

MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON APRIL 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 Tejeda, General Manager & CEO; Jack Wetzler, Assistant General Manager & CFO; Erin Nevius, Attorney; Alex Tejeda, Director of Customer Services, and Edward Garcia, Director of Generation.

AGENDA ITEM #4 – PRESENTATIONS AND RECOGNITION

Safety Training Certification – Bobby Ruble

Mrs. Tejeda informed the Board that Mr. Ruble recently received his Certified Safety Professional Certification. He acquired the certification within the first 6-months of being appointed to KEYS' Safety Environmental/Safety Officer. The self-study course normally takes two years but he attended a two week acceleration class in Orlando to acquire the certification. The certification is a national designation for safety professionals in the industry and involves extensive coverage of OSHA regulations.

Mr. Ruble thanked the Board for the recognition.

KEYS' Outstanding Employee – 2nd Quarter 2008 – Wayne Lewallen

Chairman Hernandez stated that the Board is pleased to recognize Mr. Lewallen as the KEYS' Outstanding Employee for the 2nd Quarter of 2008.

Mr. Lewallen thanked the Board for the recognition.

5th Annual Service Industry Advertising Awards

Mrs. Tejeda stated that KEYS has received two Gold Winner recognitions from the 5th Annual Service Industry Advertising Awards in the utility category.

One was for the conservation calendar and the other is for the newspaper insert in the Key West Citizen last May regarding reliability. The SIAA recognizes the achievements of the service industry and its creativity and communication accomplishments in advertising and promotion. Mrs. Tejada commented that this is a very nice award for Mr. Barroso and KEYS.

AGENDA ITEM # 5 – INFORMATIONAL ITEMS

Power Supply Report

Mrs. Tejada informed the Board that since the last Utility Board meeting there has been one transmission outage that lasted ninety minutes and was caused by a sailboat at Niles Channel, one distribution outage which lasted four minutes and seven feeder reclosures mainly due to inclement weather.

Generation Report

Mr. Garcia reported that CT#1 remains off line, the radiators have been installed and the air intake will be installed on Friday morning. The unit is expected to be back in service by Friday or Saturday. The fin fan cooler for the synchronous condenser is on site. The installation will begin on Monday morning. The synchronous condenser will be coming off line Sunday morning and will be off line from April 28th until May 12th. The fin fan coolers for the MSD's are expected to arrive on site the week of May 12th and installation of the coolers will start on May 19th. These units are expected to be off line from May 19th to June 13th.

Mr. Garcia stated that with the exception of CT #1 all other units are available. Currently there are 93.5 MW's available.

Mrs. Tejada informed the Board that starting next month, staff would like to change the format for the reporting on power supply and the generation report. Instead of giving a verbal report the information provided by Dale and Eddie will be included in the Board packet. This will enable the Board to see changes in outages and generation availability.

Quarterly Unit Price Purchase Order Report

Mrs. Tejada stated that this report is included in the Board packet for the Board's review. Staff is prepared to answer any questions you may have.

There were none.

Quarterly Financial Report

Mrs. Tejeda stated that this report is included in the Board packet for the Board's review. Staff is prepared to answer any questions you may have.

There were none.

14th Annual Tree Giveaway

Mrs. Tejeda informed the Board that the 14th Annual Tree Giveaway is scheduled for Saturday, May 3rd at 8:30 a.m. at the KEYS Service Building. There will not be a Cudjoe site for the Tree Giveaway this year but hopefully there will be one next year. The same number of trees that are normally available for both locations will be available at the Service Building.

Mr. Batty asked why the Tree Giveaway is not being held at Sugarloaf School this year.

Mrs. Tejeda responded that there is no way to secure the trees at Sugarloaf Elementary. Other sites have also been considered and there is a security issue. In addition to that KEYS did not want to share the publicity by saying it is at another location.

Land Use

Mrs. Tejeda told the Board that staff received good news last week from the State. The Cabinet, sitting as the Board of Trustees for the Internal Improvement Trust Fund, approved the purchase of KEYS' 55-acre property on Cudjoe Key. The Cabinet approved the full contract price of \$1.9 million. Erin Nevius along with DEP is working diligently towards closing the project in June.

Mrs. Tejeda proceeded to tell the Board that staff received a letter from the County regarding the Big Pine Key Animal Shelter saying that they have no intention of renewing their lease with Keys Energy and are not seeking for Stand Up for Animals (SUFA) to have a full-time presence at Big Pine. Staff has also received a letter from SUFA asking if KEYS would consider having a lease directly with them for two purposes. One specifically for their spay and neuter clinic and the other is a drop off point. Although the County is not funding SUFA to have a facility on Big Pine, they still need to have a drop off for animals until they can be transferred to Marathon.

Mrs. Tejeda told the Board that staff has told SUFA that they will work on a lease to present to the Board for further discussion and possible approval.

SO2 Allowance Report

Mrs. Tejada told the Board that staff has asked Mr. Brian Nelson, a Senior Environmental Consultant with R.W. Beck who works at the Denver office, to prepare a brief background on SO2 credits and an analysis of the future of SO2 allowances in regards to availability and price and how that analysis impacts KEYS' decision to sell its SO2 allowances.

Mr. Brian Nelson introduced himself and proceeded with the presentation. Some of the highlights are stated below. The complete report is available upon request.

- Acid Rain Program Allowances
- Clean Air Interstate Rule (CAIR)
- Modeled Forecast
- Projected Cost to Control Sulfur Dioxide Emissions
- Findings and Recommendations

ACID RAIN PROGRAM

- Clean Air Act Amendments of 1990
 - Established National Cap-and-Trade Program for SO2 Emissions
 - Allowances allocated annually to Electric Generation Unit owners
 - 1 allowance = 1 ton of SO2 emissions
 - Unused allowances may be carried forward/bought/sold
 - Phase I 1995-1999
 - Phase II 2000+

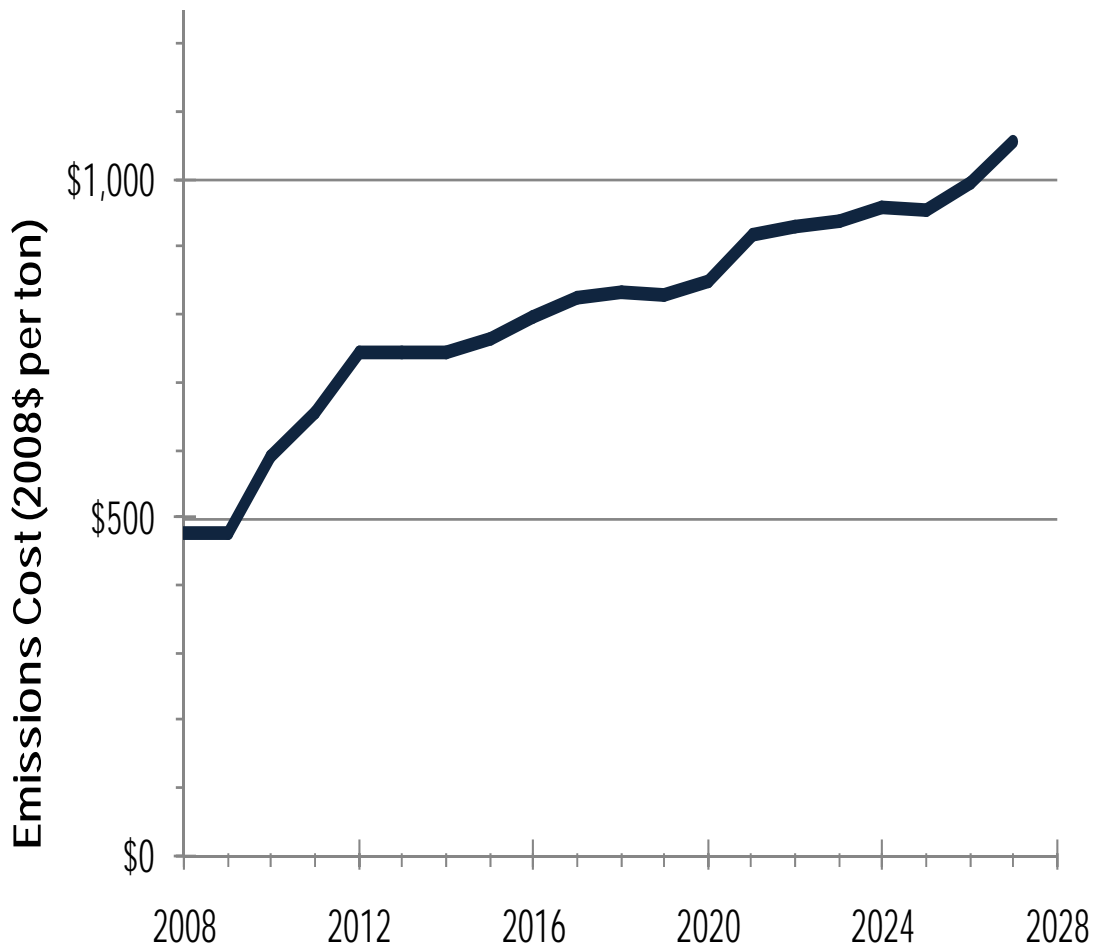
CLEAN AIR INTERSTATE RULE (CAIR)

- Finalized in 2005
- Utilizes Acid Rain Program SO2 allowances but reduces the value of certain allowances
- Implementation Schedule
 - 2010 to 2014
 - 2015 and beyond

RW BECK FORECAST MODELING PROCESS

- 20 year forecast
- Inputs
 - Allowance Bank
 - Annual Allowance Allocation
 - Projected US SO2 Emissions
 - Projected US Generation
 - Estimated Cost to install SO2 controls

PROJECTED COST TO CONTROL SO2 EMISSIONS



COMPARISONS

- Compare current forward price curve to forecast
 - Forward price is available now
 - Forecast price is not available until the forecast year
- What is the Net Present Value comparison of certain allowance holdings?

ALLOWANCE HOLDINGS

Vintage	Allowances
2005	100
2006	49
2007	67
2008	67
2009	67
2010 and beyond	2,578

NPV COMPARISON OF 2010-2014 ALLOWANCES

	Evolution Markets Feb Forward Price	R. W. Beck Forecast Price	Forecast Discounted 5% Annually to 2008	Forecast Discounted 10% Annually to 2008	Forecast Discounted 15% Annually to 2008
2010	\$236	\$295	\$267	\$244	\$223
2011	\$234	\$328	\$284	\$247	\$216
2012	\$225	\$371	\$306	\$254	\$212
2013	\$214	\$372	\$291	\$231	\$185
2014	\$211	\$372	\$278	\$210	\$161
Total NPV ¹	\$2,887,360	-	\$3,675,527	\$3,055,041	\$2,570,266

1. Net present value of 2,578 allowances per year for 2010 to 2014 for each of the five different allowance price levels presented.

OBSERVATIONS AND RECOMMENDATIONS

- Current allowance prices are less than the cost of installing SO₂ control equipment
- Our forecast suggests that better prices may be available in the future

IMPORTANT NOTE

- A decision to hold the allowances does not come without risk as future prices for allowances may be lower than the forecast prices and lower than current forward prices. There is no guarantee that waiting to sell the allowances will not result in a loss of value to KEYS as compared to the value able to be realized from a sale today. Our forecast is based upon the assumptions stated within this report and on available information. The forecast is dependent upon our estimated cost to install and operated SO₂ controls on coal-fired generation units now and in the future. Actual future SO₂ allowance prices may be greater or less than our forecast.

Mr. Batty asked when the Board will be asked to make a decision on the sale of SO₂ allowances.

Mrs. Tejeda stated that based on the report, staff is looking at selling the 2010-2014 in their corresponding years. Staff may want to keep a certain threshold for futures because the threshold that staff projected was higher than anything indicated in this report. If the market changes and the futures look attractive, it may be wise to sell. Otherwise, based on the information in this report, it appears that the best bet is on a rolling year, to always sell the current year.

Mr. Batty asked if there is a possibility, with the green initiatives in this country, that at some time it will be politically incorrect to buy SO₂ allowances even if they are cheaper rather than installing scrubbers which will devalue the SO₂ dramatically.

Mr. Nelson stated that he did not feel it would be politically incorrect.

Mrs. Tejeda asked Mr. Nelson a question regarding Clean Air Interstate Rule (CAIR) ratios. If you are in a CAIR state and have one allowance can a non CAIR state buy from them. Would they buy one to one or would they have to buy two for their needed one.

Mr. Nelson responded that it is based on location of the generation.

Chairman Hernandez thanked Mr. Nelson for the report.

Mrs. Tejeda updated the Board with some additional informational items.

- Pension Workshop scheduled on May 13 at 3:00 p.m.
- Green Workshop scheduled on May 20 at 4:00 p.m.
- Strategic Planning Utility Board Workshop scheduled July 22 at 10:00 a.m.

GLEE'S EXPO

Mrs. Tejeda stated that the GLEE Expo and film festival are coming up soon. KEYS is a sponsor of the film festival. The shows are scheduled on April 26-30 at 5:00 and 7:30 p.m. at the Florida Keys Eco Discovery Center and the Expo is on Saturday, May 10 at the Marathon High School from 9:00 a.m. to 5:00 p.m.

BIG PINE KEY OFFICE

Mrs. Tejeda informed the Board that the first meeting regarding the Big Pine Key Office is scheduled this week. The first goal is to identify all the services provided by KEYS from that office and to then identify alternative ways to provide the same or similar services without having an office. Staff will come up with a plan to present to the Board and then take it to the Advisory Committee for input and then back to the full Board for final decision.

Chairman Hernandez asked if staff has received any feedback from customers.

Mrs. Tejeda responded that the Lower Keys Chamber of Commerce had sent an e-mail notifying their members of the possible change of services provided in Big Pine Key. As of today, nine letters have been received.

Mr. Symroski asked who was involved in the meeting this week.

Mrs. Tejeda responded that there are several people involved from Customer Services, IT, Facilities, Finance. Staff tried to get representatives to serve on the committee who can come up with the ideas on how to provide services that will match the services currently being provided.

Mr. Batty stated that it is safe to assume that KEYS is not trying to reduce services but modify the way those services are being offered.

Mrs. Tejeda stated, that is the goal. Staff wants to identify every type of service that a customer can conduct at the Big Pine Key Office and identify the alternate way of conducting business.

Chairman Hernandez asked what the goal is.

Mrs. Tejeda responded that it is to maintain customer service while reducing costs.

Chairman Hernandez stated that KEYS is a public entity and whatever they do needs to be focused in that direction. KEYS is not a business for profit. However, both sides of the issue should be considered.

Mr. Symroski stated that he shares the same sentiments as Chairman Hernandez. He stated that he liked the approach that staff is taking but would ask if there are other services that are not being offered than could be offered. Sometimes it isn't strictly about the dollars but the services.

Mr. Batty commented that staff should look at alternatives without reducing any customer services whatsoever. He stated that KEYS is a public service utility and has a responsibility to the rate payers, but KEYS also needs to offer fiscal responsibility not only in the Big Pine operation but in everything that is done by KEYS. Mr. Batty stated that he is not seeking the reduction of services but to evaluate the services being provided and see if there is another way to move forward. It is not a foregone conclusion as to what will happen at Big Pine.

AGENDA ITEM #6 – CONSENT AGENDA

- a) Approve Minutes - Regular Meeting - March 26, 2008
- b) Approve Disbursement report and Budget Amendments #08-20
Additional Funding for IVR System, #08-21 Emergency Repair MSD #1
and #08-22 Purchase Oil Drum Skimmer
- c) Declare Non PCB Transformers as "Surplus"

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

AGENDA ITEM #7 – ACTION ITEMS

Mrs. Tejada informed the Board that staff would live to postpone item #7a until Mr. Eden can be present at the meeting.

Motion was made by Mr. Bradford and seconded by Mr. Batty to table Agenda Item #7a - Approve Resolution No. 758 Employment Agreement Utility Board Attorney, Nathan Eden.

Agenda Item #7b Approve Change Order #1 to Barrett & Company Inc. for E-Care Enhancement

Mrs. Tejada stated that staff is seeking approval for a change order to Barrett and Company for E-Care enhancement. Barrett & Company is the firm to which KEYS outsourced billing. They contracted with Wise who prints all the bills. In KEYS' effort to go green and to have a paperless billing ability, Wise and

Barrett have the capability of taking all of KEYS' files and essentially putting them into the equivalent of a PDF and storing it on a server at their location. When a KEYS customer wishes to see their bill electronically they will be able to view it exactly as if it had been received in their mailbox.

Motion was made by Ms. Clark and seconded by Mr. Bradford to approve Change Order #1 to **Barrett & Company Inc.** for E-Care Enhancement **in the amount of \$10,107.00**

Under discussion Chairman Hernandez asked where their facility is located.

Mrs. Tejada responded that they are located in Maine. She stated that if a customer signs up for paperless billing they will receive an e-mail notifying them that their bill is ready for viewing.

Their being no further discussion the motion passed unanimously.

OTHER BUSINESS

There was none.

ADJOURNMENT

There being no further business to come before the Board Mr. Symroski made a motion to adjourn the Regular Utility Board Meeting of April 23, 2008 at 5:55 p.m.

APPROVED:

Lou Hernandez, Chairman

ATTEST:

Lynne E. Tejada, General Manager & CEO/Secretary

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