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Metro Nashville DISTRICT ENERGY SYSTEM

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THE DES REPORT

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Everywhere you look these days, you see the buzz phrase "The New Normal." It has shown up in financial publications, maintenance and technology publications, real estate publications, and energy publications … so what is "The New Normal"?

Basically, we are being asked to do more with less. Due to the recent economic downturn, companies are trying to run leaner to remain profitable. "Telework," or remote working, is on the rise. Arguably, cost savings can be achieved by working remotely one or two days a week; however, working remotely 100 percent of the time can be a problem. Studies have shown that we need to interact with other people. A connection with our co-workers gives our work a sense of purpose. Without it, we get depressed, detached and unengaged.

Many companies are offering their employees early retirement, and others have resorted to layoffs. In several cases, when people are recalled, they are no longer available because they have already moved on. What can be done about the lost knowledge and experience resulting from these manpower cutbacks?

Even though times are tough, employers must invest in their people and technology. Technology has resulted in many of us being connected 24/7. Hunching over a Blackberry at all hours of the day or night may be considered useful, but it can also be very stressful. Good or bad, it is the future. Virtual communication has replaced travel for meetings. Remote monitoring equipment has made it possible for facilities to operate with less manpower. How do companies invest in their people? The simple answer is, through training. Training employees to utilize new technical equipment will make them more efficient. Wellness programs emphasizing health and safety produce major cost savings. People who are on the job, feeling good mentally and physically, are more productive.

When capital budgets are cut, maintenance professionals are tasked with stretching the life of equipment. A computerized maintenance management system is a tool that can assist in automating this process. Maintenance must be proactive rather than reactive. What is the old adage? "An ounce of prevention is worth a pound of cure." The cost of repairs or a replacement will be many times greater than preventive maintenance costs.

The days of a building engineer's simply adjusting valves in the boiler room are over. Today's operators must have the technical skills, not only to operate reliably and efficiently, but also to analyze and report financial impacts resulting from their actions. These are prime examples of why training must be a top priority.

A person does not need to consider himself or herself a conservationist or an environmentalist to have a common focus on the reduction of energy consumption. In today's economy and

political landscape, the shift to all things "green" is here to stay. Major green initiatives include things such as solar power, wind power and nuclear power. These are all areas that Constellation Energy is very involved in. Closer to home, it is about understanding the perspective of the Nashville District Energy System's customers regarding energy costs, consumption and conservation, and looking for ways to help them meet their expectations in these areas.

Over the past several years, Constellation Energy has improved the operating efficiency of the plant. This has been accomplished through experience and employee diligence. These savings are shared with the DES customers. Metro has completed several condensate return projects that have reduced, not only fuel costs, but water and chemical costs as well. Constellation Energy and Metro work together on the procurement of fuel.

What can customers do to use less energy and cut costs? They can close blinds, set thermostats a few degrees higher in summer and lower in winter, turn off lights and other equipment when not in use, and perform preventive maintenance. This includes cleaning air conditioner coils and changing return air duct filters. A computerized building-energy-management system can assist in automating some of these processes. The majority of these items are things that could also benefit us at home.

The recession has changed the lives of everyone in some way. We must transform the balance of family, career, health, environmental responsibility and economics from sustaining to sustainable.

As financial wizard Warren Buffet says, "It is all about the return on investment."

Constellation Energy's Projects & Services Recognized as One of 50 Most Eco-Friendly Companies in Middle Tennessee

DES Expected To Save City More Than $200 Million by 2022

Constellation Energy's Projects & Services Group (CEPS), which built and operates Nashville's DES plant, is one of the "greenest" companies in Middle Tennessee, according to a statewide business publication.

The Nashville Post recently released its inaugural list of "Green Heroes," recognizing the 50 most eco-friendly companies in Middle Tennessee. Included on the list is CEPS, which established an office in Nashville in 2002 when it began construction on the Metro DES plant.

CEPS is nationally recognized for large-scale solar, biomass and geothermal energy projects. Working with Metro through the district energy system, CEPS supplies heating and cooling to more than 40 buildings in downtown Nashville, and is expected to save the city more than $200 million by 2022. The DES facility is supported by the sale of chilled water and steam to downtown buildings at no cost to taxpayers, and the system saves its energy customers approximately 10 percent as compared to alternatives.

"It's an honor to be listed as one of the 50 most eco-friendly companies in Middle Tennessee," said John Schaffer, CEPS' vice president of operations in Nashville.

"Although we have a national presence, we take pride in being a good corporate citizen in all of the communities we serve. Making this list will hopefully solidify our position as a leader in Middle Tennessee when it comes to financial and environmental solutions that can significantly reduce energy consumption and costs."

CEPS also recently expanded its operations in Middle Tennessee by building and operating an energy generation plant in Old Hickory to support Fiberweb's manufacturing and R&D facility.

7th Annual Constellation Energy/Nashville District Energy Golf Outing

The Seventh Annual Constellation Energy/Nashville District Energy Golf Tournament was held on July 17, 2010, at Pine Creek Golf Course in Mt. Juliet. The weather cooperated again this year, as it was cool and dry. The golf course was in excellent shape, and the staff, as always, was a pleasure to work with. Of the 68 people who played, 11 were Constellation Energy employees and six were customers. The winning team of Tavaris Davis (teacher), Morris Davis (Tampa Electric), John Spalding (Chemtreat) and Dale Vandergriff (NBS, retired) finished at 13 under par, with a score of 59.

Tavaris Davis also won the longest-drive contest, and Daryl Etheridge won the closest-to-the-pin contest. First-place team members and the individual contest winners each received a trophy and a cash prize. The teams were evenly matched again this year, with the last-place team finishing only 10 strokes behind the leaders, with a score of 69.

Many of our customers, contractors, vendors and friends generously sponsored holes and donated gifts to be given away as prizes for the remainder of the participants. Constellation Energy Projects & Services Group sponsored a hole-in-one contest on all of the par 3 holes and the barbecue luncheon immediately following the tournament. This year's outing was a tremendous success, and everyone who participated had a great time.

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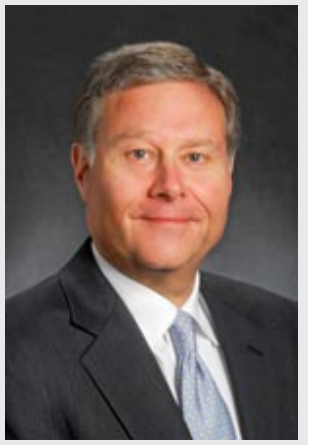
5 Questions With DES Board Member Rich Riebeling



Mayor Karl Dean appointed Richard Riebeling to the position of director of Finance for the Metropolitan Government of Nashville and Davidson County in November of 2007.

Prior to his appointment, Riebeling worked as an investment banker, focusing on public finance, and was an attorney with the law firm Stokes & Bartholomew. He also served in Gov. Ned McWherter's administration as the commissioner of the Department of Economic and Community Development for the state of Tennessee.

Before receiving his law degree from Vanderbilt University in 1983, Riebeling worked as an assistant in the mayor's office for five years during the administration of former Nashville Mayor Richard Fulton, and spent three years as a newspaper reporter, leaving the *Nashville Banner* in 1978.

Riebeling was appointed in 2007 to the Metro DES Advisory Board, where he has used his experience to help guide DES' performance. We recently spoke with Riebeling to get his insights about DES and what it means to Nashville.

Q: You were named as Metro's director of Finance in late 2007, and at that time the DES

system had been operating for about four years. As someone who keeps a close watch on the costs of operations, how would you rate DES' performance?
A: I think DES has performed well. The concept of district energy is one that has the potential to offer a cost-effective alternative to building owners – like Metro and the state of Tennessee – to save on the cost of operating their own boilers and chillers. During my tenure, I think DES has delivered on that promise.

Q: According to a recent issue of *The Nashville Post*, DES is expected to save the city $200 million by 2022. Do you think downtown developers and investors view DES as an asset when making decisions about future growth in the area?
A: I think having DES in Nashville is a sign that our city isn't afraid to consider innovative solutions in order to solve infrastructure issues. Having DES downtown gives potential developers an affordable heating and cooling option that costs 10 percent less than traditional systems, so I think it's a big positive for our city. I think using DES for future development depends on its capacity for new buildings.

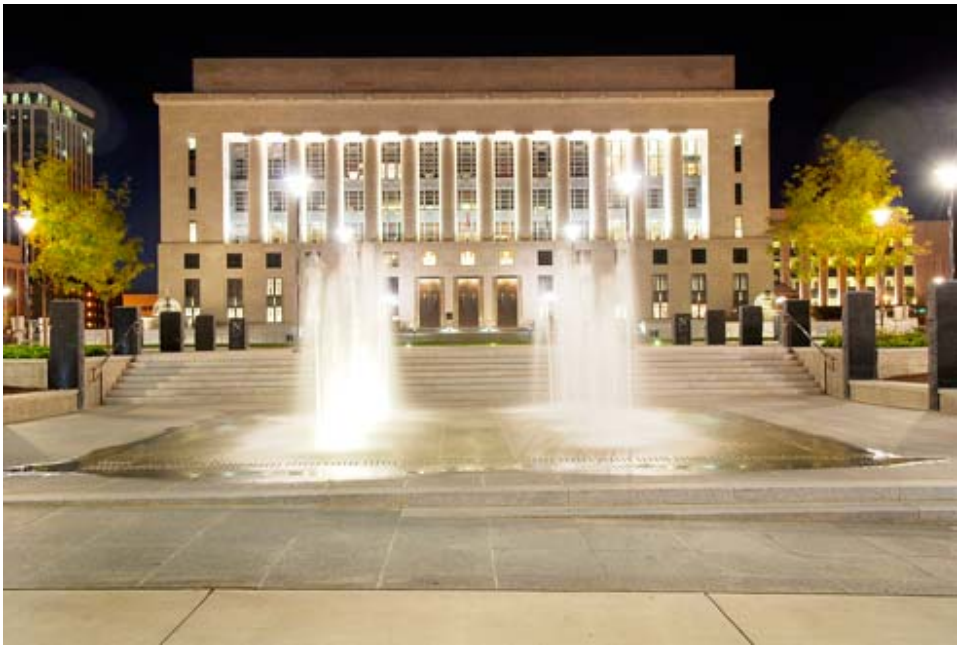
Q: The new DES plant has been operating for more than seven years now, and has been managed by Constellation Energy Projects & Services Group (CEPS) since it began operation. How has the public-private partnership with CEPS worked out so far?
A: It's been a really good partnership for everyone involved. Now that CEPS is overseeing the day-to-day operations at DES, Metro can focus on other areas of infrastructure downtown. Another important aspect is that almost 100 percent of the former Metro employees who worked at NTTC were able to keep their positions when CEPS took over, and the rest of them were offered positions to work for Metro. As a member of the advisory board, I can tell you that DES' customers are consistently happy with the service CEPS provides.

Q: You worked in Mayor Fulton's office in the early to mid-'70s, when the Nashville Thermal Transfer Corporation (NTTC) was still servicing downtown customers with heating and cooling. What are some interesting comparisons between the NTTC under Mayor Fulton's administration and Metro DES under Mayor Dean's administration?
A: Back in the '70s, that part of downtown Nashville was not a place many people visited, and the thermal plant was burning garbage so it wasn't the most appealing thing to be doing in the center of the city. I think by moving into the attractive DES facility and freeing up that valuable real estate for future development, we have an opportunity to make much better use of the old thermal site and really open up a big part of downtown for growth.

Q: Do you have any idea what might be built on that site?
A: It's a very desirable location, and there is a lot of interest in it. But all I can say at this time is "stay tuned."

Customer Spotlight: Historic Metro Courthouse

The Metro Nashville/Davidson County Courthouse is more than just a historic building – it is the central "nerve center" for city government, housing the mayor's office, the Metro Council's chambers, and city and county courts.



Completed in 1936, the courthouse anchors the public square overlooking the Cumberland River. The 247,400-square-foot building, which comprises 11 stories, was designed by Frederick Hirons of New York and Emmons Woolwine of Nashville.

In 2003, the courthouse underwent a major renovation. Barge Waggoner Sumner & Cannon was hired to restore the exterior and lobbies to their original art deco luster, and also to completely reconstruct the interior of the building, bringing it up to modern standards for security, fire protection, ADA accessibility, ventilation and energy management.

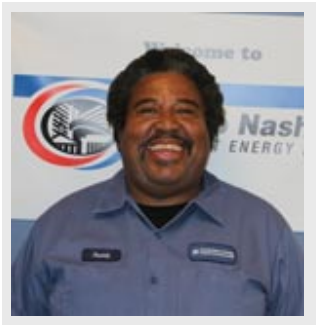
"This building houses a lot of history and is very important to our city, so we were really happy when remodeling plans were approved," said Glenn Mohon with Metro's Department of General Services. "It couldn't have turned out any better. The building has retained its historic atmosphere, but also features technology, security and safety improvements."

Aside from the building's eye-catching lobbies and exterior, the courthouse is also renowned for the public park on the property, Public Square Plaza. The park features a central lawn, fountains, gardens, public art and plantings resting atop a five-level underground parking garage that can hold 1,200 cars. The Metro Courthouse is managed by Metro's Department of General Services, with the Metro Parks and Public Works departments sharing ownership of the parking garage structure and the plaza grounds.

"Public Square Plaza has added a new dimension to the property," Mohon said. "It's not just a courthouse anymore, but a multiuse property that hosts concerts and provides downtown residents and employees a place to exercise or relax."

WRLT-FM Lightning 100 held its Live on the Green concert series at Public Square Plaza for the second consecutive year in 2010, drawing crowds of more than 10,000 for some shows. Public Square Plaza was also recognized as one of the top green roof projects in North America by Green Roofs for Healthy Cities in 2007, and received the award for best nonbuilding structure by the Tennessee Concrete Association in the same year.

The historic courthouse was serviced by NTTC prior to the transition to Metro DES, and it has remained on the system since the changeover. The courthouse not only operates its HVAC systems from chilled water and steam supplied by Metro DES, but also is enrolled in the TVA/Enernoc/NES Demand Response program, which provides Metro considerable energy savings by its participation in the program.



Meet Ronnie Lowe: Stationary Engineer 1 (SE1)

Q: How long have you been with Metro DES?
A: Like many of my co-workers, I started at the thermal plant and stayed on when we transitioned to Metro DES. I came on board at the thermal plant in 1974, when it was still under construction, so I've been here for 36 years in all.

Q: What path led you to where you are? What did you do before joining DES that prepared you for a career in this industry?
A: I always liked to work with my hands, and my first real job was at TSU as an air conditioner maintenance technician. After that, I went to work at Firestone, where I also maintained air conditioning systems. While I was there, the Interstate 24 Bridge was being remodeled, so I had to drive by the thermal plant every day while it was being built because I crossed the river using the Shelby Avenue Bridge. Around the same time, a co-worker tipped me off to an opening at the thermal plant for a chill plant operator.

Q: For those who don't know what an SE1's role is, please tell us a little bit about your day-to-day responsibilities.
A: As a stationary engineer, I'm responsible for monitoring the chilled water and steam systems. The software we use at DES is very reliable, but sometimes I have to override the system due to the outside temperature. The outside temperature in October, for instance, can vary a lot. Sometimes I have to increase the amount of steam or chilled water based on the actual outside temperature, rather than what we've projected it to be.

Q: What was the biggest challenge for DES after the flood? Is everything back to normal, or are you guys still tackling projects to get the system back on track?
A: Our biggest challenge was waiting for the water to drain out of the tunnels that make up our system. When there's water in our system, we can still service customers with chilled water, but can't pump steam through the tunnels because it causes stress on the expansion joints. We also had no electricity in the tunnels, which is necessary for lights and ventilation. Employees' safety became our first priority, but we were still able to restore service quickly.

Q: What's the most vital thing DES customers can do to conserve energy and cut costs as we transition into cooler weather? What's the most detrimental thing customers can do at this time of year that could increase energy consumption and costs?
A: For customers that have a machine room located close to an outside wall, I'd recommend adding vents to pull in outside air. If the outside temperature is 65 degrees, for instance, the vents would allow the air handler to pull in the outside air to help cool the building. This would cut down on the amount of chilled water needed to keep the building cool. It's basically the same concept as opening windows in your home in the spring and fall, but on a much larger scale. If the machine room is in the middle of the building, it may not make sense from a costs perspective to run vents to the outside wall, but it's worth looking into.

Q: What's your favorite thing about your job?
A: I've always liked to take things apart and put them back together. Working on air conditioners was a challenge to learn, and working with steam has been equally challenging, which makes the job fun. I also work with some really great people, and that's one of my favorite things about the job as well.

Q: If you weren't a stationary engineer at Metro DES, what would you like to do?
A: I'd probably be doing something with air conditioning. That's my first passion.

Q: What do you like to do when you're not on the job?

A: I love to hunt and fish. Because of the way our shifts are set up, I'm off for a week at a time, so it's a good situation for someone like me who enjoys the outdoors.