

**MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON OCTOBER 24, 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 Vice-Chairman Hernandez. Present and answering to the roll call were Utility Board members: Charles Bradford, Lou Hernandez, Peter Batty and Vice-Chairman Hernandez. Also present at the meeting: Lynne Tejeda, General Manager & CEO; Jack Wetzler, Assistant General Manager & CFO; Erin Larabee Nevius, Board Attorney; Alex Tejeda, Customer Services Director; Dale Finigan, Director of Engineering/Control; David Price, Director of T&D; Edward Garcia, Director of Generation and Stan Rzad, Compliance Administrator.

Ms. Mona Clark arrived after the meeting was in progress.

**AGENDA ITEM #4 – RECOGNITION**  
**KEYS' OUTSTANDING EMPLOYEE 4<sup>TH</sup> QUARTER 2007 – PATRICK NOLAN**

Vice-Chairman Hernandez expressed that the Board is extremely pleased to recognize Patrick Nolan as the Outstanding Employee for the 4<sup>th</sup> Quarter.

Patrick is a Power Plant Operator within our Generation Department and operates and monitor's all power plant equipment to ensure the efficient and safe operation of all generating units. Patrick has been with KEYS for a little over two years.

Vice-Chairman Hernandez told Patrick that he comes highly recommended from his fellow employees throughout KEYS.

Mr. Nolan thanked the Board for their recognition.

**AGENDA ITEM #5 – INFORMATIONAL ITEMS**

**Agenda Item #4a – Power Supply Report**

Mr. Dale Finigan reported that since the last Utility Board meeting there have been no transmission outages, no distribution outages and seven feeder reclosures.

### **Agenda Item #4b – Generation Report**

Mr. Wetzler reported that all generation is available. He also told the Board that he is pleased to announce that Mr. Eddie Garcia has accepted the position of Generation Director and Mr. James Barry has accepted the position of Generation Supervisor. Mr. Wetzler expressed that they both have a lot of knowledge and will work well together as a team.

### **Agenda Item #4c – PCA Update**

Mrs. Tejeda informed the Board that the Power Cost Adjustment (PCA) will increase in November from \$3.50 per 1000 kwh to \$11.00 per 1000 kwh which means that the total bill will increase from \$132.84 to \$140.34 or by 5.7 percent.

Mrs. Tejeda reminded the Board that at the July 25<sup>th</sup> Board meeting it was reported that the PCA was increasing in August by 5.1 percent from \$3.00 per 1000 kwh to \$3.50 per kwh. She stated that she also reported that another increase was expected in November.

Mrs. Tejeda stated that further increases are anticipated in February and in May of approximately 5 to 6 percent. These potential increases are based on the budgeted power costs which are conservative. There are a couple of factors that are causing the increases. The primary one is that two below-market-price power purchase contracts are expiring. The average cost of the contracts is approximately half of the current market price of power. The contracts must now be replaced and it will cost more in today's market. Additionally, FMPA is seeing increased capital expenses for new power plants. Whenever FMPA looks at building a new plant they also go out for competitive bidding to see if there is any power available to purchase. Comparisons are done to decide if it is in their best interest to build or purchase power and so far according to costs, it is still more economical to build power plants.

Mrs. Tejeda stated that KEYS will continue to push FMPA to look for ways to mitigate rates as best as they can.

Vice-Chairman Hernandez asked if there were a lot of customer complaints after the first increase in the PCA.

Mrs. Tejeda responded that she was not aware of a high volume of billing complaints from customers.

Vice-Chairman Hernandez asked if staff plans on any publicity to inform customers of the increase in November.

Mrs. Tejeda stated that the publicity done thus far is mainly internal. She referred the Board to a copy of frequently asked questions regarding PCA. Mrs. Tejeda stated that this information has been furnished to employees so they know how to respond to questions from customers. The customers will receive the same answers from all of KEYS' employees. Mr. Barroso continues to send out information regarding conservation but there has been no specific information released regarding a 5 percent increase.

Vice-Chairman Hernandez asked if staff is not planning to send out a news release regarding the 5 percent increase.

Mrs. Tejeda responded that it is up to the Utility Board.

Mr. Batty stated that because consumption will be decreasing he is not overly concerned about the November increase. However, February and May will be of great concern and an advertising campaign should be planned for those times.

### **CHILDREN'S DAY**

Mrs. Tejeda informed the Board that Children's Day is this Sunday, October 28<sup>th</sup> from 12:00 to 5:00 p.m. at Bayview Park. As in previous years KEYS will offer bucket truck rides.

### **COMMUNITY SERVICE AWARD**

Mrs. Tejeda informed the Board that Florida Municipal Electric Association (FMEA) awarded KEYS with the 2007 Community Service Award. FMEA recognized KEYS' commitment to community-improvement programs, the school Calendar Contest, annual Tree Giveaway, blood drives, and ongoing involvement and support of numerous school/youth-related activities.

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

- a) Approve Minutes - Regular Meeting - October 10, 2007
- b) Approve Disbursements Report
- c) Approve Payment to the Florida Municipal Electric Association of Annual Dues for Fiscal Year 2008
- d) Approve Florida State Contract Three Year Lease Renewal of Eight Copiers from Xerox Corporation
- e) Award Contract for Storm Hardening Anchor Installation to

- f) Fountain Engineering, Inc. Bid #07-08  
Award Contract for Kennedy Drive Relay Panel Replacement to Wesco Distribution, Inc. Bid #09-08
- g) Declare Non-Stock & Inventory Stock Items as "Surplus"

Motion was made by Mr. Batty and seconded by Mr. Bradford to approve the Consent Agenda.

Under discussion Mrs. Tejeda pointed out to the Board that the comparisons are understated for GAYCO and Key Iron Works under Agenda Item 6e, Award Contract for Storm Hardening Anchor Installation to Fountain Engineering, Inc. Bid #07-08. The correct base bid for one year for Key Iron Works, Inc. is \$123,750.00 instead of \$117,750.00 and GAYCO Electric Co. Inc. is \$125,850.00 instead of \$118,650.00. The award recommendation is still to Fountain Engineering in the estimated annual cost of \$45,000.00.

Mr. Batty asked if staff has been satisfied with the work done in the past by Fountain Engineering.

Mrs. Tejeda responded that staff is satisfied with their work.

Mr. Batty stated that his motion remains to award the bid to Fountain Engineering in the estimated annual cost of \$45,000. There being no further discussion, the motion passed unanimously.

### **AGENDA ITEM #7 – ACTION ITEMS**

#### **Agenda Item #7a–Award Contract CT #2 Overhaul and CT#1 Torque Converter Installation to GE Energy Services, Bid #10-08 and Approve Budget Amendment #08-02**

Mrs. Tejeda stated that as previously advised by Mr. Wetzler there will be a number of awards that will come before the Board this month and next month for overhaul contracts for the Stock Island Generation Facilities.

Mrs. Tejeda stated that tonight staff is recommending an award to GE Energy Services for an overhaul to CT #2 which is a ten-year overhaul. CT#1 requires replacement of the torque converter that will improve the start up efficiency. There should be an additional 4 megawatts from CT #2 as a result of the overhaul. Mrs. Tejeda informed the Board that the total cost is \$1,368,411.00 and that a good portion of that amount will be reimbursed by FMPA since CT #1 is theirs. The actual cost to KEYS for the work being done to CT #1 will be \$12,000.

Motion was made by Mr. Batty and seconded by Ms. Clark to award contract for CT #2 overhaul and CT #1 torque converter installation to GE Energy Services, Bid #10-08 and approve Budget Amendment #08-02.

Mr. Wetzler informed the Board that it is possible that staff will return to the Board with a change order which will be limited to FMPA's unit at no cost to KEYS.

There being no further discussion the motion passed unanimously.

**AGENDA ITEM #8 – OTHER BUSINESS**

There was none.

**ADJOURNMENT**

There being no further business to come before the Board, motion was made by Mr. Bradford to adjourn the Regular Utility Board meeting of October 24, 2007 at 5:20 p.m.

APPROVE:

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Utility Board Chairman

ATTEST:

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Lynne E. Tejeda, General Manager & CEO/Secretary

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