

**MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON DECEMBER 12, 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 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; Erin Nevius, Attorney; Alex Tejada, 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 Rzas, Compliance Administrator.

**AGENDA ITEM #4 – INFORMATIONAL ITEMS**

**Item #4a – Power Supply Report**

Mr. Dale Finigan reported that since the last Utility Board meeting there have been no transmission outages, one feeder outage due to a bus hitting a pole, and three feeder reclosures.

**Item #4b – Generation Report**

Mr. Eddie Garcia reported that currently there are 89 megawatts available. The overhaul of medium speed diesel #1 is approximately 52% completed. The motor was removed yesterday from CT #2 and has been shipped to Houston, Texas for repair by GE. The synchronous condenser transformer has been installed and should be on line by Wednesday of next week. The replacement of the stainless steel lines to the medium speed diesel day tanks is underway.

Chairman Hernandez commended the Generation staff for the great progress underway at the Stock Island Plant.

**Item #4c – MSD #1 Cylinder Liner Replacement**

Ms. Tejada referred the Board to a memorandum in their packets addressing the cylinder liner replacement. She proceeded to say that the MSD #1 overhaul is

approximately 50% completed. All of the cylinders were removed as part of the overhaul and sent away for inspection. The inspection revealed that out of the eighteen cylinders, eight of them have significant cracking that is beyond repair and nine have corrosion and cracked collar rings, one is in good shape. There are two options:

- Completely replace the eight liners and associated collar rings and make repairs to the other liners and replace those collar rings at an approximate cost of \$73K.
- Completely replace the seventeen lines and collar rings for \$96K

Mrs. Tejeda stated that staff feels it will be in the best interest of the Generation Department and future reliability to move forward with a complete replacement. This will help prevent unit down time and future repair costs.

Mrs. Tejeda commented that the overhaul was approved at the September 26, 2007 Utility Board meeting and at that time it was identified that staff could possibly return to the Board requesting a change order. There may be some additional change orders that will come up between now and January.

Mr. Batty asked if Florida Municipal Power Agency is sharing a portion of the costs.

Mrs. Tejeda responded that they were not, the unit belongs to KEYS.

Mr. Batty inquired if more change orders are anticipated.

Mrs. Tejeda stated that there could be more change orders but not to the magnitude of the one being currently discussed.

Chairman Hernandez agreed that staff should proceed with the complete replacement of the collar rings and lines.

#### **Item # 4d – Land Use Committee Update**

Mrs. Tejeda stated that the Land Use Committee remains busy with several projects as follows:

- Continue to explore options on where to house KEYS' operations. A Request for Proposals for the sale of certain properties at Stock Island has been prepared and will be issued in early December. Letters have been sent to property owners in Rockland Key to gauge interest in selling. Responses are due back on or before December 14<sup>th</sup>.

This will help determine if there is a tract of land large enough to meet KEYS' needs and to establish a rough estimate of the cost of such property.

- Continue to monitor the progress of the sale of the Cudjoe Key Property west of Blimp Road. It appears that the sale of the property will be on the January 2008 Cabinet agenda meeting for discussion. Mr. Rzad is staying in touch with that office.
- A meeting was held today with Mr. Ed Swift to discuss the Key West Diesel Plant property at the foot of Angela Street. Staff is reviewing the property set aside for the Assisted Living Coalition. Staff is balancing their needs for parking with KEYS' needs for access to the substation. The Assisted Living Coalition will make a brief presentation to the Utility Board at the second meeting in January.

Chairman Hernandez suggested that the Board members should take a tour of the property.

- A draft Request for Proposals for the decommissioned Cudjoe Key generation peaker site soil remediation has been prepared and will be issued shortly. The object of the RFP is to obtain the best cost to remove the contaminated soil and ground water at Cudjoe Key and to remove contaminated soil at Big Pine Key.

### **SO2 CREDITS**

Mrs. Tejeda informed the Board that her authority to sell SO2 Credits will expire at the end of the month. The credits have remained below the \$300 threshold. A period is upcoming where they tend to spike up. She stated that she would like to extend her purchasing authority still at the \$300 level. The cash is not greatly needed in the system at this time and if staff is unable to attain the \$300 mark in the futures market, staff believes it is best to hold onto the credits and sell them in the current market. Staff will plan to bring this to the Utility Board as an action item for the January meeting if the Utility Board agrees.

### **FMPA INFORMATION**

Mrs. Tejeda informed the Board that Chairman Hernandez attended his first meeting on Thursday as a member of the Board of Directors. At the meeting the Board approved sending a Request for Proposals for a management review to help identify the reasons for the recent turnover in high position jobs at FMPA; they also approved hiring Dunlap and Associates as the financial advisor. The Executive

Committee is moving forward with the Central Florida 300 megawatt combined cycle unit. They approved the site at KUA's Cane Island Site. They approved negotiating with the top three ranked engineering firms and are working on the financing for the project using fixed rates.

Mrs. Tejada continued to state that the item of most interest to KEYS was the Treasure Coast Energy Center Operation and Maintenance Agreement. Largely because of the concerns KEYS raised, the item was tabled until the January meeting. She stated that KEYS will send FMPA a letter enumerating the differences KEYS has concerns with. The letter will be sent well in advance of the January meeting so the other cities have the opportunity to review the concerns and be prepared for discussion.

### **HOLIDAY ACTIVITIES**

Mrs. Tejada informed the Board that KEYS placed first in the commercial category the for City of Key West's 10<sup>th</sup> annual holiday parade.

She proceeded to tell the Board that KEYS' Employee Activities Committee recently coordinated the collection and delivery of over \$2,000 of toys for local needy children via Poinciana Elementary School.

### **Item #4e – Strategic Plan Update**

At this time Mr. Rzad presented the Board with the following Strategic Plan Update and Mr. Barroso assisted in presenting Strategic Plan #6 dealing with the reduction of greenhouse gases.

## **UTILITY BOARD OF THE CITY OF KEY WEST 2007-2008 STRATEGIC PLANNING UPDATE DECEMBER 12, 2007**

### **STRATEGIC PLAN UPDATE**

- Two-Year Strategic Plan
  - Fluid & Dynamic
  - Attainable two-year goals
- Update Utility Board every six-months on progress and status
  - Allows input and recommendations on Strategic Plans and projects that support strategies
  - Last update in April 2007

## ACCEPTED STRATEGIES

- 1) Develop a methodology to operate with flat or declining sales
- 2) Create a stable, capable committed work force
- 3) Maintain reasonable long-term reliability level compared to industry benchmarks and improve customer perceived reliability
- 4) Maximize benefits to KEYS from FMPA
- 5) Maintain high level of customer service and satisfaction
- 6) Reduce atmospheric concentrations of greenhouse gases while considering the rate of impact on KEYS' customers

### STRATEGY #1

- **Develop a methodology to operate with flat or declining sales**

<b>Focus Areas</b>	<b>Action Plan Title</b>	<b>Status</b>
Increase Available Funds	1a) Rates	Completed FY 07
Increase Available Funds	1b) New Sources of Revenues	WiFi Program/Terminated Other Activities Ongoing
Increase Available Funds	1c) Borrowing	Completed in FY 07
Increase Available Funds	1d) Highest and Best Use for BPK Peaker Site	Equip. Removed/Lease Terminated/Soil Remediation To be Completed in FY 09
Decrease Expenses	1e) Outsourcing Business Functions	Begun/ Recommendation In FY 08
Decrease Expenses	1f) Outsourcing and Relocating Functions to Less Costly Areas	Begun/ Recommendation In FY 08
Decrease Expenses	1g) Interagency Collaboration	Begun/Ongoing
Decrease Expenses	1h) Review/Assess Existing Programs	Begun/ Recommendation in FY 08
Decrease Expenses	1i) Review Administration Building	Begun/ Recommendation In FY 08
Decrease Expenses	1j) One Utility Concept	On Hold per FMPA

## STRATEGY #2

- **Create a stable, capable, committed work force**

Focus Area	Action Plan Title	Status
Attracting & Retaining Qualified Employees	2a) Salary & Benefits: Management	Completed/Ongoing Performance Management System in 2008
Attracting & Retaining Qualified Employees	2b) Salary & Benefits: Bargaining Unit	Completed in FY 07
Attracting & Retaining Qualified Employees	2c) Establish Wellness Program	Begun/Ongoing
Attracting & Retaining Qualified Employees	2d) Conduct Employee Satisfaction Survey	Discussed/No Cost Benefit Determined
Attracting & Retaining Qualified Employees	2e) Construct Affordable Housing on Blimp Road at Cudjoe Key Peaker Site	Begun/Soil Remediation & Recommendation to UB in FY 09
Attracting & Retaining Qualified Employees	2f) Construct Affordable Housing on 50 x 100 Lot Located at Patterson Avenue and 8 <sup>th</sup> Street	Approved 5-year Pocket Park Lease with City of KW
Developing Capable Workforce	2g) Succession Planning/Leadership Development/Transition from Union to Management	Begun/Ongoing/ Policy Recommendations to UB in FY 08
Developing Capable Workforce	2h) KEYS Training	Begun/Ongoing Completion Scheduled in FY 08

## STRATEGY #3

- **Maintain reasonable long-term reliability level compared to industry benchmarks and improve customer perceived reliability.**

Focus Areas	Action Plan Title	Status
Transmission & Distribution	3a) Implement New Vegetation Management Programs to Reduce Outages	Completed August 2007
Transmission & Distribution	3B) Investigate New Reliability Improvements-Comply with PSC Storm hardening Distribution System	Completed August 2007
Transmission & Distribution	3c) Review/Assess Projects Prepare 5-10 year Implementation Plan, Rank by Customer Service Benefit	Completed in FY 07
Transmission & Distribution	3d) Analyze Impact of PSC Requirements on Utility Facilities in inaccessible easements	Begun/Carry Over to FY 08
Transmission & Distribution	3e) Implementation of System Wide Backbone Fiber Optic Network	Begun/Contractor Selected November 2007/ Scheduled for Completion in FY 2009

<b>Focus Area</b>	<b>Action Plan Title</b>	<b>Status</b>
Customer Services	3f) Investigate New Reliability Improvements – Back up Generation Credits for Large Commercial Customers	Investigated/Cost-Benefit does not justify
Generation	3g) Increase Summer Availability of Units	Begu/CT2 & MSD 1 Overhauls Started Implementation Fin Fan Coolers in May 2008
Generation	3h) Develop Operating Agreement with FMPA for all their units	Completed/Ongoing
Customer Perception of Reliability	3i) Develop & Deliver Customer Education Program	Begun/Ongoing
Customer Perception of Reliability	3j) Reverse 911 Customer Response during Outages & Automated Customer Callbacks Following Outages	OMS/IVR Proof of Concept November 2007/Final Implementation by May 2008

#### **STRATEGY #4**

- **Maximize benefits to KEYS from FMPA**

<b>Focus Areas</b>	<b>Status</b>
4a) One Utility Concept	On Hold per FMPA
4b) Explore what is available to KEYS	Begun/Ongoing
4c) Training	Begun/Ongoing

#### **STRATEGY #5**

- **Maintain a high level of customer service and customer satisfaction**

<b>Focus Areas</b>	<b>Status</b>
5a) Build Customer Focused Mindset in the Organization	Postpone to next Strategic Plan Workshop
5b) Improve Effectiveness of Advisory Committee	Begun/Recommendation in FY 08
5c) Improve Customer Friendliness of Phone System	OMS/IVR to be Implemented in May 2008
5d) Develop Unique Methods for Obtaining Customer Feedback	Investigated/Cost Benefit does not justify

## STRATEGY #6

- **Maintain a reasonable long-term reliability level. Reduce atmospheric concentrations of greenhouse gases while considering the rate impact on KEYS' customers**

Focus Areas	Status
<b>6a Develop an Education Program to help customers learn about Climate Change and what they can do</b>	<b>Begun/Ongoing</b>
<b>6b) Identify Customer Assistance Programs; Determine Feasibility of Implementation; and offer as appropriate</b>	<b>Rebate Program being reviewed/First Customer Solar Interconnection Completed/Other Activities Ongoing</b>
<b>6c) Implement "Green" initiatives for KEYS' facilities and operations</b>	<b>Investigations Ongoing/Solar MOU with Reef Relief approved/B5 Bio-Diesel Fuel Purchased</b>
<b>6d) Lobby FMPA to establish renewable goals</b>	<b>KEYS approved Resolution 753 seeking FMPA support/FMPA added Carbon Counter/FMPA reviewing alternative fuels</b>

Discussion ensued regarding the reduction of greenhouse gases and what KEYS can do to regarding this matter.

The Board thanked Mr. Rzad for the presentation.

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

- a) Approve Minutes - Regular Meeting – November 28, 2007
- b) Approve Disbursements Report
- c) Approve Safety Training Participation Agreement between Florida Municipal Power Agency and Keys Energy Services
- d) Award Purchase of Stainless Steel Fuel Lines for Combustion Turbines #1, #2 & #3
- e) Award Contract for Painting Combustion Turbines #1, #2 & #3 - Bid #14-08
- f) Declare Non PCB Transformers as "Surplus"

Under discussion Mr. Symroski asked why it is indicated that there are no dollars budgeted for agenda item 5f.

Mr. Wetzler responded that this item is not normally budgeted.

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

## **AGENDA ITEM #6 – ACTION ITEMS**

### **Item #6a- Approve Sole-Source Purchase Order with Colectric Partners, Inc.**

Mrs. Tejeda told the Board that Colectric Partners is a member-owned collaborative business serving America's public power industry. Florida Municipal Power Agency is a member of Colectric, as a member city of Florida Municipal Power Agency, KEYS has access to services Colectric offers.

Mr. Eddie Mims, Vice President of Operations and Maintenance volunteered his time last year to help KEYS identify issues in the Generation Department. He assisted in developing a work plan to improve generation. Mr. Mims did not charge KEYS for the first several visits. Colectric had to begin charging KEYS for their services and FMPA agreed to support the work at a rate of roughly two thirds of the cost. Mr. Mims' assistance has been invaluable and significant improvements have been made.

Mrs. Tejeda stated that staff recommends approval of the Sole Source Purchase Order with Colectric Partners, Inc. for a total cost of \$32,100.

Motion was made by Mr. Bradford and seconded by Mr. Symroski to Approve Sole-Source Purchase Order with Colectric Partners, Inc. in the amount of \$32,100. There being no discussion the motion passed unanimously.

### **Item #6b – Approve Emergency Purchase of 7,500 Gallons of Lube Oil**

Mrs. Tejeda stated that as part of the MSD #1 overhaul, 4,000 gallons of lube oil is needed in the tank and currently there are only 2,000 in the tank that holds 7,500 gallons. KEYS went out on competitive bids for the lube oil and found Port Consolidated Inc able to provide the oil. They informed KEYS that their current prices of \$6.99 per gallon would increase on December 10<sup>th</sup> by 50 cents. Knowing the costs would be increasing generation staff recommended filling the tank at the lower cost per gallon in order to take advantage of the reduced cost. In addition to the savings per gallon KEYS will only incur one delivery rate.

Mrs. Tejeda informed the Board that she had conferred with Chairman Hernandez who agreed it would be prudent to purchase the oil for the savings and then present to the Board as an after the fact emergency purchase.

Motion was made by Mr. Batty and seconded by Mr. Bradford to approve the Emergency Purchase of 7,500 gallons of lube oil. There being no discussion the motion passed unanimously.

**Item #6c – Approve Emergency Purchase of Two Air Compressors for the Synchronous Condenser and Declare Associated Equipment as “Surplus”**

Mrs. Tejada informed the Board that the purchase is for two air compressors for the synchronous condenser which will replace some old out-dated equipment which will improve reliability.

Mrs. Tejada stated that it is an emergency purchase due to KEYS going out on a call for bids and there were no bids received. KEYS was able to receive a quote from Ingersol Rand for the purchase of the two air compressors in the amount of \$37,640 which staff believes is a fair price and staff is recommending approval for the emergency purchase.

Mr. Batty asked if the \$37,640 includes delivery and installation.

Mrs. Tejada responded that the delivery is included. Mr. Garcia stated that the installation will be done by KEYS staff.

Mr. Batty asked if anything is being done about static var support rather than continuing to funnel into the synchronous condenser.

Mrs. Tejada stated that there is a study currently underway which will address var support. Once the study is back KEYS will be in a better position to have discussion with FMPA on how to proceed.

Mr. Batty asked if it is worthwhile to ask FMPA to share in some of the costs involved with this bid.

Mrs. Tejada stated that in the contract with FMPA it is very clear that this is one of the units KEYS is responsible for. At the time that static var compensation is added KEYS will be able to ask FMPA to share in the costs.

Mr. Batty asked when KEYS will receive the report on the study.

Mr. Finigan responded that it should be available within the next four months.

There being no further discussion, motion was made by Mr. Bradford and seconded by Ms. Clark to approve the Emergency Purchase of two air compressors for the Synchronous Condenser and declare Associated Equipment as “Surplus”. There being no further discussion the motion passed unanimously.

**Item #6d – Approve Sole-Source Purchase Order with Altec Industries, Inc. for Five-Year Major Maintenance Overhaul on Bucket Truck #37**

Mrs. Tejada stated that a major maintenance overhaul of Altec vehicles is recommended every five years by Altec Industries. Upon completion of the overhaul, Truck #37 will meet all Occupational Safety & Health Administration and American National Standards Institute requirements for personnel and vehicle safety.

Motion was made by Mr. Batty and seconded by Mr. Bradford to approve Sole-Source Purchase Order with Altec Industries, Inc. for a five-year Major Maintenance Overhaul on Bucket Truck #37. There being no discussion the motion passed unanimously.

**AGENDA ITEM #7 – OTHER BUSINESS**

There being no further business to come before the Board motion was made by Mr. Batty and seconded by Mr. Symroski to adjourn the Regular Utility Board meeting of December 12, 2007 at 6:10 P.M.

APPROVED:

---

Lou Hernandez, Chairman

ATTEST:

---

Lynne E. Tejada  
General Manager & CEO/Secretary

sp