mrs. Tejada replied in March of 2008.

There being no further discussion the motion passed unanimously.

OTHER BUSINESS

Chairman Pardon made an announcement that he would not seek re-election to the Utility Board in the fall.

Chairman Padron said that it was not an easy decision but there is never a good time to leave and feels it is time to close this chapter of his life after 46 years with the utility.

Chairman Padron stated that one factor which helped him with the decision is he truly feels the utility has an excellent Board and excellent staff and he feels very comfortable leaving at this time.

Mr. Batty asked about the status of the updates to the Enabling Act, because of Chairman Padron's announcement this is now a significant factor. Mrs. Tejada said it

went to the second reading calendar of the Florida Legislative on March 30th, which was the last activity and it's going through the process and there is absolutely no indication of any problems.

Mrs. Tejada stated when they met with State Representative Ron Saunders in Tallahassee he felt it was moving along appropriately.

Mr. Batty asked when the session ends. Mrs. Tejada replied at the end of April.

There being no further business to come before the Board the Regular Utility Board meeting of April 11, 2007 adjourned at 5:33 P.M.

APPROVED:

Robert R. Padron, Chairman

ATTEST:

Lynne E. Tejada, Secretary