

MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON NOVEMBER 14, 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: Peter Batty, Charles Bradford, Mona Clark, Ty Symroski and Vice-Chairman Hernandez. Also present at the meeting: Lynne Tejeda, General Manager & CEO; Jack Wetzler, Assistant General Manager & CFO; Nathan Eden, Board Attorney; Alex Tejeda, Customer Services Director; Suzanne Greager, Director of Management Services, Dale Finigan, Director of Engineering/Control; David Price, Director of T&D; Edward Garcia, Director of Generation and Stan Rzasad, Compliance Administrator.

Vice-Chairman Hernandez welcomed the newly elected Board member Mr. Ty Symroski.

AGEND ITEM #4 – ORGANIZATIONAL MEETING

Vice-Chairman Hernandez opened the Organizational meeting. He stated that the Organizational meeting is held after every election of a new member to the Utility Board. Tonight a Chairman, Vice-Chairman and Secretary will be elected. This meeting is mandated by the Utility Board's By-Laws.

Elect Chairman to the Utility Board

Motion was made by Mr. Batty and seconded by Ms. Clark to elect Mr. Lou Hernandez as Chairman to the Utility Board. The roll was called and the following vote was recorded:

Mr. Batty	Yes
Mr. Bradford	Yes
Ms. Clark	Yes
Mr. Hernandez	Yes
Mr. Symroski	Yes

Mr. Hernandez thanked the Board for their confidence.

Elect Vice-Chairman to the Utility Board

Motion was made by Ms. Clark and seconded by Mr. Bradford to elect Mr. Peter Batty as Vice-Chairman to the Utility Board. The roll was called and the following vote was recorded:

Mr. Batty	Yes
Mr. Bradford	Yes
Ms. Clark	Yes
Mr. Hernandez	Yes
Mr. Symroski	Yes

Mr. Batty thanked the Board.

Elect Secretary to the Utility Board

Motion was made by Ms. Clark and seconded by Mr. Bradford to elect Ms. Lynne Tejeda as Secretary to the Utility Board. The roll was called and the following vote was recorded

Mr. Batty	Yes
Mr. Bradford	Yes
Ms. Clark	Yes
Mr. Hernandez	Yes
Mr. Symroski	Yes

Review and Update By-Laws

Mrs. Tejeda informed the Board that there are minor changes to the By-Laws. Mr. Eden has suggested very minor changes to the By-Laws

Mrs. Tejeda proceeded to review the changes with the Board. The changes are in Article I, Meetings - Section 1a, Section 2 and Section 5.

Motion was made by Mr. Batty and seconded by Mr. Bradford to approve the changes to the Utility Board By-Laws.

Under discussion Chairman Hernandez stated that he would like to propose having one Utility Board meeting per month instead of two and possibly more workshops. Special meetings can be called as needed. He commented that Mrs. Tejeda was not in favor of one meeting per month.

Mr. Batty stated that he agrees with Mrs. Tejeda. One meeting per month may create a distance between the Board and staff especially for a new Board member. Mr. Batty did agree with Chairman Hernandez on having more workshops.

Mr. Symroski asked what the procedure is regarding meetings for hurricane emergencies. He asked if a three-day minimum notice is required to advertise a meeting.

Mrs. Tejada responded that if a Special Emergency meeting is required, the radio stations can be notified to air the notice and the meeting notice is posted in the building. Mrs. Tejada informed Mr. Symroski that the Utility Board has delegated certain authorities to her during an emergency. During a hurricane situation most business can be conducted without having to convene the Utility Board. There was no change to holding Utility Board meetings to once a month versus two per month.

There being no further discussion regarding the By-Laws the roll was called and the following vote was recorded:

Mr. Batty	Yes
Mr. Bradford	Yes
Ms. Clark	Yes
Mr. Hernandez	Yes
Mr. Symroski	Yes

Appoint Committee Members

Mrs. Tejada proceeded to review the current committee appointments as listed below.

Committee Appointments for the 2006-2007 Calendar & Year

COMMITTEES	APPOINTMENTS
Advisory Committee	Robert Padron
Fiber Optics	Peter Batty
Excess Property/Redevelopment	Peter Batty
Employee Issues	Lou Hernandez & Mona Clark
Horizons	Lou Hernandez
Legislative/Regulatory*	Robert Padron
Financial Planning	Charles Bradford
"KEYS" Performance Evaluation Process	Mona Clark
Governmental Liaison*	Robert Padron
Audit Committee	Robert Padron & Charles Bradford

* External Committee

Mrs. Tejada stated that she would like to recommend keeping most of the existing committees, combining the Financial Planning and Audit Committees and creating a new committee which is the Green Committee. The following committees with Utility Board representation will support Keys Energy Services on moving forward with its Strategic Initiatives:

Advisory Committee	Horizons
Financial Planning & Audit	Fiber Optics
Evaluations Process	Employees Issues
Land Use	Green

Additionally, Utility Board members have opportunities to participate on external committees. Potential appointments include:

Governmental Liaison	FMPA Board of Directors
FMEA Board of Directors	FMEA Legislative & Regulatory
APPA Legislative & Regulatory	APPA Legislative & Regulatory

The Board proceeded to discuss the appointments. Mr. Batty commented that he felt it would be beneficial for the Board to rotate on the Advisory Committee.

Mr. Bradford expressed that it will be beneficial for Mr. Symroski to attend some of the Advisory Committee meetings.

Mrs. Tejada stated that she currently serves on the FMPA Executive Committee and former Chairman Padron served on the Board of Directors. Mrs. Tejada stated that she or a Board member can serve on the Board of Directors. She proceeded to inform the Board that she also serves on the FMEA Board of Directors and that KEYS is allotted two slots on the FMEA Board of Directors. Mrs. Tejada continued to say that she currently serves on the FMEA Legislative & Regulatory Committee and Mr. Padron served previously. She stated that she can continue to serve on the committee and report to the Board or a Board member can serve on the board as well and the same goes for the APPA Legislative & Regulatory Committee.

Mr. Batty stated that he felt it is important for a Board member to serve on the FMPA Board of Directors.

Regarding the American Public Power Association Legislative and Regulatory Committee, Mrs. Tejada stated that she currently serves on this committee. The APPA Policy Makers Committee is a regional committee that requires nomination and selection by APPA.

Mr. Batty stated that he had no issues with Mrs. Tejada continuing to serve on the APPA Legislative & Regulatory Committee. Mr. Hernandez expressed that he would like for a letter to be submitted to APPA to nominate him to serve on the Policy Makers Committee.

Following lengthy discussion the Board decided on the following appointments:

COMMITTEES	APPOINTMENTS
Advisory Committee	Lou Hernandez as primary with rotation
Fiber Optics	Peter Batty
Land Use	Peter Batty & Ty Symroski
Employee Issues	Lou Hernandez & Mona Clark
Horizons	Charles Bradford
Financial Planning and Audit	Charles Bradford and Lou Hernandez
Evaluation Process	Mona Clark
Governmental Liaison*	Lou Hernandez
Green Committee	Ty Symroski & Mona Clark
FMEA Legislative/Regulatory*	Charles Bradford & Lynne Tejada
FMPA Board of Directors*	Lou Hernandez & Peter Batty as alternate
FMEA Board of Directors*	Lou Hernandez & Lynne Tejada
APPA Legislative & Regulatory	Lynne Tejada

* External Committees

Motion was made by Mr. Bradford and seconded by Mr. Batty to approve the committee appointments. The motion passed unanimously.

There being no further business to be discussed a motion was made by Mr. Batty and seconded by Mr. Bradford to close the Organizational meeting and open the Regular Utility Board meeting.

AGENDA ITEM #5 – INFORMATIONAL ITEMS

Chairman Hernandez stated that there are guests in the audience regarding Agenda Item #5d – Unveil 2007 Holiday Card Design so he would like to move the item up on the agenda.

Mr. Julio Barroso stated that annually KEYS hosts a Holiday Card Design Contest which is open to KEYS employee’s children and grandchildren. This is the fourth year that the contest has been held. Mr. Barroso proceeded to unveil the winning entry stating that this year’s winner is Lindsey Free.

The Board congratulated Lindsey and presented her with a certificate.

Agenda Item #5a – Power Supply Report

Mr. Dale Finigan reported that since the last Utility Board meeting there has been one transmission outage, no distribution outages and five feeder reclosures.

Agenda Item #5b – Generation Report

Mr. Eddie Garcia reported that all generation is available. Mr. Garcia stated that the parts for the MSD #1 were delayed and the overhaul should begin on November 20th.

Agenda Item #5c – Preliminary September 30, 2007 Financials

Mr. Wetzler referred the Board to the last page of the Financial Statement for FYE September 30, 2007. He informed the Board that the budget ended with a favorable amount of \$77,007.

Mr. Batty asked Mr. Wetzler what he felt the trend for sales will be going forward.

Mr. Wetzler stated that it is hard to predict what will happen. He stated that staff feels the budget is conservative. He stated that there are two more power cost adjustment increases scheduled for this fiscal year of approximately 5% and a base rate increase is anticipated in October 2008 of 4.5%.

Mrs. Tejada stated that she had some more informational items.

Books are Powerful

Mrs. Tejada referred the Board to the bookmarks that were handed out prior to the meeting. This is a giveaway that KEYS initiated last year to tie into the "Reading is Fundamental" program activities in the schools with KEYS service area grades K-12.

Sponsorship Activity

Mrs. Tejada informed the Board that as one of KEYS' sponsorship activities, KEYS will be sponsoring the first ever "Green Area" at the Lodging Association's Annual Trade Show and Hospitality Expo on Thursday, November 15th at the new Beachside Conference Center. KEYS is pleased to sponsor this. It is a perfect match between KEYS' largest customers and the new strategic initiative. The Green Area will feature vendors with new products and ideas to inspire businesses to be creative in conservation methods.

Thanksgiving Luncheon

Mrs. Tejada informed the Board that the annual Thanksgiving Luncheon is on Thursday, November 15th.

Insurance Report

Mrs. Tejada informed the Board that the boiler/property insurance representatives from Hartford Steam were on site this week and conducted their annual inspection. They have commented that they see a dramatic improvement from last year. There were eight major items to clean up last year and this year one minor item was found that needs attention. The employees have worked diligently this year to clean up everything.

There were no further informational items to come before the Board

AGENDA ITEM #6 – CONSENT AGENDA

- a) Approve Minutes - Regular Meeting - October 24, 2007
- b) Approve Disbursements Report
- c) Approve Sole-Source Contract with BellSouth for Three Primary Rate Interface (PRI) Communication Lines
- d) Approve the Sole-Source Purchase and Installation of the Fanuc CIMPLICITY Windows Based Communication System from GE Global Controls and Budget Amendment #08-06 and Declare Associated Equipment as "Surplus"
- e) Approve Contract with Central Metals Fabricators, Inc. to Furnish and Install Stainless Steel Doors, Panels and Roofing for Combustion Turbines, #1, #2 & #3, Bid #11-08 and Budget Amendment #08-03
- f) Approve Contract Renewal for Continued Property Records (CPR) System Upgrade Technologies To Be, Inc. (TTBI)
- g) Approve Sole-Source Contract with GE Energy to Install, Setup and Train on new Hydrogen Control Panel Model 352B6225 for the Synchronous Condenser and Declare the Associated Equipment as "Surplus"
- h) Approve Change Order #2 to GE Energy Services, Remanufacture of Wagner 44 MVA Transformer - Bid #07-07 and Budget Amendment #08-04

Motion was made by Mr. Batty and seconded by Ms. Clark to approve the Consent Agenda. There being no discussion the motion passed unanimously.

AGENDA ITEM #7 – ACTION ITEMS

Agenda Item #7a – Approve December 24, 2007 as Holiday for KEYS' Employees

Mrs. Tejada stated that this item has been proposed by Chairman Hernandez to grant Christmas Eve off to KEYS' employees.

Motion was made by Mr. Bradford and seconded by Ms. Clark to approve December 24, 2007 as a Holiday for KEYS' Employees.

Agenda Item #7b – Approve Changes to the Customer Service Policy Manual

Mrs. Tejada stated that staff would like for the Customer Service Policy to be reviewed at every organizational meeting so it comes before the Board at least once every two years.

Mrs. Tejada proceeded to say that the changes are minor and proceeded to review the changes with the Board.

Following a brief discussion on the changes to the due dates for the electric bills, motion was made by Mr. Bradford and seconded by Mr. Symroski. There being no further discussion the motion passed unanimously.

Agenda Item #7c – Award Contract for Installation of Fiber Optic Network System Bid #12-07

Mrs. Tejada stated that this is a long awaited project and proceeded to review some of the history involved with the project.

In 2004 the Board gave staff direction to develop and plan for a private fiber network with other legal governmental agencies. Staff worked extensively with Black & Veatch and developed a plan to meet with local agencies. All agencies were interested but could not commit to the capital investment. Staff's next step was to go out for bids for a communication service. Both AT&T and Comcast submitted a bid. They both advised that they would only provide managed services and broadband. Neither of the two would offer dark fiber. Since neither could provide dark fiber staff started investigating construction of KEYS' own network.

Mrs. Tejada proceeded to say that KEYS again hired Black & Veatch to design what the network should be and to conduct some preliminary costs to construct the network. The costs were compared to the bids provided from Comcast & AT&T. The Utility Board provided direction to staff to proceed with the construction of a backbone network. KEYS went out on competitive bids which were received in June 2007 for the backbone fiber structure. The low bidder was Expertech Network Installation, Inc. The proposals were 13% higher than estimated. Some of the reasons for the increase are listed below:

- 3% spare parts increase that was not included in Black & Veatch's initial recommendation
- Fiber increased from 60 to 65 miles for future uses
- Underground installations at various sites was included
- Installation of fiber at the 7-mile bridge

Mrs. Tejada mentioned that staff obtained direction from the Utility Board on the construction monitoring of the project. The Board concurred with staff's recommendation to have KEYS' staff heavily involved in construction monitoring along with Black & Veatch's assistance.

Mrs. Tejada stated that staff is recommending approval of the contract to **Expertech Network Installation, Inc., in the amount of \$2,880,536.11.**

Motion was made by Mr. Batty and seconded by Ms. Clark to award the contract for the installation of the Fiber Network System to **Expertech Network Installation, Inc., in the amount of \$2,880,536.11.**

Under discussion Mr. Bradford asked why Patrick Engineer's bid was so high. He was informed that they misinterpreted the hardware requirements for the pole attachments.

Mr. Batty also asked a question regarding the cost of additional equipment.

Mrs. Tejada responded that this is the first bid and there will be another bid for the electronics. Staff still has to go out for competitive bids for the electronics. Staff has done some price testing and feels comfortable that it will be within budget.

Chairman Hernandez expressed his pleasure that the project will finally be completed.

There being no further discussion the roll was called and the following was recorded:

Mr. Batty	Yes
Mr. Bradford	Yes
Ms. Clark	Yes
Mr. Hernandez	Yes
Mr. Symroski	Yes

**Agenda Item #7d – Award Contract for Fiber Optic Network Construction
Monitoring Services – Black & Veatch**

Mrs. Tejada stated that this is a companion contract to the Expertech Network contract. Staff is recommending hiring Black & Veatch to do the construction monitoring.

Mrs. Tejada informed the Board that staff does not have a contract for signatures tonight. Black & Veatch has proposed new terms and conditions which staff has not agreed to. Staff is requesting that the Board approve the contract as long as Black & Veatch agrees to operate under the existing terms and conditions. Staff believes that they will agree. However, if they do not, staff will have to bring this item back to the Board for approval of new terms and conditions. Mr. Eden will have to get involved with their attorneys to work out the new terms and conditions.

Motion was made by Mr. Bradford and seconded by Mr. Symroski to award the contract for Fiber Optic Network Construction Monitoring Services to **Black & Veatch in the “not-to-exceed” amount of \$121,160**. There being no further discussion the motion passed unanimously.

AGENDA ITEM #8 – OTHER BUSINESS

Chairman Hernandez advised that Mr. Chuck Vinson has requested to address the Board.

Mr. Vinson stated that he has worked for the utility off and on for thirty eight years. His reason for addressing the Board is in regards to the apprentices in the Line Section. He stated that he is not representing the Union but feels he needed to address the Board on this issue. Mr. Vinson stated that due to a discrepancy of both Union and Management the apprentices who are moving into Journeyman positions have been informed that they will not receive the full increases in pay that is due them. Mr. Vinson stated that this is causing discontent in the section.

Mr. Vinson told the Board that in the past apprentice linemen normally advance to Step 3 after the completion of their apprenticeship and now they will move to Step 2.

Mr. Batty asked what the economic impact would be for these increases.

Mrs. Tejada responded that those numbers have not been calculated.

Mr. Bradford asked if this involves opening the Union Contract.

Mrs. Tejada responded that it will. The contract currently states that employees moving in the line of progression receive a 5% increase or to the next highest step. Historically it has taken an employee to the top step, Step 3. Typically when the Union negotiates salaries they negotiate more money for the higher positions and not for the lower paying jobs (apprentices). This has increased the disparity between the apprentice top pay and the journeyman top pay. Currently the 5% on the apprentice top pay takes them to Step 2 which they will sit in for six months and then they would advance to the top pay Step 3. In accordance with the Union Contract they will advance to Step 2 which is different that it has been historically due to the changes in the pay scales. At this time it is a contract issue.

Mr. Batty asked if this issue was an oversight in Union negotiations or is it by design.

Mrs. Tejada responded that it is neither. Pay scales are looked at and negotiated the other language has been in existence for years. She stated that they have not been intentionally linked or not linked.

Mrs. Tejada informed the Board that the Union Contract has provisions on the procedures that should be followed for the Union to address any issues with management. The Union has not officially weighed in on this issue. They have not filed a grievance. They did request a meeting which was cancelled. Management has not had any official communication from the Union regarding this issue.

Mr. Batty stated that this issue is worthy of being looked at but he feels it would be wrong for the Board to set a precedence in starting those negotiations. The Union needs to address the issue with the General Manager and submit a proposal and perhaps the Board will be willing to look at it. Mr. Batty asked Mr. Vinson if the Union leadership has refused to hear this issue.

Mr. Vinson stated that the Union has contacted Human Resources and they were told that the increase to Step 3 would not occur.

Mr. Batty asked if the Union has approached management or just individuals.

Mrs. Tejada stated that Human Resources received an e-mail from the Union inquiring about this issue and they responded with their interpretation of the contract. At the present time there is a contract in place and until there is a formal request to change the contract the existing contract is followed.

Chairman Hernandez asked if the entire Union Contract will be opened up for discussion if a request is made from the Union to change the contract.

Mrs. Tejada stated that a Memorandum of Understanding can be drafted to address the issue. Utility Board and Union membership approval is required to change the contract.

Chairman Hernandez stated that the Board has expressed what is required. The Union needs to make a formal request and follow the procedures and the Board will proceed from there.

Chairman Hernandez thanked Mr. Vinson for bringing his concern to the Board.

Under Other Business, Mr. Batty stated that in regards to the Horizons Committee he would like to see KEYS install solar panels as an economic engine to generate income for the utility.

There being no further business to come before the Board, motion was made by Mr. Bradford to adjourn the Regular Utility Board meeting on November 14, 2007 at 6:10 p.m.

APPROVE:

Lou Hernandez, Utility Board Chairman

ATTEST:

Lynne E. Tejada, General Manager & CEO/Secretary

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