

**MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON JANUARY 23, 2008 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: Peter Batty, Charles Bradford, Mona Clark, Ty Symroski and Chairman Hernandez. Also present at the meeting: Lynne Tejada, General Manager & CEO; Jack Wetzler, Assistant General Manager & CFO; Nathan Eden, Board Attorney; Suzanne Greager, Director of Management Services, David Price, Director of T&D; Edward Garcia, Director of Generation; and Stan Rząd, Compliance Administrator.

At this time Chairman Hernandez stated that with the Board's approval the General Manager has requested that an additional item be added to the agenda under Action Items for an emergency purchase.

Motion was made by Mr. Bradford and seconded by Mr. Batty to add Item #6f to the agenda; "Approve Emergency Purchase of one set of Heat Exchangers (Radiators) Left and Right Side for Combustion Turbine #1". There being no discussion the motion passed unanimously.

**AGENDA ITEM #4 - INFORMATIONAL ITEMS**

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

Mr. David Price reported that since the last Utility Board meeting there have been 2 transmission outages, 1 distribution outage and 5 feeder reclosures. The two tie-line outages were a result of testing that was being performed.

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

Mr. Eddie Garcia presented an update to the Board regarding the overhaul of CT #2. He stated that the following:

- 1<sup>st</sup> & 2<sup>nd</sup> stage bucket repairs are 25% completed
- Rotor is being coated
- Stage 1 nozzle repairs are 90% completed
- Stage 2 nozzle repairs are 50% completed
- Bearing repairs are completed
- Oil deflector repairs are 50% completed

Mr. Garcia proceeded to inform the Board that CT#1 will be brought down on Friday for the torque converter and triple SSS clutch installation. This unit is currently scheduled to be back in service by February 12<sup>th</sup>.

He further stated that at the previous Utility Board meeting he mentioned that it is necessary to bring the synchronous condenser down due to a severe VAR swing. GE was on sight to inspect the exciter and believed this could be the cause of the problem. GE found that the exciter is ok and feels that the problem may be caused by a protective card. A recorder was placed on the card and there was indication that the exciter card was bad, causing the swing. The card has been sent for repairs and it should be back by Saturday.

Mr. Garcia stated that with the exception of the synchronous condenser and CT #2 all units are available. Currently there are 97 megawatts available.

### **Agenda Item #4c – SO<sub>2</sub> Credits Report**

Mr. Wetzler stated that at the last Utility Board meeting the Board gave the General Manager & CEO authority to sell SO<sub>2</sub> Credits in excess of \$300.00 per ton. Vintage Years 2000-2009 were in excess of \$500.00 so they were offered for sale and one bid was received for \$507.50 per ton. One hundred and forty two (142) units were sold totaling a little over \$72,000.

### **Agenda Item #4d – PCA Update**

Mrs. Tejada stated that since Fall, staff has been reporting consistently that there will be a Power Cost Adjustment increase in February. She reported that instead of increasing the PCA 5% as had been predicted, it will only be increased by 2.5%. With better than expected energy and demand charges from Florida Municipal Power Association staff is able to contain the February increase to 2.5% and staff is hopeful that while the May increase will have to happen it may be below 3% instead of the 5% that is anticipated. This brings the total of

the PCA to \$14.50 per 1,000 kilowatts or a total bill of \$143.84 as opposed to \$140.34. Further increases are expected but not as large as had originally been anticipated.

Chairman Hernandez asked how this will be communicated to the public.

Mrs. Tejeda stated that all of the customer service representatives have talking points regarding this matter and conservation will be encouraged.

**Agenda Item #4e – Self Insurance Actuary Certification/Fiscal "07"  
Fund Balance Analysis**

Mrs. Tejeda stated that staff makes a yearly report on this item to the Board. Staff is pleased to report that once again KEYS has achieved an accepted status from the Office of Insurance Regulation for the annual actuarial report on KEYS' health insurance. The health insurance has a healthy fund balance of \$1.3 million and the dental insurance has a fund balance of \$46,000. These figures indicate that the current rates are set appropriately and that the funding for the self-insurance program is adequate. Staff will continue to monitor the balances to determine if an adjustment in the premiums is needed.

**Agenda Item #4f – Audit Committee Report**

At this time Mr. John Parks, Oropeza & Parks, CPA, addressed the Board. He stated that the Audit Committee had met this morning to review the Comprehensive Annual Financial Report. He thanked the Board for engaging his firm.

Mrs. Denise Rohrer proceeded to provide a brief report to the Board. She informed the Board that the financial statements of the Utility Board of the City of Key West, Florida have been audited for the year ended September 30, 2007 and Keys Energy Services has received an unqualified opinion. She stated that in their opinion the financial statements present fairly, in all material respects, the financial position of the Utility Board of the City of Key West, Florida, as of September 30, 2007.

**Cash & Cash Equivalents-Restricted**

There is an increase of approximately \$37 million which is a reflection of the bond proceeds.

### **Non-Current Assets**

The Construction in Progress indicates an increase of \$2.4 million due to the Storm Hardening Project and other construction projects.

### **Deposits Restricted**

This decreased approximately \$1 million which is a reflection of working capital returned to KEYS from Florida Municipal Power Agency. Several years back they requested an additional amount of working capital be sent to them.

### **Accounts Payable**

This indicates an increase from last year of approximately \$1 million.

### **Long-Term Debt**

Revenue Bonds have increased approximately \$37 million which relates to the \$42 million bond issue.

### **Statements of Revenue, Expenses, and Changes in Net Assets**

The change in Net Assets is approximately \$3 million which is in part due to the decrease in sales of \$3 million.

Mrs. Rohrer recommended that the Board review the Notes to the Financial Statements which provides additional details.

This concluded Mrs. Rohrer's report to the Board. A complete copy of the Comprehensive Annual Financial Report is available upon request.

Chairman Hernandez thanked Mr. Parks, Mrs. Rohrer and KEYS staff for a job well done.

### **Agenda Item #4g – Assisted Living Facilities Update**

Mrs. Tejada stated that in 2004 the Utility Board approved Resolution #721 dedicating a portion of the Key West Diesel Plant & Substation at Angela Street adjacent to the Truman waterfront to be set aside for the Assisted Living Facility. In the Fall, the City had a referendum which also dedicated land to the Assisted Living Facility. With that action occurring, KEYS staff thought it would be a good idea to have Mr. Swift return to the Board for an update.

Mr. Swift thanked the Board for the opportunity to address them this evening. He stated that the Assisted Living Board consists of 21 members and is a non-profit organization. He proceeded to introduce Ms. Joan Higgs who is a co-chair of the committee. She informed the Board that over fifty presentations have been made in the community regarding the Assisted Living Facility. At each presentation a huge support for the project was expressed. The passing of the referendum by a two to one majority indicates that the voters support the project.

At this time Mrs. Sandy Higgs informed the Board that the organization has raised over \$220,000 of which \$150,000 went to Household Community Developers to pay for pre-development work. She told the Board that some of the balance has paid for the small salary that she receives. Currently some fund raising is being done to hire the expertise that is needed to write a Request for Proposals (RFP). An enormous amount of data that is required to write the RFP has been gathered. Calls have been received from organizations who want to bid on the project.

Mrs. Higgs stated that there are a dozen long-term residents of Key West who have had to leave the area and are expressing a desire to return once the Assisted Living Facility is completed.

Mr. Swift stated that along with the City of Key West this project is a community project dependent on the good will of the elected officials. The RFP will be issued by the City and will be presented to the Utility Board to make sure that you are on board as to the direction that the project is headed. Hopefully by mid year there will be someone who is willing to build the facility.

Mr. Symroski asked if the entity that is awarded the RFP will be the one to negotiate with the City and Utility Board on the lease.

Mr. Swift responded yes and the City will make the final judgment. The Utility Board will need to decide if it encompasses what they set out to do. There has to be some coordination between the City and KEYS.

#### **AGENDA ITEM #5 – CONSENT AGENDA**

- a) Approve Minutes - Regular Meeting – January 9, 2008
- b) Approve Disbursements Report and Budget Amendment #08-08 Remove & Cap Service Water Lines & Budget Amendment #08-13 Louisa Street Pocket Park
- c) Approve Bank Signature Resolution #756
- d) Award Contract for Insulating Oil Reclamation
- e) Declare Non PCB Transformers as "Surplus"

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

## **AGENDA ITEM #6 – ACTION ITEMS**

### **Agenda Item #6a – Approve Financial Audit and Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ended September 30, 2007**

For clarification, Mr. Bradford stated that in the past this item has been tabled to give the Board members an opportunity to review the CAFR before approving it.

Mrs. Tejada stated that the previous year the item was tabled for two weeks. It can be voted on tonight if the Board desires to do so or it can wait if any of the Board members need to contact Mr. Parks with any questions.

Mr. Symroski expressed that he would like some time to review the document.

Mr. Bradford made a motion to table Agenda Item #6a until the February 13<sup>th</sup> Utility Board meeting seconded by Ms. Clark. It was unanimous to table the item.

### **Agenda Item #6b – Approve the Payment to the City of Key West for the Fiscal Year Ended September 30, 2007**

Mrs. Tejada stated that Item #6b is a companion to Item #6a and recommends tabling the item until the Comprehensive Annual Financial Report is approved by the Utility Board. There was no opposition by the Board to table Item #6b.

### **Agenda Item #6c – Approve Changes to KEYS' Community Sponsorship & In-Kind Service Policy**

Mrs. Tejada stated that this item is a housekeeping issue. The changes are to the Community Sponsorship & In-Kind Service Policy. The major change is to the In-Kind Service Policy. With a year's experience, staff determined that some clarifying language will assist staff in the administration of the policy and will ensure applicants understand what is expected of all parties involved.

Mrs. Tejada proceeded to point out the changes to the policy which are shown below. The changes are in bold italics. (the entire policy is available upon request)

**Community Sponsorship Procedure:** All requests for sponsorships will require that Keys Energy Services' (KEYS) Community Sponsorship Application be completely filled out (page 6 of this document). This form is to be submitted to the Communications Department for processing. The completed application will be forwarded to a Sponsorship Committee comprised of members from KEYS' Senior Staff for review and approval/disapproval. The applicant will be notified by mail of the result of their request. ***If approved, sponsorship checks will be mailed out four to six weeks prior to the date of the event.***

**Community Sponsorship Determination:** The Communications Department will budget for community sponsorship expenditures on a yearly basis. The amount will be a line item within KEYS' Communications Budget that is approved by the Utility Board. All sponsorship expenditures must fall within those budgeted dollars; and sponsorships will be awarded on a first come, first serve basis. ***KEYS reserves the right to make the first come, first serve basis on a quarterly, bi-annually or yearly basis.***

**In-Kind Service Sponsorship Procedure:** All requests for in-kind services will require that KEYS In-Kind Service Sponsorship Application be completely filled out (page 7 of this document). ***This form should be submitted to the Communications Department at least eight weeks prior to the time the in-kind service is required. Upon receipt of the completed form, the Communications Department will route the application through KEYS' Engineering and Transmission and Distribution departments, in order to better gauge the size and extent of the request and whether or not KEYS can accommodate, before making a recommendation to the General Manager & CEO who will have final approval responsibility. The applicant will be notified by mail of the result of their request.***

Please note, the approval of an in-kind service request only applies to temporary service, which refers to service required for a short-term duration, such as, exhibitions, displays, bazaars, fairs, construction work, camps, etc. It will be supplied only when KEYS has readily available capacity of line, transformers, and other equipment for the service required. ***Applicants should note that in-kind services only waive the materials, labor, and truck costs of installing and removing the necessary service facility as well as the connect/disconnect fees. All other charges will apply including the service deposit, energy costs, and materials associated with installing and removing the necessary service facilities. Applicants should also***

*anticipate the use of a private electrical contractor for work outside of KEYS scope.*

**In-Kind Service Sponsorship Determination:** Up to 750 work-hours of in-kind service work will be planned per fiscal year (October – September). In-kind service sponsorships will be awarded on a first come, first serve basis. ***KEYS reserves the right to make the first come, first serve basis on a quarterly, bi-annually or yearly basis. The number of hours per request will be limited.***

**Agenda Item #6d – Approve Change Order #1 to Motor-Services Hugo Stamp, Inc. for Overhaul of Medium Speed #1, Bid #08-08, and Approve Budget Amendment #08-12**

Mrs. Tejada stated that the Change Order is to Motor Services Hugo Stamp, Inc. for the Medium Speed Diesel #1 Overhaul. She stated that in December 2007 it was reported to the Board that 17 liners and collars would need replacement on the MSD in the amount of \$96,000 and that additional costs were anticipated as further inspection was performed on the unit. Upon inspection additional items did pop up; air coolers \$36,000, excess freight and customs charges \$34,000, and guide springs \$36,000 plus a variety of small ticket items. The majority of all materials and parts come from France.

Mrs. Tejada stated that the change order is in the amount of \$361,628.12 which is a huge amount. With staff's experience after the two overhauls in the future they will be able to have more accurate numbers up front. She stated that staff recommends the approval of Change Order #1 to Motor-Services Hugo Stamp, Inc. in the amount of \$361,628.12.

Motion was made by Mr. Batty and seconded by Ms. Clark to Approve Change Order #1 to Motor-Services Hugo Stamp, Inc., Bid #08-08, in the amount of \$361,628.12, and Approve Budget Amendment #08-12.

Under discussion Mr. Batty asked if any more change orders are anticipated.

Mrs. Tejada responded that she believes this is the final change order for this overhaul.

Mr. Batty asked what the total budgeted amount was.

Mr. Wetzler responded that \$500,000 was budgeted, \$469,000 was previously awarded so this is approximately \$330,000 above the original budgeted dollars.

A brief discussion followed on the guarantee for the work performed.

The roll was called and the following vote was recorded:

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

**Agenda Item #6e – Award Contract for Fiber Optic Network Construction Monitoring Services Power Engineers, Inc.**

Mrs. Tejada stated that in November the Utility Board approved a contract with Expertech Network Installation, Inc. for the installation of a fiber optic network system. On the same date, the Board approved a construction monitoring contract with Black & Veatch. At that time staff alerted the Board that Black & Veatch had requested a change to the terms and conditions that KEYS' staff did not agree to. After lengthy discussion, Black & Veatch would not agree to continue operating under the existing terms and conditions. At that time staff contacted KEYS' consulting engineers of record to see if they might be able to provide the services. Power Engineers, Inc. responded saying that they would perform the same work and offered a bid price of \$113,770. In order to keep the project moving forward, staff is recommending that the contract be awarded to Power Engineers, Inc. in a not-to-exceed amount of \$113,770.

Motion was made by Mr. Batty and seconded by Ms. Clark to award the contract for the **Fiber Optic Network Construction Monitoring Services to Power Engineers, Inc. in a not-to-exceed amount of \$113,700.**

Under discussion Mr. Symroski asked if this matter was holding up the construction of the fiber optic network.

Mrs. Tejada responded that it was not. Expertech is here currently doing some of the preliminary work and construction will begin in approximately three weeks. Power Engineers will be available at that time to do the construction monitoring.

Mr. Batty asked if staff was comfortable with Power Engineers performing the work.

Mrs. Tejada responded that they were.

Mr. Hernandez asked what their experience was with fiber optics.

Mr. Dan Sabino, Project Engineer for KEYS informed the Board that Power Engineers has submitted a lengthy resume and it appears that it is a reputable company.

There being no further discussion the motion passed unanimously.

**Agenda Item #6f – Approve Emergency Purchase of one set of Heat Exchangers & Radiators Left and Right side for Combustion Turbine #1**

Mrs. Tejada stated this is another agenda item associated with the improvements being made in the generation facilities. Generation staff inspected the radiators on CT #1 and identified that they need to be replaced. Quotes were solicited to replace the radiators. All of the quotes which were received were above the \$25,000 threshold. Immediately, staff issued a Request for Proposals (RFP) and no bids were received through the formal process. Due to the fact that CT #1 is scheduled to come down for maintenance, staff wants to replace the radiators at the same time rather than going through another formal RFP process to try and get additional responses. Staff feels this is important enough to request an emergency purchase to replace the radiators during the scheduled period for the CT #1 upgrades.

Mrs. Tejada continued to state that several quotes were received ranging from \$31,923 - \$81,258. She stated that staff is recommending the approval of an Emergency Purchase to GE International, Inc. in the amount of \$31,923.52 for one set of heat exchangers left and right side for CT #1.

Motion was made by Mr. Batty and seconded by Mr. Symroski. The motion passed unanimously.

**OTHER BUSINESS**

Under Other Business Mr. Batty asked what the timeline is for the fin-fan coolers and is staff still looking at VAR support other than the synchronous condenser.

Mr. Wetzler expects that the fin-fan coolers will be installed in April prior to the deadline of May 15<sup>th</sup>.

Mr. Batty also asked what the timeline is for the filling in of the discharge canal.

Mr. Wetzler responded that this item will be budgeted for in the next fiscal year.

Mrs. Tejada responded to Mr. Batty's question regarding the static VAR compensators stating that Keys Energy and Florida Keys Electric Co-operative have a contract with Florida Power & Light to perform a voltage stability study. She stated that Florida Municipal Power Agency is also waiting to hear the results of the study. They have expressed an interest in having a second consulting group perform a similar study. The cost will be considerably higher for another consultant to perform the study.

Mrs. Tejada stated that the report should be available by April which will help staff determine where to go.

### **ADJOURNMENT**

There being no further business to come before the Board the Regular Utility Board meeting of January 23, 2008 adjourned at 5:59 P.M.

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Lou Hernandez, Utility Board Chairman

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Lynne E. Tejada, General Manager & CEO/Secretary

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