

Questions Received on District Energy System Program Options Report
Presented to DES Advisory Board August 16, 2018

Question 1: If Metro should sell DES to a private entity, since Metro is one of its largest customers, would Metro be able to lock-in rates beyond the term of each Metro contract?

Response: As a reminder, Metro has not made a decision regarding the options presented. However, it should be noted that the DES would be considered to be attractive to potential acquirers on most fronts, although some specific customer contracts may be viewed as negative. It would be speculative at this point to presume what the rate structures would be under any option presented.

Question 2: The firm presenting the report to the Board said they noticed a lot of “bad” in the current contracts with the customers. Specifically, what was bad about them?

Response: The current contracts with the customers are generally not structured in a way that provides excess or upfront funding that could be used to finance capital. Consequently, accessing capital without having first secured new customers is difficult, while securing new customers without ready access to capital is also difficult – in other words, growth opportunities are missed without ready access to capital.

Question 3: As Metro reviewed FVB’s study and recommendations, is there a particular option that Metro is considering?

Response: Metro received the options report from the consultant and is in the process of considering the results of the study. Specific next steps for a particular option have not been identified.

Question 4: The DES Program Options Report references Appendix A and Appendix B. Are they separate documents? If so, where can I obtain a copy?

Response: The documents referenced in Appendices A & B are separate documents supporting the report and will be made available on the DES website with the Options report.

The documents contained in Appendix A.1, B.1 and B.2 are the financial models built by FVB to determine the NPV, IRR, Enterprise Value, cash surplus (deficit), and other financial metrics. The document contained in B.3 is a more in-depth explanation of the modeling assumptions used in the construction of the aforementioned financial models.

Appendix A

- A.1 Metro DES 2017 Program Options - No Growth Business Case*

Appendix B

- B.1 Metro DES 2017 Program Options - Growth Business Case - EGF Expansion*

- *B.2 Metro DES 2017 Program Options - Growth Business Case - TES Expansion*
- *B.3 Additional Model Assumptions*