

## Capital Project Prioritization Process (CPPP)

Capital projects are evaluated each fiscal year and integrated into the multi-year financial plan, which is linked to the Strategic Plan. The Utility Board sets the strategic plan by developing the year's strategic goals. These goals are management's basis for the multi-year financial plan.

### Determine Total Project Funding Amount

To determine the Total Project Funding Amount, the Financial Plan, along with the various funding sources, must be reviewed with focus on amounts that may be available from the Revenue Fund, Renewal & Replacement Fund, Designated Retained Earnings, Contribution in Aid of Construction Fund, Line Extension Fees, and other reimbursements.

### Capital Project Evaluation Form

The *Capital Project Evaluation Form* is prepared for each proposed project. The top portion of the form describes the capital project in detail. This is comprised of a description of the work, Cost-Benefit Analysis, and breakdown of the proposed project costs. The middle part describes the relationship of the project to each strategic goal with a total score included. The evaluator reviews the score for appropriateness and makes changes as needed. The total score of the proposed project for each fiscal year is calculated by adding the numbers in each column.

### Rank Proposed Projects

The Finance Department prepares a list of projects based on number of points in descending order, with the requested funding for each project included. The list indicates whether total funding equals available funding. Proposed projects that fall below the total available are cut from funding in the current year and are reconsidered in subsequent years.

The department directors and direct reports meet with the Chief Financial Officer to discuss the results of the CPPP. Any adjustments the group deems necessary are made. The results are forwarded to the General Manager & CEO for review and final approval.

**Utility Board of the City of Key West  
Budget Prioritization Form**

**Project Title**

**Detailed Description of work**

**Impact to KEYS (will project save money, improve customer satisfaction, etc.) Please detail:**

**Possibility of project over runs: YES (Detail reasons) / NO**

**Circle one from each group**

Core Business?	Yes	No	Type of Expense ?	O&M	Capital
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**Budgeted Project Total**

**Estimated Labor Cost**

**Estimated Overtime Cost**

**Estimated Material Cost - Inventory**

**Estimated Material Cost - Vendors**

**Estimated Transportation Costs**

**Estimated Outside Services Cost**

\$	-

**Score**

**Please enter your score for 2005 tasks only in column "C"**

	2006	2007	2008	2009	2010
<b>Core Business / Electricity</b>					
<b>Necessity</b>					
▶ Required by Law, Contracts & Agreements	Yes/No				
▶ Operationally Required	Yes/No				
▶ Security	Yes/No				
<b>If the task being evaluated satisfies either of the "Necessity" criteria, STOP at this point, do not score any further</b>					
<b>Implement a reliability plan to <i>maintain</i> system outage benchmarks that exceed industry levels</b>					
1,2,3					
<b>Achieve optimum levels of Customer Service</b>					
1,2,3					
<b>Identify, formulate &amp; implement plans that will improve upon key employee issues</b>					
1,2,3					
<b>Investigate &amp; develop implementation plans for new revenue sources in communication &amp; land use</b>					
1,2,3					
<b>Maximize the benefits derived from the FMPA relationship</b>					
1,2,3					
<b>Total Score - Core Items</b>					

Evaluated by:

Date:

Disposition:

### Multi Year Capital Improvement Plan

Project Description	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Transmission Line and Substations Maintenance- FKEC territory	\$ 91,000	\$ -	\$ 112,435	\$ 11,300	\$ 45,200	\$ 45,200
Adjust Tapchangers & Replace Contacts	-	-	-	30,000	-	-
Reinsulate 69 kV Transmission Line	-	-	-	200,000	200,000	200,000
Reinsulate Line 4 (water portion)	-	-	200,000	200,000	-	-
Repair Over the Water Transmission Pole Foundations	435,000	130,000	-	-	-	300,000
Reinsulate Stock Island Plant Substation	-	-	-	-	-	180,000
Repair Transmission Line Pole Foundations	-	-	-	-	50,000	150,000
Replace Transmission Oil Circuit Breakers	-	-	150,000	150,000	150,000	250,000
138KV Insulator Replacement	750,000	-	-	-	-	-
Purchase Potential Transformers	-	50,000	35,000	-	-	-
Install existing relays for Tie Line	30,000	-	-	-	-	-
Upgrade Transmission Relay Panels	60,000	115,000	231,000	160,000	-	-
FKEC Communication	-	30,000	-	-	-	-
<b>Total - Transmission</b>	<b>1,366,000</b>	<b>325,000</b>	<b>728,435</b>	<b>751,300</b>	<b>445,200</b>	<b>1,125,200</b>
Change out Voltage Regulator	-	-	-	50,000	50,000	50,000
Install new Feeder Reconductor - Stock Island Substations	-	-	100,000	50,000	50,000	50,000
Construct New Feeders on Distribution System	-	-	100,000	-	-	100,000
Construct New Substation - Stock Island	-	-	-	200,000	1,400,000	-
Underground Trenching	-	364,624	-	-	-	-
Purchase Transformers	185,000	300,000	300,000	300,000	300,000	300,000
Other - Daily Work Orders, Engineer's Requests	900,000	900,000	900,000	900,000	900,000	900,000
Implement Underground Conversion Program	100,000	-	100,000	100,000	100,000	100,000
Military ( NESC, Upgrades & Normal Maintenance) Distribution	-	2,433,000	907,000	907,000	907,000	907,000
Improve Distribution(Sectionalizers/Reclosurers/Capacitors)	-	-	100,000	50,000	100,000	100,000
Convert Feeder @ Louisa St Substation to 13.8KV	100,000	-	-	-	-	-
Distribution System Maintenance - Outside Services	200,000	400,000	400,000	400,000	400,000	400,000
Install Power Quality Improvements	-	-	10,000	-	10,000	10,000
Install Power Transformer- KW Diesel Substation	612,000	-	-	-	-	-
Normal Improvements/upgrades to Substations	-	-	40,000	40,000	40,000	40,000
Remove the 4160KV Circuit	-	-	50,000	-	-	-
Purchase Residential and Commercial Meters	225,000	200,000	215,000	231,125	248,459	300,000
Relocate Poles-DOT Right-of-Way (Roosevelt Rehabilitation)	75,000	-	75,000	-	-	-
Replace Switchgear-Bus B @ Kennedy Drive Substation	-	578,000	-	-	-	-
Replace Disconnect Switches-Key West Diesel Substation	15,000	-	-	-	-	-
Replace Remote Terminal Unit	35,000	-	-	15,000	15,000	15,000
Upgrade Field Communications	225,000	175,000	-	-	-	-
<b>Total - Distribution</b>	<b>2,672,000</b>	<b>5,350,624</b>	<b>3,297,000</b>	<b>3,243,125</b>	<b>4,520,459</b>	<b>3,272,000</b>
Upgrade Emissions Monitoring Equipment	-	-	120,000	-	-	-
Purchase MSD Turbo Charges	-	-	-	850,000	-	-
Military ( NESC, Upgrades & Normal Maintenance Generators)	-	400,000	-	-	-	-
Overhaul High Speed Diesel #2 at Stock Island	100,000	-	-	-	110,000	-
Rebuild Casing - CT#1	-	-	-	-	-	700,000
Perform Top End Overhaul - Medium Speed Diesels	-	-	100,000	-	60,000	-
Replace Turbo Charger - High Speed Diesels	-	30,000	30,000	35,000	-	-
MSD Service Water Underground Piping	-	-	110,000	-	-	-
<b>Total - Generation</b>	<b>100,000</b>	<b>430,000</b>	<b>360,000</b>	<b>885,000</b>	<b>170,000</b>	<b>700,000</b>

**Multi Year Capital Improvement Plan**

<b>Project Description</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Purchase & Installation of siding for the SIGF	25,000	30,000	30,000	35,000	35,000	35,000
Replace HVAC Condensing Coils - Synchronous Condenser	25,000	-	-	-	-	-
Improvements to Facilities	45,000	50,000	60,000	70,000	80,000	90,000
Sewer at Stock Island Facility	75,000	-	-	-	-	-
Demolish Boiler/Apparatus - Stock Island Generating Facility	-	-	-	-	-	50,000
Purchase 15,000 lb Vehicle Lift	-	-	15,000	-	-	-
Install Air Conditioning at Warehouse "C"	-	-	50,000	-	-	-
<b>Total - Facilities</b>	<b>170,000</b>	<b>80,000</b>	<b>155,000</b>	<b>105,000</b>	<b>115,000</b>	<b>175,000</b>
Replace Drive-in Car Wash System	-	25,000	25,000	-	-	-
Overhaul Company Vehicles	60,000	-	30,000	60,000	60,000	60,000
Replace Company Vehicles	-	-	205,000	368,000	265,000	475,000
<b>Total - Fleets</b>	<b>60,000</b>	<b>25,000</b>	<b>260,000</b>	<b>428,000</b>	<b>325,000</b>	<b>535,000</b>
GPS Vehicle Tracking	-	60,000	-	-	-	-
Upgrade PC's & Equipment Electrical Operation & Production	-	15,000	-	-	-	-
Upgrade PC's	-	75,000	-	-	75,000	-
Inventory Barcode System	-	-	25,000	-	-	-
Implement new Work In Process System	-	-	-	35,000	-	-
Customer Service and Financial System Upgrades	-	-	-	-	-	225,000
IVR Phone Answering System	350,000	-	-	-	-	-
Replace Intel Servers, Storage Devices, Fiber Channels	125,000	75,000	-	-	-	-
Replace or Upgrade SCADA System	-	100,000	200,000	-	-	-
Replace all Network Switching Equipment	-	-	200,000	-	-	-
Provide Wireless Functionality for Relays	-	-	-	50,000	-	-
<b>Total - Information Technology</b>	<b>475,000</b>	<b>325,000</b>	<b>425,000</b>	<b>85,000</b>	<b>75,000</b>	<b>225,000</b>
Emergency Contingency	40,000	40,000	40,000	40,000	40,000	75,000
Feasibility Study - Short & Long Term Land Use Plan	100,000	-	-	-	-	-
Feasibility Study - Communication/Fiber Plan	100,000	-	-	-	-	-
<b>Total - General Plant</b>	<b>240,000</b>	<b>40,000</b>	<b>40,000</b>	<b>40,000</b>	<b>40,000</b>	<b>75,000</b>
<b>Sub-Total All Proposed Projects</b>	<b>5,083,000</b>	<b>6,575,624</b>	<b>5,265,435</b>	<b>5,537,425</b>	<b>5,690,659</b>	<b>6,107,200</b>
<b>Proposed Projects To Be Eliminated Subsequent To The Annual Prioritization Process</b>	<b>-</b>	<b>0</b>	<b>(99,340)</b>	<b>(99,257)</b>	<b>(159,920)</b>	<b>(32,561)</b>
<b>Total</b>	<b>\$ 5,083,000</b>	<b>\$ 6,575,624</b>	<b>\$ 5,166,095</b>	<b>\$ 5,438,168</b>	<b>\$ 5,530,739</b>	<b>\$ 6,074,639</b>

## Significant Capital Project Benefit

The majority of Keys Energy Services' (KEYS) capital projects are routine in nature, therefore, not discussed in this section. The exception is the United States Navy project which is analyzed below.

KEYS have entered into contract negotiations with the United States Navy for the purchase of the Navy's electrical infrastructure within KEYS' Territory, including two generators. The acquisition consists of significant non-routine capital improvements to the distribution and generation systems and will expand KEYS' territory while ensuring a constant revenue stream for the utility. Funding is included in the 2006 budget in the event an agreement is reached. The purchase price of \$6.3 million is based on fair market value (FMV) and includes the cost of upgrades and maintenance to the Navy's existing utility system in accordance with industry standards. The purchase price will be allocated over a 20 year period utilizing the 10 year United States Treasury Bill rate of 5.2%. This fiscal year's capital budget is \$2.8 million. The acquisition of the Navy's infrastructure will increase the Operating and Maintenance Budget by \$937.0 thousand in 2006 and comparable funding is recognized for future years due to an increased number of assets the utility will maintain. Per the proposed contract, KEYS' has established both standard & special maintenance fees for a combined yearly recovery of \$1.2 million.

### FY 06 Budgeted Capital Projects

