

MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON OCTOBER 28, 2009 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, Mona Clark, Peter Batty and Ty Symroski. Also present at the meeting: Lynne Tejeda, General Manager & CEO; Tom Sireci, Attorney; Jack Wetzler, Assistant General Manager & CFO; Alex Tejeda, Customer Services Director; Suzanne Greager, Management Services Director; Dale Finigan, Director of Engineering/Control Center; David Price, Director of T&D; Eddie Garcia, Director of Generation, and Stan Rzas, Compliance Administrator.

AGENDA ITEM #4 – SET AGENDA

There were no changes to the agenda and the agenda was set.

AGENDA ITEM #5 – RECOGNITION AND PRESENTATION

Agenda Item #5a – KEYS Outstanding Employee of the 4th Quarter – Russell Free

Chairman Hernandez stated the Utility Board is extremely pleased to recognize Russell Free as the Outstanding Employee of the Fourth Quarter.

Chairman Hernandez said Mr. Free is a Line Supervisor in KEYS' Transmission & Distribution department and on November 19th will have been with the company for 30 years.

Mr. Free thanked the Board for the recognition.

Agenda Item #5b – Retirement 29 Years of Service- Michael 'Blinky' Carey

Chairman Hernandez stated the Utility Board is extremely pleased to recognize Michael 'Blinky' Carey on his retirement from KEYS after 29 plus years of service to KEYS.

Chairman Hernandez said Mr. Carey has been employed with KEYS since 1980 and throughout his tenure at KEYS has held numerous positions within the Utility, including Oiler and Auxiliary Operator prior to ending his career as a General Helper at KEYS' Stock Island Generation Facility.

Chairman Hernandez acknowledged Mr. Carey's dedication and many years of service to KEYS and commended him on behalf of the Board.

Mr. Carey thanked the Board for the recognition.

AGENDA ITEM #6 – INFORMATIONAL ITEMS

Agenda Item #6a – Generation Report

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

Agenda Item #6b – Green Committee Update

Mrs. Tejada reported that the Green Committee met last week and reviewed conservation funding from Florida Municipal Power Agency (FMPA) and how it should be spent.

Mrs. Tejada said KEYS was allocated \$95,000.00, last fiscal year KEYS spent \$67,733.67. The funding was used to purchase energy conservation kits which were distributed to customers, compact fluorescent lights, which were shared with the Housing Authority and the customer rebate program.

Mrs. Tejada stated the first year of the rebate program there were 500 rebates issued to customers for a total amount of \$47,515.00. There was \$27,000.00, remaining from fiscal year 2009, which will be rolled into fiscal year 2010.

Mrs. Tejada informed the Board that FMPA will cut back conservation funding due to KEYS and other utilities not using the allocated amount. For the current fiscal year 2010 KEYS will receive \$61,557.00, in addition to the \$27,000.00, rolled over from fiscal year 2009.

Mrs. Tejada said the committee discussed how to use funding this year and decided to continue with the rebate program this year as is and revisit in the spring and determine whether to add or remove appliances based on funds at that time. KEYS will invest in more energy conservation kits, which are provided to customer primarily during billing complaints and energy audits.

Mrs. Tejada reported that KEYS has completed a partial year of the recycling program and between February and September KEYS has saved \$5,893.00, which will result in an estimated annual saving of \$9,000.00.

Mrs. Tejada advised the Board that employees are doing a great job participating. She acknowledged Mrs. Ana Kerr and Mrs. Julissa Caridad for their efforts.

Mrs. Tejada said that the committee discussed the \$100,000.00, which is budgeted for a renewable project. The committee is considering several options to include a wind turbine, additional solar and thermal ice technology.

Mr. Batty asked what thermal ice technology is. Mr. Tejada said it is also known as ice energy whereby water is frozen overnight during non peak hours and then use to cool during the day during peak time.

Chairman Hernandez asked if there was any discussion on commercial accounts. Mrs. Tejada said the committee did discuss and currently there is one commercial rebate program, which is the LED Exit Sign rebate. The committee decided to leave program as is for the current fiscal year and monitor to ensure there is enough money to fund the residential program.

Mrs. Tejada informed the Board of three additional informational items.

DOE Smart Grid Initiative Grant (SGIG)

Mrs. Tejada reported that KEYS received notice yesterday from the Department of Energy (DOE) that KEYS is not a recipient of the grant funding. The DOE received 400 applications and awarded 100 grants. KEYS was included in the small category and there were 75 recipients that were awarded for small proposals, which they received up to \$20 million.

Mrs. Tejada stated that Florida had the best showing of all the States. She said KEYS was pleased to see there were several municipalities that received funding, which included Leesburg, Lakeland and Tallahassee.

Mrs. Tejada said KEYS should receive a letter from DOE explaining where KEYS fell within the merit process and help understand the process and improve the next proposal if the opportunity presents itself.

Chairman Hernandez commended staff for all efforts during the process and said it was also a great learning experience.

Children's Day

Mrs. Tejada informed the Board that Children's Day is from noon to 5pm on Sunday, November 1st, and KEYS will once again furnish bucket truck rides.

APPA 2009 Energy Efficiency and Smart Grid Summit

Mrs. Tejada stated that Mr. Symroski has expressed an interest in attending the APPA 2009 Energy Efficiency and Smart Grid Summit in Scottsdale, Arizona. This is not a budgeted item and needs Board approval.

Motion was made by Mr. Batty and seconded by Ms. Clark for Mr. Symroski to attend the APPA 2009 Energy Efficiency and Smart Grid Summit in Scottsdale, Arizona. The motion passed unanimously.

AGENDA ITEM #7 – CONSENT AGENDA

- a) Approve Minutes - Regular Meeting – October 14, 2009
- b) Approve Disbursements Report

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

AGENDA ITEM #8 – ACTION ITEMS

Agenda Item #8a – Approve Bank Signature Resolution #767 – First State Bank of the Florida Keys, Key West Steamplant Security Deposit Account

Mrs. Tejada said that staff is seeking approval of Resolution #767 allowing KEYS to open a bank account designed for security deposits received at time of closing for Key West Steamplant (KWSP) units.

Mrs. Tejada stated per the KWSP agreement KEYS receives the equivalent of a years rent as a security deposit, which increases. Staff recommends establishing a separate account to ensure funds are not commingled with other KEYS accounts. The separate account will also provide the earnings of accumulated interest in the account.

Motion was made by Mr. Symroski and seconded by Mr. Bradford to Approve Bank Signature Resolution #767 – First State Bank of the Florida Keys, Key West Steamplant Security Deposit Account. The motion passed unanimously.

Agenda Item #8b – Approve Change Order #1 to Valmont Industries Inc. for Purchase Order # 9123 for Structural Repair of Steel Transmission Poles and Budget Amendment #09-19

Mrs. Tejada stated the Board has had numerous discussions on the Steel Transmission Pole Project and staff is back before the Board asking for approval of a change order in the amount of \$52,052.00.

Mrs. Tejada said the original estimate was for three labor days per pole and it is taking four days. This is due to weather, high tides, water currents and wind which is prolonging the welding.

Mrs. Tejada informed the Board there were three additional poles identified as needing repairs. Two poles in the 7 mile bridge area and one in Bahia Honda. Also, one of the poles previously identified needed redesign work due to bolts being closer to pole and needed corrective action by welding side plates.

Mrs. Tejada said the additional labor has resulted in a change order in the estimated amount of \$52,052.00. She said this is a unit price contract and the hourly rate remained the same but because of the amount of change order staff wanted Board approval.

Motion was made by Ms. Clark and seconded by Mr. Symroski to approve Change Order #1 to Valmont Industries Inc. for Purchase Order # 9123 for Structural Repair of Steel Transmission Poles and Budget Amendment #09-19. The motion passed unanimously.

Chairman Hernandez asked who provided the estimate. Mrs. Tejada said KEYS provided the estimate along with Valmont. She said that KEYS employees are monitoring the project and the work is warranted.

Mr. Batty asked if the approved amount will complete needed repairs or does staff anticipate an additional change order coming back before the Board. Mr. Finigan informed the Board that the work was completed today.

Ms. Clark asked after adding the three additional poles what would the total number of completed poles be. Mr. Finigan replied ten.

Ms. Clark asked what the life expectancy of the poles would be. Mr. Finigan said the manufacture has give KEYS assurance that backs up the original structural integrity.

Agenda Item #8c – Award Contract for CT#1 Exhaust Stack Modifications, Bid #25-09

Mrs. Tejada informed the Board that KEYS must become compliant with Department of Environmental Protection (DEP) permit and to do so KEYS needs to modify CT# 1 Exhaust Stack.

Mrs. Tejada said the stack must be upgraded to receive accurate readings on the nitrogen oxide, particulate matter and carbon monoxide levels. Additional work will include, adding a platform, ladder and railings, which will make stack OSHA compliant.

Motion was made by Mr. Symroski and seconded by Ms. Clark to award Contract for CT#1 Exhaust Stack Modifications, Bid #25-09. The motion passed unanimously.

Under discussion Mr. Symroski requested quarterly safety updates under informational items at future Board meeting.

Mr. Batty asked if KEYS can request assistance from FMPA. Mrs. Tejada stated there is no assistance available where it is KEYS unit.

Mr. Batty asked what would happen if True All Requirements Project (TARP) goes through. Mrs. Tejada said if KEYS was in TARP then FMPA would have potentially paid for modifications.

Mrs. Tejada said it is still unknown if KEYS will join TARP and will not know until October 1st of next year. The work that is needed can not be delayed due to permit issues.

Chairman Hernandez asked if this was the only way to become compliant. Mrs. Tejada replied yes.

Chairman Hernandez asked if other units will need modifications in the future. Mrs. Tejada said no that it is not necessary all other units are in the right place.

OTHER BUSINESS

Chairman Hernandez stated that Mr. Chuck Vinson is in the audience and has asked to address the Board.

Mr. Vinson approached the podium and introduced himself as the Local 1990 International Brotherhood of Electrical Workers (IBEW) President.

Mr. Vinson informed the Board that the Local 1990 recently had a vote regarding current contract negotiations and as a result the Union voted unanimously not to accept management's last proposal.

Mr. Vinson stated the Union's main concern is the change of pension plan for new hires. He said the union is well aware of the concern for trying to save the plan for current employees and there is no argument there and it is probably the way to go.

Mr. Vinson said he is not aware of the time that has been spent reviewing the proposed plan and that the union has not seen a proposal. He said Mrs. Tejada did discuss the current plan, which was very helpful.

Mr. Vinson explained there is a great deal of concern from the younger members about what will become of the plan in 15 years for employees still working. He said it would give the employees comfort if the Board was to agree to include language that the future Board will not make changes to the old pension plan.

Mr. Vinson said he received a flyer from the actuary showing different options to change the pension plan such as contributions or multipliers. He said several employees feel if the pension plan remained the same and added contributions from new hires they would not be as opposed to change.

Mr. Vinson quoted a section of the flyer from the actuary saying that a defined plan is not a pension retirement plan as much as it is severance pay.

Mr. Vinson said the union is aware something needs to be done. He said Mrs. Tejada has employee meetings scheduled next week and hopefully she can convince employees they will in some way be protected, if possible.

Mr. Vinson stated he feels the members have honest concerns and questions that are unanswered and that is the reason for the unanimous vote.

Mr. Vinson was hopeful the pension could be revisited next year to allow time for the concerns and questions to be addressed. He asked if the Board is unable to wait till next year if there was some way to assure members their pension plan will be secure 15 years from now.

Mr. Vinson said the Union does not want to go to impasse and would like to go back to the table and bargain again but the members need assurance that their pension will be protected.

Mr. Vinson said the Union understands that the Board and Management did not receive increases this year and agrees to no union increases this year but feels a three percent increase next year is reasonable.

Mr. Vinson stated the Union is willing and would like to go back to the table during the impasse process.

Mr. Vinson informed the Board that Mrs. Tejada was very helpful and informative throughout the process.

Mr. Vinson asked the Board to postpone the change of pension till next year and allow the Union more time to review. He said if the Board has to change the pension plan now and he can not persuade the member to agree, impasse will be the only option and he would rather not go to impasse.

Mr. Batty stated he does not feel that the current Board can bind decisions for Board members in the future and asked Mr. Sireci his thoughts. Mr. Sireci said he believes that statement is correct but would have to consult with Mr. Eden for a more definitive answer.

Mr. Vinson said he understands the Board has to do something and there is no argument there but was hopeful there was another option.

Mr. Vinson told the Board he does not have the final say; the members do; and he hopes Mrs. Tejada can settle the member's questions at employee meetings next week.

Mrs. Tejada said there are so many unknowns when discussing the effects this will have on future employees that have not been hired and how to protect them 15 years from now and is so hypothetical it is hard to say there will not be a negative.

Chairman Hernandez pointed out even the current pension plan has changed over the years. Mrs. Tejada said for the employees it has not changed other than improvements but to the utility itself it has become more expensive.

Mr. Symroski expressed his delight with Mr. Carey retiring after 29 years knowing he would have a good fair pension. He feels the Board shares the interest to keep a good fair pension that will retain employees for 30 plus years.

The Utility Board thanked Mr. Vinson for his comments

Mr. Bradford advised the Board that the International Solar Convention is currently taking place in California and would like to encourage a presence next year. He said it is the largest solar event in America.

Mr. Symroski and Mr. Batty agreed. Mr. Symroski said that KEYS should stay informed of alternative energy sources and over time he feels there will be a greater interest.

Mr. Symroski suggested when he attended the Legislative Rally in Washington, DC this year he did not feel prepared when speaking with Senators and Representatives. He would like to receive more information or talking points prior to attending the upcoming Legislative Rally.

Mrs. Tejeda said she would speak with Florida Municipal Electric Association (FMEA) and see if the Board could receive information prior to meetings but stated that some of the issues change last minute which causes delays. She will express the Board's desire to receive the information earlier and see if FMEA can provide or possibly meet with the Board prior to Legislative Rally.

ADJOURNMENT

Motion was made by Mr. Batty to adjourn the Regular Utility Board meeting of October 28, 2009 at 5:41 p.m.

APPROVE:

Lou Hernandez, Chairman

ATTEST:

Lynne E. Tejeda, General Manager/CEO & Secretary

/ed